

Special Valuation Appraisal

Open-Space (1-d-1) and Agricultural-Use (1-d)

Primary Purpose:

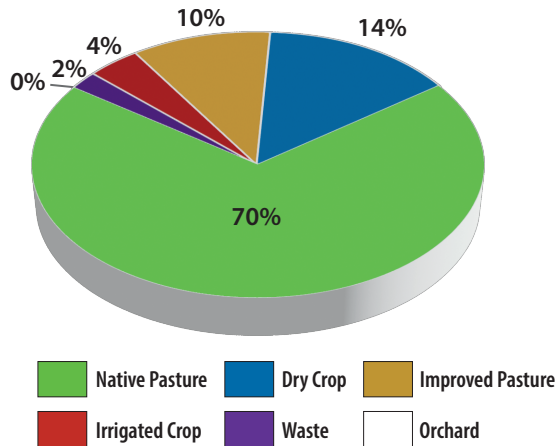
To help farmers and ranchers offset the increase in their land's market value by allowing qualified land to be taxed at its productivity value instead of the higher market value.

Statutory Authority:

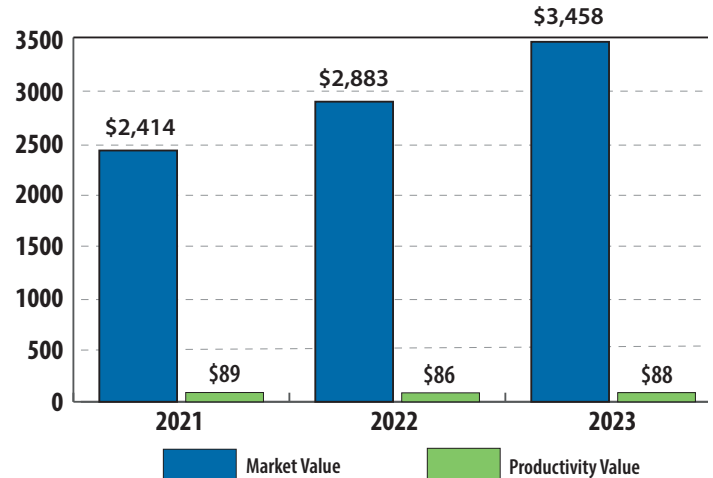
1-d: Tax Code sections 23.41 – 23.48

1-d-1: Tax Code sections 23.51 – 23.60

Total Acres in Productivity Valuation, 2023



Per Acre: Market Value vs. Productivity Value, 2021-2023



Total Rollback Tax on 50 Acres

| Tax Year | Tax Paid on Productivity Value* | Tax Paid on Market Value* | Difference |
|----------|---------------------------------|---------------------------|------------|
| 2023 | \$88 | \$3,469 | \$3,381 |
| 2022 | \$83 | \$2,791 | \$2,708 |
| 2021 | \$79 | \$2,144 | \$2,065 |
| Total | | | \$8,154 |

***Based on county taxes only.** Removing agricultural use from land triggers a rollback tax. A rollback tax is the difference in the taxes paid at productivity value and those that would have been paid at market value.

Key Differences in 1-d and 1-d-1 Laws

| Element | 1-d | 1-d-1 |
|---|--|---|
| Year approved | 1966 | 1978 |
| Reapplication | Property owner must apply annually. | Reapplication is required only when the property changes ownership (certain exceptions exist), eligibility to receive special appraisal ends or the chief appraiser requires a new application. |
| Property owner | Property owner must be an individual. | Individuals and corporations may both qualify. |
| Occupation and income | Agriculture must be the property owner's primary occupation and source of income. The property owner must show that agriculture is conducted for profit. | Has no occupation, income or profit requirements. Instead, it focuses on whether the land is used to the degree of intensity typical in the area for a particular agricultural enterprise. |
| Number of preceding years devoted principally to qualifying ag use or timber production | Three years immediately preceding qualification. | Five of the seven preceding years. |
| Rollback tax | Rollback tax and interest apply when the property is sold or agricultural use is removed. The rollback recaptures taxes for the three preceding years. | Rollback tax applies only when agricultural operations cease or the land changes use. The rollback recaptures taxes for the three preceding years. |

Special Valuation Appraisal: 1-d-1 and 1-d

How does land qualify for 1-d-1?

