

## *How Land Was Appraised in the Appraisal District*

### **1. Develop a Land Classification System.**

The first step in appraising agriculture land is to create a land classification system, grouping land according to "principal types of agricultural uses." TEX. STATE COMPTROLLER OF PUB. ACCOUNTS, MANUAL FOR THE APPRAISAL OF AGRICULTURAL LAND, 20 (1990). The classes of land are to be based on the most common land uses in the county. Individual differences in productivity shall not be reflected in the classification system, as it would not be practical. A class or sub-class will not be created for a small percentage of the total acreage; rather, this acreage will be included in a class with similar productivity.

The County Appraisal District has developed a land classification system. This system is contained on the County Appraisal District appraisal manual. Under the County Appraisal District land classification system, agricultural land is appraised as a member of one of four classes: Irrigated Cultivated Land; Non-Irrigated Cultivated Land; Improved Pasture; and Pasture and Rangeland. Each of these classifications has sub classes which are determined by soil type and productivity of the soil. Each of these classes and subclasses was determined by a soil survey done by the United States Department of Agriculture and the Texas Agricultural Experiment Station.

### **2. Estimate the Net to Land Per Acre for Each Class or Sub-Class.**

The second step in appraising agricultural land is to estimate the net to land per acre for each class of agricultural land. The net to land per acre for each category is the average annual net income that a class of land would be likely to have generated over a five-year period. TEX. STATE COMPTROLLER OF PUB. ACCOUNTS, MANUAL FOR THE APPRAISAL OF AGRICULTURAL LAND, 23 (1990). Net to land is defined as "the average annual net income derived from the use of . . . land that would have been earned from the land during the five-year period preceding the year before the appraisal by an owner using ordinary prudence in the management of the land." TEX. TAX CODE §23.51(4). The net to land is calculated based upon each class of land, not each specific tract of land, based on the productivity that could be expected from an ordinary prudent owner. Whether a specific tract of land did better or worse than the countywide average for the class is irrelevant. The relevant inquiry is what the productivity of the class of land was during the past five years.

### **3. Divide the Class' Net to Land by the Year's Capitalization Rate.**

The third step in appraising agricultural land is to take each class' net to land figure and divide it by the year's capitalization rate to arrive at a per acre value for each category of land. TEX. STATE COMPTROLLER OF PUB. ACCOUNTS, MANUAL FOR THE APPRAISAL OF AGRICULTURAL LAND, 20 (1990). The net to land figure is determined in step two, discussed above. The capitalization rate is set by law. See TEX. TAX CODE § 23.53. The capitalization rate is the highest of 10% or the rate specified by the Farm Credit Bank of Texas, on December 31 of the preceding year plus 2-1/2 percentage points. For tax year 2013, 10% was the higher of the two rates. Accordingly, the County Appraisal District divided the net to land figured in step two and divided it by the 10 capitalization rate. The result is found in the productivity appraisal schedule.

### **4. Classify All Qualified Agricultural Land According to the Land Classification System.**

The fourth step in appraising agricultural land is to place each tract of land designated as agricultural land into a category in the classification system. TEX. STATE COMPTROLLER OF PUB. ACCOUNTS, MANUAL FOR THE APPRAISAL OF AGRICULTURAL LAND, 20 (1990).

### **5. Multiply the Number of Acres by the Per Acre Productivity Values .**

The fifth and final step in appraising agricultural land is to take the number of acres of each class of property and multiply it by the per acre value for that land category. The result equals the appraised agricultural value for that tract of land.

RECAP (15)

2015

CAD 103 Hartley

CATEGORY	FINAL VALUE/ACRE
Irrigated Cropland	\$448.40
Dry Cropland	\$119.60
Improved Pasture	\$0.00
Native Pasture	\$36.40

CAP RATE 0.1000

IRRIGATED CROPLAND		
	Cash or Share	Net To
	Lease	Land
2000	S	\$24.16
2001	S	\$14.19
2002	C	\$36.41
2003	C	\$24.40
2004	C	\$29.60
2005	C	\$29.91
2006	C	\$54.96
2007	C	\$54.96
2008	C	\$41.03
2009	C	\$41.03
2010	C	\$45.81
2011	C	\$45.73
2012	C	\$45.81
2013	C	\$45.81
5 Year Average NTL		\$44.84
<b>IRRIGATED CROPLAND VALUE</b>		
<b>\$448.40</b>		

IMPROVED PASTURELAND		
	Net To	
	Land	
2000	\$0.00	
2001	\$0.00	
2002	\$0.00	
2003	\$0.00	
2004	\$0.00	
2005	\$0.00	
2006	\$0.00	
2007	\$0.00	
2008	\$0.00	
2009	\$0.00	
2010	\$0.00	
2011	\$0.00	
2012	\$0.00	
2013	\$0.00	
5 Yr Avg NTL		\$0.00
<b>IMPROVED PASTURE VALUE</b>		
<b>\$0.00</b>		

DRY CROPLAND		
	Cash or Share	Net To
	Lease	Land
2000	S	\$7.44
2001	S	\$11.76
2002	S	(\$3.34)
2003	S	\$3.72
2004	S	\$13.95
2005	S	\$26.05
2006	S	\$3.26
2007	S	\$41.93
2008	S	\$2.55
2009	S	\$4.66
2010	S	\$3.45
2011	S	\$15.26
2012	S	\$16.79
2013	S	\$20.95
5 Year Average NTL		\$11.96
<b>DRY CROPLAND VALUE</b>		
<b>\$119.60</b>		

NATIVE PASTURELAND		
	Net To	
	Land	
2000	\$3.02	
2001	\$3.02	
2002	\$3.82	
2003	\$3.77	
2004	\$3.72	
2005	\$3.50	
2006	\$4.38	
2007	\$4.38	
2008	\$4.38	
2009	\$4.38	
2010	\$3.45	
2011	\$3.45	
2012	\$3.45	
2013	\$3.45	
5 Yr Avg NTL		\$3.64
<b>NATIVE PASTURE VALUE</b>		
<b>\$36.40</b>		