

ERATH COUNTY APPRAISAL DISTRICT

**1195 W. South Loop
Stephenville, TX 76401
Phone 254-965-5434
Fax 254-965-5633**

AGRICULTURAL INTENSITY STANDARDS

This document was created with the assistance of the Erath County Appraisal District Agricultural Advisor Committee. This committee is comprised of independent producers in Erath County.

Reviewed and approved by:

**Erath County Appraisal District Agriculture
Advisory Board**

November 4, 2025

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INTRODUCTION

In 1966 voters approved the first agricultural appraisal law for ad valorem taxes in the State of Texas. This first law, known as “1-d”, intended to protect the family farm from being taxed out of existence as Texas became more urbanized and market prices of Agricultural land skyrocketed. Section 1-d is very restrictive as it applies only to land owned by families or individuals. Under 1-d, agriculture must also be the owner’s primary occupation and primary source of income. As Texas became more urbanized and the number of agricultural producers began to drop, a new section was added to the law by voters in 1978. The constitution was amended to allow a second, more liberal agricultural appraisal law known as 1-d-1. Section 1-d-1 substantially expanded eligibility for productivity appraisal by individuals as well as corporations. Income and occupation do not apply under 1-d-1.

In 1966 Wildlife Management was added as a subsection of 1-d-1 to include the management of native indigenous species as a qualification of productivity value. This guideline will explain 1-d-1 agricultural appraisal, qualification and implementation. Due to the many different types of agricultural operations, only the most common for the area will be covered in this guideline. Unique or “fad” agricultural operations will be considered on an individual basis.

DEGREE OF INTENSITY STANDARDS

It is now a requirement of the Erath CAD that a tract of land must be at least five acres, excluding a house-site, to qualify for a 1-d-1 agricultural appraisal. If a land owner has ownership of a tract of land that is less than the minimum five acres but is used in operation with a larger tract in Erath County, the smaller tract will receive an agricultural appraisal.

The Chief Appraiser establishes intensity levels-what the owner is putting into his agricultural enterprise in time, labor, equipment, management and capital according to each type of commodity production in his area. The intensity levels for the different types of commodities will indicate the typical steps in producing the commodity as well as how much time, labor, equipment, etc. is typical for each level.

Dryland Farming, for example, requires tilling the soil, planting, applying herbicides and harvesting. The Chief Appraiser determines the typical minimum levels involved in each step.

Similarly, the raising of livestock requires fencing, proper management of the land for long-run forage, enough animal units to match the land’s carrying capacity, and herd management procedure to get the animals to market. Some of the things at issue would be: is the fencing typical, how frequently is it maintained and is the minimum carrying capacity sufficient?

APPLICATION

A property owner must file an application for 1-d-1 Productivity Use between January 1 and April 30 of the tax year. Property owners may obtain an application from the Appraisal District Office. If you miss the April 30 deadline you may file an application for late Ag before the Appraisal Review Board approves the appraisal record which is usually about July 20. In this case, the property owner will be charged a late penalty of 10% of the tax savings he obtained by getting agricultural appraisal for his land. Owner will be sent a new agricultural application when the type of agricultural use changes from the existing application.

QUALIFICATION OF LAND

Agricultural appraisal applies only to the land and not to other property connected to the land. Improvements such as houses, barns, sheds, silos and other farm buildings must be appraised separately at market value. Fences are treated as appurtenances and are not appraised separately.

Section 23.51 of the Texas Property Tax Code defines *Qualified open-space land* as land that is “currently devoted principally to agricultural use to the degree of intensity generally accepted in the area and that has been devoted principally to agricultural use or to production of timber or forest products for five of the preceding seven years or land that is used principally as an ecological laboratory by a public or private college or university.”

The definition encompasses several key qualifying factors that both the land and the landowner must meet:

1. The land must be currently and actively devoted to agricultural use.
2. The land must be used principally for agricultural use.
3. The land must be devoted to an agricultural use to the degree of intensity that is typical in an area as of January 1 of the tax year.
4. The owner must have intent to produce income.
5. Land must have been used principally for agricultural use for five of the preceding seven years. Land inside the city limits of a town must be used five of five continuous years.
6. If land does not have an agricultural appraisal, it is required by the state to build a five-year history before the appraisal is granted.
7. The property owner must file a timely and valid application form.