1. Applied to land and all appurtenances (not improvements).
2. Devoted currently and principally to agricultural use.
3. Passed degree of intensity test.
4. Passed time period test.

Is this an exemption?

There is no property tax exemption for agricultural land that is similar to what a residence homestead might receive. Rather, it is a type of special appraisal that produces a productivity value (such as on agricultural land).

An exemption implies that a person is not paying taxes on all of or a portion of the property's value. Productivity value, however, is simply another way to value property based on what the land is able to produce instead of market value.

What is Comptroller's role in the special appraisal process?

The Property Tax Assistance Division (PTAD) is not involved in local property appraisal. PTAD develops and publishes an appraisal manual; calculates the capitalization rate and publishes it annually on its website; creates special appraisal application forms; and provides technical assistance to landowners, appraisal districts, legislators and other interested parties on special appraisal issues.

PTAD does not have authority to intervene in local property tax disputes or to give legal advice.

What is the appraisal district's role?

Each appraisal district's chief appraiser is responsible for agricultural appraisal determinations. They are responsible for creating a land classification system for each typical agricultural land; calculating the typical net income; and determining land use and degree of intensity standards for qualifying land.

They approve or deny special appraisal applications; determine if (and when) a change of use occurs; and notify the property owner of that determination.

What does the landowner need to do to have their land appraised at productivity value?

A landowner who believes that land qualifies for special valuation (by meeting the qualifications above) should fill out an application form that contains all the information necessary for the appraisal district to determine the claim's validity and file it with the appraisal district.

If approved, the land will continue to receive agricultural appraisal every year unless the ownership changes, the land's eligibility ends or the chief appraiser requires a new application.

By law, landowners must notify the appraisal district in writing before May 1 if the agricultural use changes or the land's eligibility for special valuation ends. If not, the chief appraiser must impose a penalty for failure to notify.

When is the deadline for filing applications?

The application must be postmarked April 30 or filed no later than midnight April 30. The chief appraiser may extend the deadline if the property owner makes the request in writing for good cause, but not for more than 60 days.

Under certain conditions a property owner can file an application after the deadline has passed and the appraisal review board (ARB) has approved the appraisal records without incurring a penalty. See the *Manual for the Appraisal of Agricultural Land* or contact your appraisal district for more information.

How is productivity value calculated?

Productivity value is based on net income (that an owner using ordinary prudence would earn over the five-year period two years prior to the appraisal year) divided by a cap rate. For example, the five years used as the basis for 2024 productivity values were 2018 to 2022.

Appraisers determine net-to-land value using a cash or share lease method, or other typical and prudent arrangement, less typical landowner expenses.

Cash leases are an agreement between a landowner and tenant for a fixed cash payment for a set time period, and are common on both cropland and pastureland.

On cropland share leases, the landowner pays a share of production expenses and receives a share of gross receipts.

What is a rollback tax on 1-d-1 land?

When the landowner either ends agricultural operations completely or diverts the property to a nonagricultural use, it triggers a rollback tax. Land that continues in agricultural use after it no longer qualifies will receive market value, but not the rollback tax.

The rollback tax equals the difference between the taxes actually imposed in the three years preceding the change in use and the taxes that *would* have been imposed on the property's market value.

What happens when a chief appraiser denies an application?

The initial burden of proving land's agricultural qualifications rests on the applicant. If the chief appraiser denies an application, he or she must notify the applicant in writing not later than the fifth day after the determination by certified mail. The written notice must state and fully explain each reason for the denial. The landowner can protest the denial to the ARB.

What happens if a landowner passes away?

The land's ownership is not considered to have changed if a landowner passes away and the land's ownership is transferred to the former owner's surviving spouse. See the *Manual for the Appraisal of Agricultural Land* or contact your appraisal district for more information.

For more information, visit our website:

comptroller.texas.gov/taxes/property-tax

Texas Comptroller of Public Accounts
Publication #98-1065 • February 2025