Lavaca County Central

Appraisal District

1-d-1 Ag - Use

Guidelines

LAND PRODUCTIVITY VALUATION

Two amendments to the Texas Constitution permit agricultural and open-space land to be taxed generally on its agricultural use, or productivity value. This means that taxes would be assessed against the productive value of the land instead of the selling price of the land in the open market.

The legal basis for special land appraisal is found in the Texas Constitution in Article VIII, Sections 1-d and 1-d-1. The two types of land and valuation are commonly called "ag-use" or "1-d" and "open –space" or "1-d-1. The corresponding provisions of the Texas Property Tax Code are Sections 23.41 through 23.46, Agricultural Land, and Sections 23.51 through 23.57, Open-Space Land.

The purpose of the two provisions is similar. Under both provisions, the land must be in agricultural use and is valued in the same manner. However, there are differences in the qualifications that must be met in order to receive the productivity valuation.

1. Ag-Use, 1-d, qualifications include:
   - The land must be owned by a natural person. Partnerships, corporations or organizations may not qualify.
   - The land must have been in agricultural use for three years prior to claiming this valuation.
   - The owner must apply for the designation each year, and file a sworn statement about the use of the land.
   - The agricultural business must be the land owner's primary occupation and source of income.

2. Open-Space, 1-d-1, qualifications include:
   - The land may be owned by an individual, corporation or partnership.
   - The land must be currently devoted principally to agricultural use to the degree of intensity generally accepted in the area.
   - The land must have been devoted to a qualifying agricultural use for at least five of the past seven years.
   - Agricultural business need not be the principle business of the owner.
   - 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 qualifications.

The possibility for a "rollback tax" exists under either form of special land valuation. This liability for additional tax is created under 1-d valuation by either the sale of the land or a change in the use of the land. It extends back to the three years prior to the year in which the change of sale occurs.

Under the 1-d-1, a rollback is triggered by a change in use to a non-agricultural purpose that would not qualify for productivity valuation. Taxes are rolled back or recaptured for the five years proceeding the year of the change.

The additional tax is measured by the difference between the taxes paid under productivity valuation provisions, and the taxes which would have been paid if the land had been put on the tax roll at market value.

These provisions are effective only if applications are filed with the appraisal district office in a timely manner. Applications should be filed between January 1 and May 1. Applications received with a postmark date after April 30 but before the appraisal records are approved, are subject to a penalty for late filing. Applications received after the appraisal records are approved cannot be considered and must be filed again the next year.

LAVACA COUNTY CENTRAL APPRAISAL DISTRICT
AGRICULTURAL LAND

Guidelines have been established by the Lavaca County Central Appraisal District for the implementation of these provisions. It is the opinion of the Lavaca County Central Appraisal District and the Agricultural Appraisal Advisory Board that Agricultural Land Qualification Guidelines are valid for mass appraisal purposes and can be applied uniformly throughout the Lavaca County Central Appraisal District.

These guidelines are supported by Section 183 of the Internal Revenue Service Regulations.

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.

DEFINTIONS OF KEY WORDS AND PHRASES

- PRUDENT – Capable of making important management decisions; shrewd in the management of practical affairs. Specifically, the law states that the land must be utilized as would an ordinary and prudent manager in the area of the taxing unit.
- SUBSTANTIAL – Ample to satisfy; considerable in quantity. Specifically, the law states that the agricultural land must be an identifiable and substantial tract of land. This means that the tract must be of adequate size to be economically feasible to farm or ranch. Thus, when two small tracts are used together, they may become a substantial amount of land; when used separately they may not be.
- TYPICAL – Exhibiting the essential characteristics of a group. Specifically, the law states that Ag land will be utilized as would a typically (ordinary) prudent manager. Statistically, a typically prudent manger is the median farmer or rancher.
- AGRUCULTURAL USE TO THE DEGREE OF INTENSITY GENERALLY ACCEPTED IN THE AREA – Farming or ranching to the extent that the typically prudent manager in the area of the taxing unit would farm or ranch on an identifiable and substantial tract of land when the tract is devoted principally to agricultural use. A better understanding of the definition can be gained by identifying the key elements of the definition and explaining each as follows:
    1. Degree of intensity generally accepted in the area shall mean that the farming and ranching practices (cropping patterns, planting rated, fertilization methods, harvesting and marketing techniques, etc) are those of a typically prudent farm or ranch manager.
    2. Typically prudent farm or ranch managers are ordinary farmers in terms of acres farmed as well as management ability. Given that all other factors remain constant, the number of acres farmed determines that farmer's capital structure. Typical prudent farmers or ranch managers located in the Lavaca County Central Appraisal District are assumed to have similar equipment of similar value and utility.
    3. Simply stated, a substantial tract is a tract of land large enough to be farmed by itself in a typically prudent manner.
    4. Area is interpreted to be that inside the jurisdictional boundaries of the Lavaca County Central Appraisal District.
    5. Principally means the more important use compared with other uses to which the land is put.

