



Mills Central Appraisal District

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GUIDELINES & REQUIREMENTS FOR AGRICULTURAL APPRAISAL QUALIFICATION

The general policy of Mills Central Appraisal District is in accordance with the Texas State Comptroller's qualification on guidelines for agricultural use. Only those operations that are truly agricultural in nature should be considered for agricultural productivity valuation. The district policy is that in order to qualify for agricultural use valuation, the land must first meet the following criteria based on the degree of intensity of use:

- The land must be utilized to the degree of intensity generally accepted in Mills County. Degree of Intensity is measured by local farming & ranching practices (stocking rates, planting rates, crop rotation, fertilization methods, harvesting and marketing techniques, etc.) which are those of a typically prudent farm or ranch manager. The land must be producing a product for human or animal consumption, or for commercial trade within the agricultural economy of the State of Texas, and being farmed or ranched to the extent typical for agricultural operations. This test is intended to **exclude land on which token agricultural use occurs in an effort to obtain tax relief.**
- Land must be **managed in a typically prudent manner.** Typically prudent may be measured by comparing the actual production of the subject property to the average yields of Mills County. A prudent manager conducts his farming or ranching operation in a business-like fashion, keeping books, and records, and operates as similar to businesses are operated. He uses his management ability, to operate under natural conditions, and **as a business venture for profit.** Property owners may actually be their own farm or ranch manager/operator, however, they must prove that they are following all the common production steps for their type of operation and putting in the typical amounts of labor, management, and investment. If the taxpayer has personal motives or engages in the agricultural activity for recreational purposes, his overall profit motives will be suspect.
- The land must be currently **devoted principally** to agricultural use. Principally is defined as the most important use in comparison with other uses. Current devotion requires that land be in active agricultural use for the bulk of the calendar year.
- Pursuant to Section 23.51 (1) of the Texas Property Tax Code, land must have been devoted principally to agricultural use for **five of the preceding seven years.** Land within the boundaries of a city or town must have been devoted principally to agriculture use continuously for the preceding five years. This five year use history must be established before the special agricultural appraisal can be granted. The agricultural use history must be provided on the application to the best of the current owner's knowledge. The applicant may need to contact the previous owner, neighbor, operator, etc. The previous owner's agricultural application is a confidential document as per Section 23.45 of the Texas Property Tax Code. The new owner must supply the information on their application, not the appraisal district.
- The land must be a **substantial tract of land.** Substantial means an identifiable tract of land of adequate size to support a typically prudent agricultural operation. It will be necessary to provide substantial evidence of use, such as described below, if you own a substantial tract of land, sell part and retain less than adequate acres the above will also apply.

INFORMATION / EVIDENCE TO SUPPORT USE:

Pursuant to the *Texas Property Tax Manual for the Appraisal of Agricultural Land* published by the Texas Comptroller of Public Accounts, to qualify land for agricultural appraisal, the **property owner must show** the chief appraiser that this land meets the standard. To do so, the property owner **must apply** for the appraisal and the property owner **must give the chief appraiser all the information he needs** to determine whether the land qualifies. It may be necessary to provide substantial evidence of use, such as a written lease agreement between the owner and the operator, receipts for feed, fertilizer, proof of harvest sales, profit/loss statements, income tax returns, etc. The **burden of proof of use is the responsibility of the property owner**; they must show evidence that they are following all the common production steps for their type of operation and putting in the typical amounts of labor, management, and investment. The property owner must also inform the chief appraiser of any changes in the status of the land.

Sections 23.51 – 23.57 of the Texas Property Tax Code directs the Texas State Comptroller of Public Accounts formerly known as the State Property Tax Board (SPTB) to develop Agricultural Appraisal manuals for agricultural land. Section 23.52 also directs the development procedures for verifying that land qualifies for agricultural appraisal. The attached agricultural land qualification requirements are considered valid for mass appraisal purposes and can be applied uniformly throughout Mills County. These guidelines are supported by (1) Section 183 of the IRS Regulation, (2) The Texas Property Tax Manual for the Appraisal of Agricultural Land published by the Texas Comptroller of Public Accounts, (3) The Texas Property Tax Code, (4) by the opinions of the Mills County Agricultural Advisory Board established pursuant to Section 6.12 of the Texas Property Tax Code, and (5) data collected from the local area. It should be noted that these guidelines are to be used as a general guide for qualifying agricultural land. Exceptions to the general rule will be handled on a case by case basis as determined by the Chief Appraiser.