TESTS

In addition to having qualified land in order to receive a 1-d-1 Productivity Use Value, the agricultural operation must pass four separate tests. These tests are the herd size test, the current use test, the intensity of use test and the time period test. These tests are explained below.

I. HERD SIZE TEST

It has been determined that all operations pertaining to grazing of the land including horse breeding operations and wildlife management in the Erath CAD will have a typical herd size of at least two animal units. This means that the land being utilized by the herd must be able to sustain at least two animal units. A Stocking Rate Chart for the classes or types of land in the Erath CAD is found on page 10 of this guideline.

II. CURRENT USE TEST

The land must be in agricultural use as of January 1 of the tax year or planned to be used for agricultural purposes very soon for one or more of the agricultural purposes which follow the different types of agricultural operations described in this guideline. This use must follow what is typical for the area for the type of agricultural operation taking place on the property. This use must be the land's primary use and not a secondary use.

III. INTENSITY OF USE TEST

The land must be used to the degree of intensity that is typical for that type of operation in the area. If the land is not used as other land is typically used, then this type of agricultural use is said to be “token” agricultural use. For instance; if a field is plowed and planted once every three years and the other farmers in the area typically plow and plant the same type of crop every year, then this is considered token use. This land would not qualify under the intensity of use qualifier.

IV. TIME PERIOD TEST

According to state law, the land must have been used for five out of the past seven previous years for agricultural production. As long as agriculture was the principal use in the preceding years, the land qualifies even if that use did not meet the degree of intensity requirement in all or some of those years. For example; If applying for 1-d-1 Productivity Use Value for the 1998 tax year a property was used for agriculture for 1997, 1996 and not for 1995, then again for 1994 and 1993 and again was not used in 1992 and was used for agriculture in 1991, the land would pass the time period test. 1998 or the current tax year is not used in the time test and lapses of two years during the seven previous years are allowed.

TYPES OF AGRICULTURAL OPERATIONS

There are several types of typical agricultural operations in Erath County. Some of these operations include one or more type of operation. Agricultural operations include grazing, farming (which includes tilling the soil), orchard, livestock breeding, exotic breeding and hunting and wildlife management. Each of these operations follows the same criteria for eligibility for 1-d-1 Productivity Use except for wildlife management. Many operations in the Erath CAD have a combination of two or more of the listed operations. There may be variations of the types of agricultural operations listed or there may be “fad” agricultural operations added when that type of “fad” operation becomes a typical agricultural operation for Erath County.

COW AND CALF GRAZING OPERATIONS

This type of operation is one of the most commonly found agricultural operations in the Erath CAD. The operators of cow and calf grazing operations are in the business of raising beef for sale to either processors or other operators as breeding stock. These include purebred operations as well as the commercial breeder who sells calves to the local livestock markets. Typical requirements in the Erath CAD include at least two animal units, which may include cows, and bulls of breeding age that are bred annually. Some small operators may lease or borrow a bull to impregnate their cows rather than keeping a bull year round. One cow and calf pair or a mature breeding age cow is considered to be equivalent to one animal unit. Please refer to the Animal Unit Equivalency Chart on page 11 of this guideline for a complete list of animals.

STOCKER AND FEEDER CALF OPERATIONS

This operation is in the business of raising beef for processors or for the feedlot. This involves acquiring calves at a certain weight from cow and calf operators or the livestock auction and raising the calves until they grow large enough for the feedlot or for slaughter or are sold as replacement breeding heifers. Both heifers and steer calves are found in these types of operations with steers being the most common sex when sold for

slaughter or to a feedlot. One animal unit is equal to two calves. A typical operation in Erath CAD will include a minimum of five stocker or feeder calves.

