

A QUICK OVERVIEW OF AGRICULTURAL VALUATION

Under Texas law, all real property (land, buildings, etc.) and tangible personal property used for the production of income (business inventories, equipment, etc.) is taxable at its January 1st market value unless exempt by law, or subject to special appraisal provisions; such as, the appraisal of agricultural land at its productivity value.

I. What Land Qualifies for Agricultural Appraisal?

Land owners such as ranchers and farmers who raise livestock or cultivate their land for the production of crops, can claim the special productivity valuation. Land that qualifies for productivity value is taxed based on productivity value rather than market value. Productivity value can also apply to those involved in wildlife management provided they meet certain guidelines. Other land owners which use their land for an agricultural purpose may also qualify for the special valuation.

II. How is Agricultural Land Appraised?

Land that qualifies to receive productivity valuation will have two values. The two separate values are market and productivity value.

A. Market Value

Market value for Pasture and Cultivated land represents the estimated value the land would typically sale for based on such factors as tract size, location, soil quality, etc. Scurry County Appraisal District estimates market value for land based on actual current land sales.

B. Productivity Value

The productivity value for pasture is based on what pasture land is typically leasing for. The typical method of lease is based on cash lease per acre. The value is determined by using gross income per acre minus expenses to arrive at net income per acre which is capitalized at a discount rate set by law to arrive at value. This value is based on a five year lease average.

The productivity value for cultivated land is based on crops that are grown on the land such as cotton, wheat, sorghum etc. The value is based on a county five year crop average using gross income per acre minus expenses and then capitalizing the net income using a discount rate set by law to arrive at value.

III. Other issues to Consider

- **CRP Land** is valued as cultivated land since it entered the program as cultivated land. If land has come out of the CRP program and is not used as cultivated, the land use may need to be changed to a pasture category which may result in a lower agricultural value.
- **To Qualify** for productivity appraisal, the land must be used

for an agricultural use to the degree of intensity typical for the area for five of the last seven years.

- **Pasture land or cultivated land used only for hunting** does not qualify for productivity unless it is also used for agricultural.
- Agricultural land that receives productivity value and changes to a non agricultural use is subject to a **roll back tax**.
- If you desire additional information about how agricultural land is appraised, Scurry County Appraisal District has a detailed Agricultural manual which is updated yearly and the Chief Appraiser or Appraiser(s) would be happy to answer your questions.

You have more questions?

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www.scurrytex.com