

# Overview of Proposed Revisions to *Manual for the Appraisal of Agricultural Land (2018 Draft)*

Below is a description of changes we made in the proposed manual. Generally, substantive changes to the manual were from statutory changes. We made additional non-substantive changes to improve the format, clarity and grammar of the manual and provide greater accuracy in footnotes. This description of changes in the proposed manual is a broad overview and does not include every change.

## Introduction

- **Modified:** Updated description of manual adoption process based on legislative change. The manual is adopted with the review and counsel of the Texas Department of Agriculture, rather than being approved by a committee.
- **Struck:** Removed reference based on legislative change that repealed Texas Constitution prohibition on homestead properties designated for agricultural use being used to secure home equity loans.
- **Modified:** Clarified Exhibit 1 to provide that reapplication for 1-d-1 is necessary when eligibility to receive the special appraisal ends.
- **Modified:** Clarified Exhibit 1 header “Element” to “Number of **preceding** years devoted principally to **qualifying** use” and simplified description of 1-d and 1-d-1 time period tests.
- **Modified:** Clarified Exhibit 1 to provide that **interest** (in addition to rollback tax) is due on 1-d land when the property is taken out of agriculture use or when it is sold.

## Qualification of Land under Section 1-d-1

### Eligibility Requirements

- **Modified:** Clarified that farm products and implements of husbandry **may be** generally exempt from taxation.
- **Modified:** Clarified that for land to qualify for agricultural use pertaining to producing or harvesting logs and posts, it must be adjacent to qualified open-space land **owned by the same owner** but devoted to a different agricultural use.
- **Modified:** Clarified that the Texas Parks and Wildlife standards to determine wildlife management qualifications are adopted by Comptroller rule.

### Cessation of Agricultural Use

- **Added:** Created section titled **Cessation of Agricultural Use** to address legislative changes that added to the circumstances for which 1-d-1 appraisal does not end when the land ceases to be devoted principally to agricultural use to the degree of intensity generally accepted in the area with the below subsections:
  - **Drought** (previously **Temporary Cessation of Agricultural Use During Drought**)
  - **Owner Deployed or Stationed Outside State as Member of Armed Services**
  - **Land with Citrus Production Located in Pest Management Zone**
  - **Oil and Gas Operations on Land**

#### Land Located Within the Boundaries of a City or Town

- **Modified:** Clarified that one of the criteria for land located inside a town or city to be eligible for 1-d-1 appraisal is that the city or town must not provide general services comparable to those provided in other parts of the town or city if those parts have similar features and population **density**.

### Application Process for 1-d-1 Appraisal

#### Application Forms

- **Modified:** Increased consistency throughout manual for application deadline by citing April 30 and removing several instances of **before May 1 deadline**.

#### Chief Appraiser's Action

- **Reordered:** Rearranged section language for clarity with minor sentence structure edits.

#### Summary of the 1-d-1 Application Process

- **Modified:** Added existing statutory language to clarify one of the three types of determinations a chief appraiser may make on an application to: "**disapprove it** and ask for additional information."

### Agricultural Appraisal Under Section 1-d-1

- **Modified:** Clarified the broad agricultural use classes that a land classification system could include. Removed **Other land** while maintaining the provision that some counties may have to add classes or subclasses.

#### Establishing Land Classes

- **Added:** Added existing statutory language that chief appraisers should obtain information from recognized agricultural sources to determine land classes.

#### Federal Farm Programs

- **Struck:** Removed two sentences related to cotton no longer being a covered commodity with the Farm Service Agency. We added context in a new section, described below.

- **Added:** Created a section on the 2018 Farm Bill. We note that though the bill has not become law, cotton is likely to be eligible again for some government programs after the bill passes, ARC and PLC programs are not expected to see substantial changes from 2014, and chief appraisers should keep up with any possible changes to the federal farm programs.

## Rollback Procedure on 1-d-1 Land

- **Modified:** Clarified our explanation of rollback tax to use a more accurate term of taxes **imposed** rather than taxes paid.
- **Modified:** Clarified that a rollback tax has its own delinquency date **and a tax lien attaches to the land on the date the change in use occurs.**

### What Qualifies as a Change of Use?

- **Added:** Added natural disasters to the list of special situations that can create an agricultural necessity that extends the normal time that the land remains out of agricultural production.

### Change of Use Notification

- **Added:** Supported required notice information by adding that appraisal districts may use Comptroller's model form 50-789, Notice of Determination Resulting in Additional Taxation.
- **Modified:** Clarified that a property owner may protest the change-of-use decision by filing a protest with the appraisal review board within 30 days after the notice is **delivered** (rather than mailed).

### Calculating the Rollback

- **Modified:** Clarified our explanation of rollback tax to use a more accurate term of taxes **imposed** rather than taxes paid.

### Exceptions to Rollback Sanctions

- **Modified:** Clarified when rollback sanctions do not apply to land dedicated for cemetery purpose.

## Agricultural Appraisal Under Section 1-d

- **Struck:** Removed sentence based on legislative change related to a restriction on agricultural appraisal under section 1-d, based on repeal of related subsection in Texas Constitution:

On or after Jan. 1, 2008, an individual is not entitled to have land designated for agricultural use if the land secures a home equity loan described by Texas Constitution Article XVI, Section 50(a)(6).

#### Chief Appraiser's Actions

- **Reordered:** Rearranged section language for clarity with minor sentence structure edits.
- **Added:** Included statutory requirement that notice of a chief appraiser's denial of a 1-d application must be sent by certified mail.

#### Appraisal Procedures for 1-d Land

- **Struck:** Removed superfluous sentence on capitalization rate:  
  
That 10 percent rate, under today's conditions, far exceeds a market-based rate derived from sales of agricultural land.

#### Rollback Procedures for 1-d Appraisal

- **Modified:** Clarified our explanation of rollback tax to use a more accurate term of taxes **imposed** rather than taxes paid.

#### Rollback Notification

- **Added:** Supported required notice information by adding that appraisal districts may use Comptroller's model form 50-789, Notice of Determination Resulting in Additional Taxation.

### Appendix A-Questions and Answers About 1-d-1 Qualification

- **Added:** Included new Question 22 to provide example of property with an inaccessible area that may be classified as wasteland as determined by the chief appraiser. Wasteland is one of the six statutorily listed land categories.