Qualified Open Space Land Agricultural Guidelines

Introduction

The Dallas Central Appraisal District, with input and advice from the Dallas Central Appraisal District Agricultural Advisory Board has established 1-d-1 agricultural guidelines, and it is our opinion that these guidelines are valid for mass appraisal purposes. These guidelines are in accordance with the Manual for the Appraisal of Agricultural Land, Property Tax Division, Comptroller of Public Accounts, April 1990 and the subsequent revision, September, 2016.

Article VIII, Section 1-d-1 of the Texas Constitution provides for land to be assessed for property tax purposes as qualified open-space land, based on its capacity to produce agricultural products, rather than on its market value. The basis for special land appraisal for Open Space Land is found in Sections 23.51 through 23.57 of the Texas Property Tax Code. Productivity value is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year.

It should be noted that these guidelines are general in nature and should be used as a guide for qualifying agricultural land. Each tract is considered on a case-by-case basis on its own merit. Land will not qualify simply because it is rural or has some connection with agriculture. Casual uses such as home vegetable gardens or hobby farming and ranching do not constitute a qualifying agriculture use. Section 23.51 of the Texas Property Tax Code sets the minimum requirements for determining whether the land qualifies for agricultural appraisal.

Qualification guidelines

- A property owner must apply for agricultural appraisal before the deadline. Application must be made on an acceptable form after January 1 and before May 1 of the tax year. If this date falls on a weekend or holiday, the next work day is the deadline. The postmark is considered the delivery date. The Chief Appraiser may extend the deadline, for good cause, for not more than sixty (60) days, if the request is received in writing before the deadline. A new application must be filed when there is a change of ownership. If a person fails to file a valid application on time, the land is ineligible for agricultural appraisal for that year. Once an application for 1-D-1 is filed and approved, a landowner is not required to file again as long as the land qualifies, unless the chief appraiser requests another application to confirm current qualification. Applications received after the deadline will be accepted until the appraisal roll is certified. If approved, late applications will be subject to a penalty of ten (10) percent of the difference between the amount of tax imposed if the property were taxed at market value and the amount imposed for agricultural value.
- The land must have been devoted to qualifying agricultural use for 5 of the preceding 7 years if outside the city limits. If the land is located within the boundaries of a city or town, it must have been devoted to agricultural use for the preceding 5 years.
- The agricultural appraisal applies only to land, fences, and certain appurtenances.

- The land must be currently devoted **principally** to agricultural use to the degree of intensity generally accepted in Dallas County.
- Land that is located within an incorporated city or town must have been devoted principally to agricultural use continuously for the preceding five (5) years. If outside a city limits, the land must have been devoted to a qualifying agricultural use for five (5) of the preceding seven (7) years.
- Agricultural use of a property must be recognizable with the property maintained in a manner that would indicate prudent management.
- The land must be a substantial tract, adequate to support a typically prudent operation and be of a useable management size for the activity involved. Small tracts of land that have been developed and/or marketed for residential use and are of inadequate size to support an economically feasible agricultural activity would not normally qualify for special valuation.
- Owners should provide documentation of management practices, expenses, and sales for the previous 5 years. For example: Feed/equipment invoices, sales receipts, labor expenses, IRS Schedule F, lease agreements, FSA/USDA reports.

Agricultural Use

Accepted agriculture use may include the following activities:

- Cultivating the soil.
- Producing crops.
- Participation in government programs and normal crop rotation.
- Floriculture / Viticulture / Horticulture.
- Raising or keeping livestock – Livestock includes cattle, horses, goats, swine, poultry, and sheep. Wildlife is not livestock.
- Raising exotic game for commercial use. Exotic game means a cloven-hoofed ruminant mammal that is not native to Texas and is not "livestock".
- Planting cover crops or leaving land idle for the purpose of participation in a government program.
- Raising or keeping bees for pollination or production of human food provided the use is not less than 5 acres or more than 20 acres.
- Wildlife management – Land which has been receiving agricultural productivity valuation for at least one year may qualify as wildlife management land provided it is used in at least three of seven specific ways to sustain a breeding, migrating or wintering population of indigenous wild animals.