GENERAL QUALIFICATIONS FOR OPEN-SPACE SPECIAL VALUATION

The Texas Constitution permits special agricultural appraisal only if land and its owner meet specific requirements defining farm and ranch use. Land will not qualify simply because it is rural and has some connection with agriculture. Casual uses such as home vegetable gardens, hobby farming and ranching, or incidental cutting and baling of hay do not really constitutes a qualifying agricultural use.

The following guidelines have been developed by the Lavaca County Central Appraisal District based on what is typical to this area:

1. The land must be currently devoted principally to agricultural use land and the principal use of the land for 5 of the last 7 years must have been agricultural.
2. Agricultural use must be recognizable with the land, maintained in a manner that would indicate prudent management.
3. The land must be utilized to the degree of intensity that is generally accepted in the Lavaca County Central Appraisal District.
4. The land must be a substantial tract of land that is adequate to support a typically prudent operation and be of a usable management size for the activity involved.
5. The land must be producing an agricultural product intended for sale including but not limited to: livestock, crops for human or animal food, seed or fiber crops, etc.
6. The operator may be asked to provide documentation or management practices, expenses and sales, if necessary. (Feed, fertilizer, equipment invoices, sales receipts, labor expenses, IRS Schedule F, etc)
7. The operator may be asked to show evidence that he is not engaged in a hobby according to the guidelines set out in Reference Section 183 of the IRS Regulations. (see attached)

These guidelines are used as a general guide. There may be circumstances in your agricultural operation which allow it to qualify based on its own merit. Exceptions to the general rule will be handled on a case by case basis.

IRS "HOBBY" FARM GUIDELINES

(REFERENCE SECTION 183 OF IRS REGULATIONS)

1. MANNER IN WHICH THE TAXPAYER CARRIES ON THE ACTIVITY. Does the taxpayer go about the activity in a business-like fashion keeping books and records, and does he operate as similar businesses are operated?
2. THE EXPERTISE OF THE TAXPAYER OR HIS ADVISORS. Where the taxpayer has no expertise, does he seek it, and does he follow the advise once found?
3. THE TIME AND EFFORT EXPENDED BY THE TAXPAYER IN CARRYING ON THE ACTIVITY. Are either the efforts of the taxpayer or his qualified assistants consistent with the size of the investment and a profit motive?
4. EXPECTATION THAT ASSETS USE IN ACTIVITY MAY APPRECIATE IN VALUE*. Lack of current income may be offset by the possibility of asset appreciation.
5. THE SUCCESS OF THE TAXPAYER IN CARRYING ON OTHER SIMILAR OR DISSIMILAR ACTIVITIES. A long uninterrupted history of loses will be harmful, but the presumption noted above will operate if the taxpayer has a profit in two years out of five (or seven).
6. THE TAXPAYER'S HISTORY OF INCOME OR LOSSES WITH RESPECT TO THE ACTIVITY.*
7. THE AMOUNT OF OCCASIONAL PROFITS, IF ANY, WHICH ARE EARNED. If profits are generated, their size in relation to prior or later losses will be considered
8. THE FINANCIAL STATUS OF THE TAXPAYER. If the taxpayer has sufficient wealth to suffer losses, that indicates a non-profit motive.
9. ELEMENTS OR PERSONAL PLEASURE OR RECREATION. If the taxpayer has personal motives or engages in the activity for recreational purposes, his overall profit motives will be suspect.

*Exemption Department should disregard. Not applicable under the Texas State Property Tax Code Guidelines

**This shows that even the IRS has trouble in identifying actual farming endeavors or just "write-offs".

MINIMUM GUIDELINES FOR 1-d-1 AG-USE

1. Only the acreage actually used agriculturally may qualify for 1-d-1.

2. Small acreage with a home built upon the land is primarily residential in nature, with ag-use secondary. Open-Space land must have ag-use as its primary use in order to qualify for ag-use valuation.

3. Stocking ratios are based on 12 months.

4 A pasture may lay out of ag production for normal rotation practices due to loss of grass or water due to the lack of rain and keep the ag qualification. However, if a pasture is out of production for longer than one year, the land may lose its ag qualification.

CATTLE

Degree of Intensity (Stocking Ratio):

weaned calves to yearlings	0.6 animal unit
steers and heifers (1 to 2 years)	1.0 animal unit
mature cows, with or without unweaned calves at their side	1.0 animal unit
bulls (2 years and over)	1.3 animal unit

2 animal units and typically not less than 10 acres in ag use – requires an onsite inspection by Appraisal District Staff.