LIVESTOCK / STOCKING RATES (based on the Degree of Intensity):

BEEF: Cattle operation on qualified land: 1 animal unit per 15 acres: Cow / Calf = 1 unit

COW/CALF: Raising beef for sale to either processors or operators as breeding stock. These include purebred operations, as well as, commercial breeders who sell calves to the local livestock markets. Typical requirements include at least 5 cows of breeding age that are bred annually.

STOCK/FEEDER: Raising beef for processors. This operation involves acquiring calves at a certain weight from cow/calf operators or the livestock auction and raising the calves until they reach slaughter weight. Both heifer and steer calves may be found in these types of operations.

SHEEP/GOAT: Sheep/ Goat Operation: 5 Sheep = 1 unit 6 Goats = 1 unit

SHEEP: Can provide two by-products, wool and meat. A commercial operation would not require any particular breed and may be in the business of meat only production. Purebred operations are normally primarily in the business of producing wool, meat or animals to sell to other producers as breeding stock. A typical flock consists of at least 15 head of ewes and 1 ram.

GOATS: Can provide three by-products, mohair, meat and dairy. Typical mohair production is limited to the Angora breed; all other breeds are involved in the production of meat (cabrito or young kid goat). Goats also may produce dairy by-products as a secondary use.

A typical flock of goats consists of at least 25 head of does and 1 buck.

HORSES/DONKEYS & LLAMAS: Horse / Donkey and Llama operation on pasture; 1 animal unit per 15 acres

Horse: Mare/Colt = 1 unit Stallion = 1 unit

Donkeys: Jenny/Foal = 1 unit Jack = 1 unit

Llamas: Dams/Cira = 1 unit Gelding = 1 unit

The by-products are colts, foals and ciras. This operation involves having brood mares and either a stallion on location or using an artificial insemination service for breeding. **At least 3 head of breeding age mares are required to be considered a typical horse breeding operation.** Supplemental feeding is a given fact of breeding horse operation. Breeding associations have suggested that a **minimum amount of acres for a typical breeder is in the fifteen to twenty acre range in order to support a breeding operation.** Horse breeding, raising and being sold to the public qualify for agricultural use. Horses stabled and/or used strictly for pets or recreational purposes do not qualify for agricultural use. When qualifying for agricultural land based on horse activity it will be necessary to provide evidence of use.

AGRICULTURAL LAND USE CATEGORIES:

- **Irrigated Crop** - Cultivated and planted to annual crops that are **watered on a regular basis**.
- **Dryland Crop – Planted**, in row broadcast crops, **not watered**, that are grown for sale or used for feed for livestock.
- **Orchard** – Trees planted in an **orchard setting** for the **specific purpose** of producing fruit and/or nut crops **for commercial sale**. An example of the degree of intensity accepted would be at least 14 producing, native trees per acre or 35 producing improved trees per acre.
- **Improved Pasture** – Perennial grasses, Bluestem, Kline, Bermuda, Johnson Grass, Crabgrass, Fescue, Dallisgrass, Bahia Grass, Ryegrass, Wheat, Oats, Rye, etc. that are **seeded or sprigged** and that is baled and/or grazed by domestic livestock.
- **Native Pasture** – Partially cleared of brush and trees with **natural grasses growing on the land with no enhancements** used for grazing of domestic livestock. Some examples of native grasses include, Meadow Dropseed, Annual Threelawn, Longspike Tridens, Little Bluestem, Switchgrass, Indian Grass, Big Bluestems, Sideoats Gama, Buffalograss, Texas Wintergrass, Paspalams, Panciums, & White Tridens.
- **Minimal Use** – Heavy brush and trees that **restrict, but still allow the livestock grazing capacity** of the land. Will not support any type of crop. Can only be applied in conjunction with other land class.
- **Wasteland** – Extremely poor quality due to erosion or soil type. **Severely restricted in its ability to support domestic livestock**. Must be an integral part of one or more of the land types listed above.
- **CRP (Conservation Reserve Program)** – is a program where the property owner has a long term contract with the federal government. Additional information is available through the Agricultural Soil Conservation Service.
- **Wildlife Management** - Can only be applied to land which qualifies and is already receiving 1-d-1 Open Space Agricultural Valuation. The Texas Property Tax Code, Section 23.51(7) defines wildlife use as actively using land in at least three of the following ways to breed and sustain migrating, wintering population of indigenous wild animals: habitat control; erosion control, predator control, providing supplemental supplies of water, providing supplemental supplies of food, providing shelter and making of census counts to determine population. Additional information can be found through the Texas Parks and Wildlife Department.
- **Timber Production** – Timber that is actually harvested and milled on a commercial basis for the production of commercial products (i.e.: commercial lumber, paper products, etc.) does not include firewood or wood used for fencing.