Agriculture related activities that do *not* qualify

- Harvesting of native plants or wildlife.
- Processing of plants and animals. Processing constitutes any activities that take place after the crop or animal has been raised and harvested and any activity a non-producer carries out on agricultural products. Processing begins at the first level of trade beyond production.
- Land used to train, show, or race horses, or to ride horses for recreation, or to keep or use horses in some manner that is not strictly incidental to breeding or raising horses.
- Poultry without a contract with a poultry production company.
- Home vegetable gardens, hobby farming and ranching.
- Property cut once to clear land and cut invasive species.

This list is not exhaustive.

Primary Use

Agriculture is required to be the primary use of the land. Land will qualify only if agricultural use is the land's primary use.

Degree of Intensity

The degree of intensity test measures whether the land is being farmed or ranched to the extent that is typical for the area. DCAD uses a guideline of 3 acres to distinguish agricultural tracts from hobby type operations. A chart can be found on the final page of this document for additional guidelines. The intensity test is intended to exclude land on which token agriculture use occurs in an effort to obtain tax relief. The degree of intensity test measures what the property owner/operator is contributing to the agricultural operation (time, labor, equipment, management and capital), and compares it with typical levels of inputs for the same type of operation in the area. Sources of information used by DCAD to establish typical operations or yields may include but are not limited to: Agricultural Advisory Board, Texas A&M University, AgriLife Extension Service, USDA Natural Resource Conservation Service, and Farm Services Agency (FSA).

Once a property is receiving the special valuation it must continue to meet the intensity of use test

Routine field inspections are performed on all land receiving the special valuation for 1-d-1 or wildlife by DCAD appraisers. Non-compliance is documented and action is taken to remove the non-qualifying property from the 1-d-1 designation. The owner will be sent written notice of the change of use determination and will have 30 days to protest the proposed change of use.

Typical Management Practices

The following are considered as usual activities in the production of livestock:

- Adequate fences
- Stock water provided
- Proper land management to provide long-term forage
- Adequate animal units matching the carrying capacity of the land and typical agricultural operations

Stocking Unit Equivalents/Management Practices

DCAD requires a minimum of three (3) animal units run on pastureland for the majority of the year to qualify for 1-D-1 agricultural appraisal. Stocking rate is defined as the area of land necessary to sustain each animal unit for the entire grazable period of the year. An animal unit is described as 1,000 to 1,100 pounds of animal weight. Examples of stocking unit equivalents would be:

- 1 cow/horses = 1 animal units
- 4 sheep/goats = 1 animal unit
- Livestock typical for this area include: Cattle, Horses, Goats, and Sheep
    - Horses – Breeding operations are considered agricultural use. Land devoted to grazing for horse stabling or riding/training operations will not typically qualify.
    - Cattle/Sheep/Goats – Bred or raised for the primary purpose of producing human food, commercial products, or ranch purposes. Fencing is required
- Crops typical for this area include: Wheat, Corn, Oats, Grain Sorghum, Soybeans, and various types of Hay. This operation involves the cultivation of the land for planting crops with the intent of harvest for sale or feed. Hay must be cut and baled in a manner typical for the climate conditions.
- Bees – Minimum tract size is 5 acres with a maximum of 20 acres. The minimum number of hives is 6. Proof of current registration with the Texas Apiary Inspection Service is required.

Notifying the District of Changes

Property owners are required to notify the chief appraiser in writing if the use of the land changes or the eligibility of 1-d-1 appraisal ends. If the change is not reported the property owner may incur a fee equal to 10 percent (10%) of the difference of the tax imposed on the property with the special valuation and the amount that would have been imposed on the property if it had been at market value.