SHEEP OPERATIONS

This operation is in the business of providing two products. These products are wool, which is produced from the fleece of the animal and meat being either lamb or mutton. Sheep operations may be purebred or commercial in nature. A commercial operation would not require any particular breed and may be in the business of meat production only. Purebred operations are normally in the business of producing either wool, meat, or animals to sell to other producers as breeding stock. A typical flock in Erath CAD will consist of at least 10 head of ewes and at least one ram. One animal unit of sheep is equal to five head of ewes or rams.

GOAT OPERATIONS

This operation is in the business of producing primarily three products being mohair, meat and milk. Typical mohair production is usually limited to the Angora breed, although there has been some Cashmere goat breeding in the area which may be sheared for their hair. The Nubian and other similar breeds are milk producers. This milk is sold for human consumption or fed to orphan goats or sheep. Most other breeds are involved in the production of meat, called cabrito, which is the meat from a young kid goat. This breed of goat is usually referred to as Spanish Goats.

The Boer Goat breed from South Africa has recently been introduced as a meat producer. This breed has been crossbred with many of the Spanish as well as the Nubian goat herds in the area to increase the size of the animals. There are some producers that breed the pure Boer Goats for sale to other producers for breeding. A typical flock of goats consists of at least 10 breeding age animals with at least one billy (sire) goat. One animal unit is equal to six head of goats. Miniature goats also follow the same guidelines as regular goats, but the animal unit basis is different from regular goats. See the Animal Unit Equivalency Chart on page 11.

HORSE OPERATIONS

This type of operation may involve any number of breeds and is not limited to only Thoroughbred or Quarter Horse breeds. Typical pastures are of the improved variety such as Coastal Bermuda grass. A mature horse of breeding age is equivalent to 1.25 animal units. At least 2 head of breeding age mares are required to be considered a typical horse breeding operation in the Erath CAD. Supplemental feeding is a given fact of a horse breeding operation. Donkeys, mules and burros are also included under horse operations and the same guidelines pertain to these animals. Miniature or dwarf horses also fall under these guidelines, but do not follow the same animal unit basis as a regular horse or donkey. See the Animal Unit Equivalency Chart on page 11.

EXOTIC ANIMAL OPERATIONS

This type of operation involves the raising of deer, antelope, emus, ostriches and any other breed of animal that is not native to Texas. Some exotic animal operations supply meat for consumption or leather or plumage for clothing or industrial use. Some byproducts of exotic animals are used in cosmetics or for medicinal purposes. Some exotic animal operations supply animals for breeding purposes. Most typical of the exotic animal operations in the Erath CAD is hunting operations. This type of operation, depending on the type of animals, usually requires a seven to eight foot fenced perimeter.

An animal unit for this type of operation depends on the size of animal being raised. Many of the exotic deer species will follow the same per unit size as our native Whitetail deer. A chart with many of the exotic animals typically found in the Erath CAD is found on page 11.

WILDLIFE MANAGEMENT

According to the Texas Property Tax Code Section 23.51 (7) (A) Wildlife management means “actively using land that at the time the wildlife-management use began was appraised as qualified open-space land under this subchapter or as qualified timber land under Subchapter E in at least three of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation:

1. Habitat control
2. Erosion control
3. Predator control
4. Providing supplemental supplies of water
5. Providing supplemental supplies of food (protein feeders, food plots, planting food sources)
6. Providing shelters
7. Making of census counts to determine population.”

An updated and current wildlife management plan must be filed with the Erath CAD between January 1 and April 30 of each year. This management plan must be submitted on the Texas Parks and Wildlife form “TPWD 885-W7000” which can be found on the Erath CAD website.

CROPLAND OPERATIONS

Cropland operations can be classed as small grain crops, sorghum hay, improved pasture hay, and row crop. The most common type of cropland operation in Erath CAD is the small grain and sorghum hay. These two types of operations usually are a part of a grazing operation, but not in all cases. Improved pastureland is usually improved with a permanent grass such as Coastal Bermuda or Klein Grass. This type of land is usually baled in the spring and early summer if irrigation is not available. If the land is irrigated, it may be baled until early fall. Cropland in the Erath CAD requires supplemental fertilization and is usually a part of the typical operator’s farming operation.