Cow/Calf – This operation is in the business of raising beef for sale to either processors or to other operators for breeding stock.

Feeder/Stock – This operation is in the business of raising beef for processors

Animals Used for Cutting – Would not qualify. This type of cattle is used for recreational purposes.

Management Practices:

1) Fences Maintained
2) Stock Water
3) Weed Control
4) Fertilize
5) Marketing

Animal Units Per Acre:

Good Production	1 animal unit per 3-6 acres
Average Production	1 animal unit per 7-20 acres
Poor Production	1 animal unit per 21-50 acres

SHEEP

Degree of Intensity (Stocking Ratio):

5 weaned lambs to yearlings	0.6 animal unit
5 mutton or ewes (1to 2 years)	1.0 animal units
5 mature ewes, with or without unweaned lambs by their side	1.0 animal unit
5 ram	1.3 animal unit

2 animal units and typically not less than 10 acres in ag use – requires an onsite inspection by Appraisal District Staff.

Management Practices:

1) Fences Maintained
2) Stock Water
3) Market (wool, mohair and/or meat)

Animal Units Per Acre:

Good Production	1 animal unit per 3 acres
Average Production	1 animal unit per 5-10 acres
Poor Production	1 animal unit per 20 acres

GOATS

Degree of Intensity (Stocking Ratio):

6 weaned kids to yearlings	0.6 animal unit
6 mutton or does (1to 2 years)	1.0 animal units
6 does with or without unweaned kids by their side	1.0 animal unit
6 bucks or muttons over 2 years	1.3 animal unit

2 animal units and typically not less than 10 acres in ag use – requires an onsite inspection by Appraisal District Staff.

Management Practices:

1) Fences Maintained
2) Stock Water
3) Market (wool, mohair and/or meat)

Animal Units Per Acre:

Good Production	1 animal unit per 3 acres
Average Production	1 animal unit per 5-10 acres
Poor Production	1 animal unit per 20 acres

HORSES

Degree of Intensity (Stocking Ratio):

1 yearling / 1 adult donkey	0.78 animal unit
1 horse over 2 years	1.00 animal unit
1 horse over 3 years	1.25 animal unit

2 animal units and typically not less than 10 acres in ag use – requires an onsite inspection by Appraisal District Staff.

This operation is directed to breeding operations. By-products are colt and fillies. This operation involves having brood mares. Usually includes special facilities and pasture is normally coastal.

Horses stabled, trained or used for recreational purposes do not qualify for ag use

Management Practices:

1) Fences Maintained
2) Stock Water
3) Marketing
4) Breeding Records

EXOTICS

Degree of Intensity:

Deer	6 adult head and typically not less than 5 acres in ag-use
Ostrich and Emus	25 adult head and only the fenced area may qualify for ag use.

This operation is in the business of raising breeds that are not native to Texas for supplying meat and/or leather for the specialty markets.

Management Practices:

1) Seven to eight foot perimeter fence
2) Market for meat and or leather
3) Maintain harvesting schedule

HAY

Typically not less than 5 acres in ag use – requires an on-site inspection by Appraisal District staff. This operation involves the cultivation of planted or maintained grasses and cutting and baling in round or square bales. Proof of baling receipts, proof of sales, and proof of ownership of cattle may be required.

Management Practices:

1) Fertilize
2) Apply herbicide
3) Cut and bale – Minimum of 2 cuttings per year
4) Market or used for personal livestock feed

CROPLAND

Typically not less than 5 acres in ag use – requires an on-site inspection by Appraisal District staff. This operation involves the cultivation of the soil for planting grain crops with the intent of harvest for sale or for feed.

Management Practices:

1) Shredding previous crop
2) Planting
3) Apply herbicide
4) Harvest
5) Tillage
6) Fertilize
7) Insect control

ORCHARDS & VINEYARDS

Degree of Intensity:

Pecans	7 trees per acre (Minimum 35'apart)
Peaches	14 trees per acre
Vineyard	100 per acre

Typically not less than 5 acres Pecans; 3 acres Peaches; 1 acre Vineyard in ag use - requires an on-site inspection by Appraisal District staff. This operation is in the business of cultivating and growing of trees or grapevines that produce crops of nuts and fruits.

Management Practices:

1) Wed Control
2) Insect Control
3) Fertilizer
4) Pruning
5) Supplemental water
6) Harvesting

Lavaca County Central Appraisal District Bee Guidelines:

Acreage Requirements (Set by HB 2049)

A minimum of 5 acres and a maximum of 20 acres are eligible to qualify for beekeeping as an agricultural use.

Degree of Intensity (Number of hives per acre)

Minimum of 6 mainframe hives at 5 acres.
1 additional mainframe hive for every additional 2.5 acres.
Maximum of 12 mainframe hives at 20 acres.