APPLICATION PROCESS:

According to section 23.54 (a) of the Texas Property Tax Code, a person claiming that his land is eligible for agricultural appraisal must file a valid application with the Chief Appraiser. Additionally, under section 37.10, Texas Penal Code, if you make a false statement on this application, you should receive a jail term of up to 1 year and a fine of up to \$2,000, or a prison term of 2 to 10 years and a fine of up to \$5,000.

- Property is **not eligible if owned by a non-resident alien** or by a foreign government, corporation, partnership, trust or other legal entity in which a non-resident alien or foreign government owns a majority interest.
- A property owner must apply for agricultural appraisal by **completing an application** for 1-d-1 (open space) agricultural appraisal **before the deadline of midnight, April 30th** .
- You may file a **late application** up to midnight of the day before the appraisal review board approves the appraisal records for the year. Approval usually occurs in July. If you do file a late application and your application is approved, you may pay a **penalty equal to 10%** of the tax savings resulting from agricultural appraisal.
- The **Chief Appraiser must act on each application** by processing the application and granting the special appraisal or by notifying the property owner if he denies the application or needs additional information.
- Per Section 23.54(e) if a person **fails to file a valid application on time**, the land is ineligible for agricultural appraisal for that year.
- If additional information is requested, the property owner has 30 days to supply the request. **If the property owner does not respond to the request for information upon the 31st day the special appraisal is considered to be denied.**
- A property owner may **appeal a denial** to the appraisal review board at a formal hearing by filing a written protest within 30 days of the denial notice.
- Agricultural valuation will be applied to the **land only and appurtenances such as fencing, ponds, roads, etc.**, land beneath farm buildings and other agricultural improvements does qualify. However, the agricultural appraisal cannot be applied to the improvement itself, farm equipment, etc.
- If the agricultural appraisal is granted, you will not need to refile each year. However, if property is sold or purchased, it will be necessary for the new owner to make new application and qualify for the agricultural appraisal. Additionally, the Chief Appraiser may require any person allowed this special valuation to make new application to confirm that the land is currently eligible.

ROLLBACK:

The law imposes a rollback tax on 1-d-1 land when it is taken out of agricultural use. A property owner can trigger the rollback by ending agricultural operations or diverting the property to a non-agricultural use such as a commercial use or platting into a subdivision, etc. The rollback tax equals the difference between the taxes the owner actually paid in the five years preceding the change in use and the taxes the owner would have paid on the property's market value, plus interest at an annual rate of seven percent. The tax is imposed on the date the cessation or change of use occurs. Additional rollback information may be obtained from the Mills Central Appraisal District.

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Monday – Friday 8:00am – 5:00pm
Closed 12:00pm – 1:00pm

This information is a brief explanation of the requirements/qualifications of obtaining the 1-d-1 Open Space Agricultural Appraisal. Should you need further information, please feel free to contact our office for additional information or clarification, or you may access the website for the Texas State Comptroller at www.window.state.tx.us for information and forms.