Tax Savings on Land Used for Agriculture & Wildlife Conservation

GCAD Drought Considerations

Throughout Texas, agricultural producers have seen an unprecedented drought that has affected all aspects of agricultural production. The Texas Property Tax Code addresses this issue under subchapter 23.522 "Temporary Cessation of Agriculture Use During Drought". The eligibility of land for appraisal under this subchapter does not end because the land ceases to be devoted principally to agricultural use to the degree of intensity generally accepted in the area if:

(1) a drought declared by the governor creates an agricultural necessity to extend the normal time the land remains out of agricultural production; and
(2) the owner of the land intends that the use of the land in the manner and to that degree of intensity be resumed when the declared drought ceases.

We are unable to predict when the drought will cease in our area. With the assistance of the Gonzales Central Appraisal District Agricultural Advisory Board, the determination of when degree of intensity standards can be resumed will be made at a future date. If you have questions regarding your agricultural eligibility please contact our office at 830-672-2879 or visit our website gonzalescad.org click the services tab and under forms is our Agricultural Use Guidelines which will tell you what you need to qualify.

If you are a farmer or rancher, productivity valuation could lower your taxes. Productivity valuation lowers the taxable value of agricultural land used for a qualified agricultural use or wildlife conservation purpose. It values such property on the land's capacity to produce crops, forage or timber, instead of its value on the real estate market. This lower taxable value reduces property taxes on the land.

What Land Qualifies?

Taxpayers may qualify for agricultural productivity valuation under two different laws. The newer law is called "open-space valuation" or "1-d-1 appraisal" (after Article 8, Section 1-d-1 of the Texas Constitution). Both individual and corporate owners are eligible under this provision if the land is used for a qualified purpose. Nearly all land that receives productivity valuation is under this law.

An older law -- known as "1-d" or "agricultural use" appraisal -- is available only to individual owners who derive the majority of their income from farming or ranching.

For "1-d-1 appraisal," the land must meet the following:

- The land must be devoted principally to agricultural use. Agricultural use includes production of crops, livestock, poultry, fish or cover crops. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. Land used for raising certain exotic animals (including exotic birds) to produce human food or other items of commercial value and cutting wood for use in fences or structures on adjacent agricultural land also qualifies. Land which has been receiving agricultural productivity valuation may qualify as wildlife management land provided it is used in at least three of seven specific ways to propagate or maintain a population of indiginous wild animals for human use.
- Timberland must be used with the intent to produce income and be devoted principally to the production of timber.
- Both agricultural land and timberland must be devoted to production at a level of intensity that is common in the local area. The chief appraiser, with input from an agricultural appraisal advisory board composed of local agricultural and timber producers, determines the level or degree of intensity applicable to each type of agricultural or timber use.

- The land must have been devoted to agricultural and/or timber production for at least five of the past seven years.

If your land qualified for agricultural appraisal and you change its use to a non-agricultural use, you will owe a rollback tax for each of the previous three years in which your land received the lower appraisal. The rollback tax is the difference between the taxes you paid on your land's agricultural value and the taxes you would have paid if the land had been taxed on its higher market value. Plus, 5-percent interest is charged for each year from the date that the taxes would have been due.

The chief appraiser determines if a change to a non-agricultural use has been made and sends a notice of the change. If you disagree, you may file a protest with the ARB. You must file the protest within 30 days of the date the notice was mailed to you. The ARB decides your case.

If you don't protest or if the ARB decides against you, you owe the rollback tax.

The **owner** who changes the use of the land gets the bill for the rollback tax.

How to File for Agricultural Appraisal

1. Get an application form at the appraisal district office.

2. Fill out the form completely and return it to the appraisal district office after January 1, but no later that April 30. Remember, making false statements on your application is a criminal offense.
3. If your property is valued by more than one appraisal district, you must file an application in each appraisal district office. If you don't you could end up paying taxes on your property's full market value to one or more taxing units. This occurs when your property is located in a taxing unit that is also in a neighboring county. Contact the appraisal district if you aren't sure.
4. If you need more time to complete your application form, submit a written request to the chief appraiser before the April 30 deadline. The chief appraiser can grant up to 60 extra days if you have a good reason for needing extra time.
5. If you miss the April 30 deadline, you may file an application any time before the appraisal review board approves the appraisal records (usually about July 20). However, in such a case, you will be charged a penalty for filing late. The penalty is 10 percent of the tax saving you obtained by getting agricultural appraisal for your land. Once the appraisal review board approves the records, you can't apply for agricultural appraisal for that year.
6. If the chief appraiser asks you for more information, you will have at least 30 days to reply. You may ask for more time but you must have a good reason. If you don't reply the chief appraiser must deny your application.
7. If the chief appraiser denies or modifies your agricultural appraisal, he or she must tell you in writing within five days. This notice must explain how you can protest.
8. Once you receive agricultural appraisal, you don't have to apply again in the following years unless your qualifications change. However, the chief appraiser may request a new application to verify that you still meet the qualifications. If you get a notice to reapply, be sure to do so. If you don't, you will lose your eligibility. If you become the owner of land that is already qualified, you must reapply in your own name by April 30. If you don't you will lose your eligibility. You must notify the appraisal district in writing by April 30 if your land's eligibility changes. Failure to do so results in a penalty charge.
9. The agricultural appraisal is based on an estimate of the typical annual income during the five-year period preceding the year before the appraisal. The agricultural appraisal may change annually based on this income and the capitalization rate.