Example:
A property owner has 14.5 acres being used for beekeeping.
How many hives are needed to qualify?

First 5 acres ..... 6 hives
Additional 7.5 acres ..... 3 hives
Remaining 2 acres ..... 0 hives
Total hives required ..... ***9 hives***

Additional Information

Bees can be used to establish history.
Hives must be maintained and kept alive.
The district will grant agricultural use on the total acreage, not just the area where the hives sit on a maximum of 20 acres.

State Property Tax Board Codes

A1 Real, Residential, Single-Family, Imp. & Land / City residential lots & small
A2 Real, Residential, Mobile-Homes, Imp. & Land \ rural ALL homesite tracts
A3 Improvement Only Non-owned A1 Land

B1 Real, Residential, Multi-Family
B2 Duplexes

C1 Vacant Lots
C2 Colonial Lots
C3 Vacant Subdivision Lots
C4 City Lots with Non-owned PPMH

D1 Land Qualified Agricultural Land
D2 Buildings on Qualified Agricultural Land

E1 Real, Farm/Ranch House (Rural HS Land and Imp.)

E2 Real, Farm/Ranch, Mobile Home (Rural HS Land and Imp.)

E3 Non-homesite Buildings on Non-qualified Land
E4 Non-qualified Land

F1 Real, Commercial (Income Producing)
F2 Real, Industrial-No Personal, Banks or Utilities

G1 Oil, Gas and Mineral Reserves
G2 Other Minerals
G3 Mines & Quarries

H1 Tangible Personal, Vehicles-Under 1 Ton trucks-Motorcycles, if taxed
H2 Tangible Personal Property: Goods in Transit

J1 Real & Tangible Personal, Utilities, Water Systems
J2 Gas Companies
J3 Electric Companies
J4 Telephone Companies

J5 Railroads
J6 Pipelines
J7 Other, Describe
J8 Other, Describe
J9 Railroad Rolling Stock

L1 Commercial Personal (Fl Real)
L2 Industrial Personal (F2 Real)

M1 Tangible Personal Other, Mobile Homes on Land Not Owned
M2 Tangible Personal Other, Private Aircraft, Watercraft, Recreational Vehicles

N1 Intangible Personal Property

O Real Property, Residential Inventory

S Special Inventory

X Exempt Property - See Subclass Page

Exempt Property Subclasses

XA	Public property for housing indigent persons
XB	Income producing tangible personal property valued under $500
XC	Mineral interest property valued under $500
XD	Improving property for housing with volunteer labor
XE	Community housing development organizations
XF	Assisting ambulatory health care centers
XG	Primary performing charitable functions
XH	Developing model colonia subdivisions
XI	Youth spiritual, mental, and physical development organizations
XJ	Private schools
XL	Organizations providing economic development services to local community
XM	Marine cargo containers
XN	Motor vehicles leased for personal use
XO	Motor Vehicles for income production and personal use
XP	Offshore drilling equipment not in use
XQ	Intracoastal waterway dredge disposal site
XR	Nonprofit water or wastewater corporation
XS	Raw cocoa and green coffee held in Harris county
XT	Limitations on taxes in certain municipalities

Lavaca County Classification Guidelines

A1 Land and improvements that is all home-site.

- Is not part of large
- Has no Ag land
- Up to 20 acres
- Regardless if city or rural

A2 Real Property MH & PPMH that MH & Land is owned by the same owner and is all home-site.

- Is not part of large
- Has no Ag land
- Up to 20 acres
- Regardless if city or rural

A3 Improvement Only Non-owned A1 Land

NOTE – A properties only go with A's

B1 Multi-Family Improvements

B2 Duplex Occupied by Non-Owner

D1 Ag-Qualified Land (Regular or Wildlife)

D2 Non-Residence Improvements on Ag-Qualified Land

- Camp house – (Grazed to house)
- Barns
- Sheds
- Multi-Purpose Buildings

E1 Rural/City Residential Home-site Improvements & Home-site P/L ag land

E2 Rural /City Real Property MH & PPMH that MH & Home-site Land

- Could have Personal Property Mobile Home (M1)
- Could have ag land – (D1)
- Could have non-ag land – (E4)
- Could have E3 improvements

E3 Non-Residential Improvements Non-Ag Qualified Land

- Barns
- Sheds
- Multi-Purpose Buildings

E4 Non-Home-site/Non-Ag land

- E3 improvements

F1 Commercial Real Property

- Commercial Improvement
- Commercial Land
- Rural or City
- MH Parks with non-owned MH

M1 Personal Property Mobile Home

- Non-owned land

City Only

All C classified properties are in the city limits with non-ag land

C1 Vacant Lots/Land Tracts
C2 Colonial Lot/Land Tracts
C3 Subdivision Lots
C4 City Lot with non-owned PPMH