Any change in ownership will generate an application request that must be timely filed with DCAD.

Rollback Tax

Under 1-d-1 special land valuation, a rollback is triggered by a physical change in use. Reduced intensity of use would not trigger a rollback, nor would a change in ownership. However, ceasing all agricultural activity (on all or a portion of the land) would trigger a rollback. Taxes are recaptured for the three years preceding the year of the change.

The rollback tax is imposed on the difference between the taxes imposed on the land for each of the three years preceding the year in which the change of use occurs and the tax based on the market value in each of those years.

How to File For Agricultural Appraisal

- Applications are available on DCAD website: www.dcad.org
- Fill out the form and submit to DCAD after January 1, but no later than April 30.
- If you miss the April 30 deadline, you may file an application any time before the Appraisal Review Board approved the appraisal record (about July 20). You will be charged a late filing penalty of 10 percent of the tax saving you obtain by receiving agricultural appraisal on your land.
- Attach proof of 5 year history of agricultural use of the property in the form of receipts, income tax, invoices, or lease agreements.

Degree of Intensity Standards for Dallas County

The chief appraiser is required to develop “degree of intensity” standards for each type of agricultural production in a given county. These standards reflect the practices that are typical for producing various kinds of crops or livestock in Dallas County.

Only the acreage actually used for agricultural purposes may qualify for ag-use 1-d-1.

The following chart lists the standards and guidelines. Each application for Open Space Land is considered on an individual basis.

Classification	Specific Crop	Yield Per Acre	Typical Acreage	Comments
Dry Crops	Wheat, Corn, Oats, Grain Sorghum, Soybeans	Varies with crop	10 acs	Shed, till, plant, fertilize & harvest
Horticulture	Greenhouses	Varies	Varies	Must be a wholesale operation
	Nursery	Varies	5 acs	Must be a wholesale operation and propagate plants
	Orchard	100 fruit trees per acre 24 pecan trees per acre recommended by AgriLife	5 acs	Fruit and Nut orchard. Written production plan, Must be a wholesale operation Must have irrigation system.
	Truck Farm	Varies	5 acs	Must be a wholesale operation
	Tree Farm	Minimum 100 trees per acre	5 acs	Must be a wholesale operation and propagate trees
	Turf Grass	Varies	5 acs	Must be a wholesale operation
Pasture Land	Hay	2 cuttings per year	10 acs	Must control weeds and brush. Except for native grass pastures or those also used to run cattle, must fertilize at least once each spring and cut and bale at least twice each year. One annual cutting required for native grasses and fields on which cattle also run outside the haying season.
	Improved		Varies	Coastal Bermuda has a carrying capacity of 3-5 acres per animal unit
	Native		Varies	Typical carrying capacity 6-7 acres per animal unit
Other	Exotic Animal		10 acs	Species not indigenous to state. Must be in commercial production.
	Beekeeping		5-20 acs	Minimum of 6 hives and registration with the Texas Apiary Registration Service. Must be more than a hobby use.
	Wildlife Management		No minimum	Must sustain a breeding, migrating or wintering population of indigenous wild animals. Must have qualified for open-space AG use the previous year to qualify land in current year, and meet state guidelines. Wildlife management plan required.

For more information on agricultural valuation, the following websites are available:

Texas Property Tax Code:
http://www.statutes.legis.state.tx.us/?link=TX

Guidelines for Qualification of Agricultural Land in Wildlife Management Use
https://www.comptroller.texas.gov/taxes/property-tax/docs/96-354.pdf

Texas Property Tax Manual for the Appraisal of Agricultural Land
https://www.comptroller.texas.gov/taxes/property-tax/docs/96-300.pdf

Texas A&M AgriLife Extension Service
http://agrilifeextension.tamu.edu/

Wildlife Management Plan form:
http://www.tpwd.state.tx.us/landwater/land/private/agricultural_land/