Much of the land that is not irrigated is grazed during part of the year, usually during the winter months. Small grain and sorghum hay operators will normally plant their fields on an annual basis and combine the grain or bale hay for at least one cutting. Landowners should follow practices that are typical for the Erath CAD. The same qualifications for 1-d-1 Productivity apply to cropland operations. Row crop farming is done on a very limited basis in the Erath CAD. The types of crops planted in row crop farming are usually peanuts, milo and hygear. A typical size field in the Erath CAD has a minimum of 10 acres.

ORCHARD OPERATIONS

These operations are in the business of cultivating and growing of trees that produce crops of nuts (usually pecans), or fruits (usually peaches) which are sold commercially. A regular schedule of pruning and spraying and cultivation as well as keeping the ground under the trees closely mowed and brush control in the orchard is a

typical practice for this type of operation. This operation can yield abundant harvests off small acreage. The typical minimum size for this type of operation is 5 acres.

TRUCK FARMING OPERATIONS

This type of operation is in the business of cultivating the soil for planting vegetables. This type of operation depends on a good source of water for irrigation purposes. It is typical for this type of operation to utilize some type of irrigation system. There are some types of crops such as okra that do well in dry land areas and may not require irrigation so each operation should be considered separately. Examples of crops grown in truck farming operations include tomatoes, squash, potatoes, peppers, carrots and many other varieties of vegetables. A minimum size of 5 acres is considered typical for this type of operation.

GOVERNMENTAL PROGRAMS

Currently, the only governmental program that will qualify for 1-d-1 Productivity on its own is the C.R.P. ten-year set aside program. This type of program is a federal program that allows producers to put cropland back into grassland. The landowner is paid to participate in this program. Other governmental programs such as brush or cedar control subsidies are normal and prudent ranch maintenance and those programs alone with no other agricultural use are not considered a qualifying use.

BEEKEEPING GUIDELINES

Beekeeping is an agricultural use and shall qualify for agricultural use productivity valuation if used for pollination or for the production of human food or other tangible products having a commercial value. Tax Code Sec. 23.51(2)

Requirements:

1. The State Property Tax Code has set a minimum of 5 acres and a maximum of 20 acres.
2. Owners must be able to establish a five year history of beekeeping or other Ag productivity use.
3. Degree of Intensity: The degree of intensity for the required acreage is as follows:

5ac	4 active hives
10ac	7 active hives
15ac	10 active hives
20ac	12 active hives
4. Things needed to work and maintain active bee hives include a smoker, hive tools and a bee suit (including gloves).

Typical Bee Colony Characteristics:

Hives must be located on the property at least 7 months out of the year, and must be active and maintained. Hives should be situated up off of the ground. Flowering plants must be planted to support hives if the hives are in areas where there is limited vegetation that requires pollination.

Common Seasonal Management:

Winter- do not disturb

Spring- add boxes & combat swarming

Summer- harvest honey and wax

Fall- reduce boxes, change up entrance and re-queen

For more information or assistance with beekeeping, please contact Erath CAD or
Dennis Herbert
Conservation One Wildlife and Land Management Services, Inc.
PO Box 781 Salado TX 76571-0781
254-947-8604 office 254-742-8465 cell

1-d-1 ROLLBACK TAX

Landowners need to be aware that if the use of land having 1-d-1 Productivity value is changed to a non-agricultural use then a rollback tax shall be imposed. Land that incurs a rollback tax will be back taxed for five years, if it had productivity value for the full five years preceding the change in use. When a rollback tax is initiated, the land is taxed on the difference between its productivity value and what it would have been taxed at its market value.

Sec. 23.55. CHANGE OF USE OF LAND. (a) If the use of land that has been appraised as provided by this subchapter changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as provided by this subchapter and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent calculated from the dates on which the differences would have become due. For purposes of this subsection, the chief appraiser may not consider any period during which land is owned by the state in determining whether a change in the use of the land has occurred.

