

Property Tax Appraisal Methods for Agriculture

		Agricultural Use Appraisal Method	Open Space Appraisal Method
Source		<p>Main requirements contained in a self-executing provision of the Texas Constitution (Art. VIII, § 1-d)</p> <p>Constitutional requirements carried out in the Texas Property Tax Code (§§ 23.41–23.47)</p>	<p>Legislative authority granted in the Texas Constitution (Art. VIII, § 1-d-1)</p> <p>Main requirements set forth in the Texas Property Tax Code (§§ 23.51–23.59)</p>
Benefit		<p>Property tax base is the value of the land's productive capacity rather than its market value</p> <p>“Productive capacity” tax base is calculated by capitalizing the average net income that the land would have earned during the previous 5 years using prudent agricultural management practices</p>	<p>Property tax base is the value of the land's productive capacity rather than its market value</p> <p>“Productive capacity” tax base is calculated by:</p> <ol style="list-style-type: none"> 1. Placing the land into an appraisal category based on: <ol style="list-style-type: none"> a. The use to which it is principally devoted; <u>and</u> b. Other factors that may influence the land's productivity 2. Using a 2-step income capitalization method to value the land's productive capacity based on what each category of land could have produced in each of the previous 5 years had the owners of the land used prudent agricultural management practices
Availability	Identity of Owner	<p>Natural Person</p> <p>*Only available for privately owned property</p>	<ol style="list-style-type: none"> 1. Natural Person 2. Business Entity 3. Governmental Entity <p>*Available for privately and publicly owned property</p>
	Location of Land	<p>No Restrictions</p>	<ol style="list-style-type: none"> 1. Inside city limits <u>only if</u> one of the following is true: <ol style="list-style-type: none"> a. The land doesn't receive governmental and proprietary services that are “substantially equivalent” to the services provided to similar land elsewhere in the city; <u>or</u> b. The land has been principally devoted to agricultural use continuously for the preceding 5 years; <u>or</u> c. The land has been principally devoted to agricultural use/production of timber or forest products continuously for the preceding 5 years <u>and</u> is used for wildlife management 2. Outside of city limits without restriction

Qualification Lag Time		3+ years The land cannot qualify until January 1 st of the year following the year in which the land has experienced 3 years of either: 1. Exclusive agricultural use; <u>or</u> 2. Continuous development for agricultural use	5+ years The land cannot qualify unless it has been principally devoted to agricultural use or timber production for 5 of the 7 preceding years
Activities on the Land	Required Activities	<ol style="list-style-type: none"> 1. The owner is using the land for “agriculture,” i.e., to produce plant or animal products under natural conditions; 2. The owner’s agricultural use of the land is part of his occupation or a for-profit business venture; <u>and</u> 3. Agriculture is the owner’s primary occupation and primary source of income* <p>*Agriculture is the owner’s primary occupation and primary source of income if he devotes a greater portion of his time to, and derives a greater portion of his gross income from, agriculture than any other occupation.</p>	The land must be used principally for one or more of the qualifying activities listed below, to the degree and intensity generally accepted in the area
	Qualifying Activities	<p>See “Required Activities”</p> <p>Use of the land for nonagricultural purposes is o.k. as long as that use is secondary and compatible with the agricultural use</p>	<p>Qualifying activities are set forth in the definition of “agricultural use,” which includes, <i>but is not limited to</i>:</p> <ol style="list-style-type: none"> 1. Cultivating the soil 2. Producing crops for human food or animal feed 3. Raising or keeping livestock 4. Planting cover crops or leaving land idle in conjunction with normal crop or livestock rotation procedure 5. Floriculture, viticulture, and horticulture 6. Wildlife management
Acreage Limitation		No acreage limitation	No acreage limitation
Penalty for Conversion to Non-Qualifying Use	Triggering Events	<ol style="list-style-type: none"> 1. Sale 2. The land is no longer used for all 3 required activities 	<p>The land is no longer used for a qualifying activity</p> <ul style="list-style-type: none"> • <u>Exception</u>: The land has been transferred to a state or political subdivision of the state to be used for a public purpose
	Penalty	Tax liability in the amount of the tax savings generated in the previous 3 years as a result of using this appraisal method	Tax liability in the amount of the tax savings generated in the previous 5 years as a result of using this appraisal method, with a 7% interest rate calculated from the date each saved amount would have become due