(b) A tax lien attaches to the land on the date the change of use occurs to secure payment of the additional tax and interest imposed by this section and any penalties incurred. The lien exists in favor of all taxing units for which the additional tax is imposed.

(c) The additional tax imposed by this section does not apply to a year for which the tax has already been imposed.

For example, the rollback tax on one acre of land for one year would be calculated as follows:

$$\begin{aligned} &1 \text{ Acre Mkt Value @ } \$2500 \text{ minus } 1 \text{ Acre Ag Value @ } \$84 \\ &= \text{Value Difference of } \$2416 \text{ divide by } 100 \times \$2.00 \text{ Tax Rate} \\ &\text{Rollback Tax} = \$48.32 \times 5 \text{ years} = \mathbf{\$241.60 \text{ per acre.}} \end{aligned}$$

If the value difference and tax rate for all five years of the rollback period were the same, the total rollback tax for one acre of land would equal \$241.60. If a tract had more acres and this rollback tax applied to 25 acres, the total rollback tax on the 25 acres would be **\$6,040(plus 7% per annum interest)**. This is a substantial amount of rollback tax. When applying for 1-d-1 Productivity Use, landowners need to be aware that if the use of the 1-d-1 Productivity land changes to a non-agricultural use they could incur a large rollback tax.

STOCKING RATE CHART AVERAGES

<u>LAND TYPE</u>	<u>STOCKING RATE</u>
Cropland Grazing Sorghum Hay	1 Animal Unit to 10 Acres
Improved Grasses	1 Animal Unit to 10 Acres
Native Pasture	1 Animal Unit to 20 Acres

These stocking ratios may be adjusted if land type overlap or soil types dictate a modification. These ratios are based on a typical rainfall year for the area.

ACREAGE MINIMUMS FOR AG LAND

It is now a requirement that a tract of land must be at least five acres, excluding a house-site, to qualify for a 1-d-1 agricultural appraisal. If a land owner has ownership of a tract of land that is less than the minimum five acres but is used in operation with a larger tract in Erath County, the smaller tract will receive an agricultural appraisal.

ANIMALS (Requires 2 Animal Units)

Improved Pasture

10 Acres X 2 Units = 20 Acres

Native Pasture

20 Acres X 2 Units = 40 Acres

HAY PRODUCTION (Minimum 10 Acres)

ORCHARDS (Minimum 5 Acres)

Native Pecan 14 Trees per acre

Improved Pecan (to be established)

Fruit Trees (to be established)

TREE FARMS (Minimum 5 Acres)

Number of Trees per acre to be established

ANIMAL UNIT EQUIVALENCY CHART

<u>ANIMAL TYPE</u>	<u>ANIMAL UNIT</u>
Cow or Cow & Calf	1.00 Animal Unit
Mature Bull	1.25 Animal Unit
Weaned Calf to One Year	.60 Animal Unit
Steer One Year Old	.70 Animal Unit
Steer Two-Year-Old	.90 Animal Unit
Horse	1.25 Animal Unit
Miniature Horse	.50 Animal Unit
Donkey or Mule	1.25 Animal Unit
Burro	.75 Animal Unit
5 Ewes with or Without Lambs	1.00 Animal Unit
4 Rams or Buck Sheep	1.00 Animal Unit
8 lambs Weaned to One Year	1.00 Animal Unit
6 Nanny Goats or Does with Kids	1.00 Animal Unit
5 Billy or Buck Goats	1.00 Animal Unit
10 Kid Goats Weaned to One Year	1.00 Animal Unit
6 Mature Mutton Goats	1.00 Animal Unit
5 Axis, Aoudad, Fallow or Mouflon	1.00 Animal Unit
9 Blackbuck Antelope	1.00 Animal Unit
7 Sika Deer	1.00 Animal Unit
2.5 Red Deer	1.00 Animal Unit
1 Eland	1.00 Animal Unit
3 Emus	1.00 Animal Unit
2 Ostriches	1.00 Animal Unit
7 Whitetail Deer	1.00 Animal Unit