WHAT EVERY TEXAS LAWYER NEEDS TO KNOW ABOUT PROPERTY TAXES

An insider's guide to the confusing world of property taxation from BRUSNIAK TURNER.

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All Hat, No Cattle? Then No Property Tax Break. By Mitchell Barry

"You a real cowboy?"

"Well, that depends on what you think a real cowboy is." — Urban Cowboy (1980)

Every year, thousands of Texans decide they'd like to own a little piece of the country. Maybe it's twenty acres outside Decatur, forty acres in Collin County, or a family ranch that's been passed down through generations.

Sooner or later, someone offers the same piece of advice:

"Just get an agricultural exemption. Your property taxes will practically disappear."

It's not bad advice—but it is incomplete.

Texas does provide one of the most valuable property tax benefits in the country for qualifying agricultural land. In rapidly developing areas, that benefit can reduce annual property taxes by tens of thousands of dollars.

But there is one important catch.

You actually have to qualify.

And that means far more than buying a few acres, putting up a fence, and turning a couple of cows loose.

It Isn't Really an "Exemption"

The first surprise for many landowners is that what everyone calls an "ag exemption" isn't actually an exemption at all.

The land is still taxable.

Instead, Article VIII, Section 1-d-1 of the Texas Constitution allows qualifying agricultural land to be appraised according to **its ability to produce agricultural income** rather than what a developer might pay for it on the open market.

That distinction can be enormous.

In some parts of North Texas, property with a market value capable of producing a six-figure annual tax bill may instead be taxed on a productivity value producing only a tiny fraction of that amount.

For many families, that difference makes the land affordable to keep rather than forcing its sale.

Texas Uses a Two-Part Test

Qualifying for open-space agricultural valuation is not particularly complicated, but both requirements must be satisfied.

Test 1. Historical Agricultural Use

The property generally must have been devoted principally to agriculture for at least **five of the preceding seven years**, plus the current year. Inside city limits, the requirement is generally five consecutive years.

This requirement creates an important issue for prospective buyers.

If you purchase property that already enjoys agricultural valuation, you may generally rely on the previous owner's qualifying history.

If you purchase land that has never qualified, however, patience may be required before the special valuation becomes available.

That makes one question particularly important before purchasing rural property:

Does the land already have an agricultural valuation?

Test 2. Degree of Intensity

This is where many applications succeed—or fail.

Texas law requires agricultural operations to meet the **degree of intensity generally accepted in the local area.**

In plain English, the appraisal district is asking a very simple question:

Are you genuinely farming or ranching, or are you simply trying to qualify for lower taxes?

Owning a few animals usually isn't enough.

Neither is planting a small garden.

Nor is mowing native grass once or twice each year.

Every county establishes standards based upon what constitutes a legitimate agricultural operation for that area. Depending upon the county, that may involve livestock stocking rates, hay production, wildlife management, beekeeping, or other qualifying agricultural uses.

A bad crop or a drought won't necessarily destroy your qualification.

A hobby operation, however, almost certainly will.

Buying Qualified Property Doesn't Mean You're Finished

Another common misunderstanding is that the agricultural valuation automatically transfers when the property changes ownership.

It does not.

A new owner must timely file the required application—Comptroller Form 50-129—with the appraisal district, generally no later than **April 30**.

Missing the filing deadline can become an expensive mistake.

You Don't Have to Do the Work Yourself

Fortunately, Texas law doesn't require every landowner to become a rancher.

Many owners lease their property to neighboring farmers or ranchers who conduct the agricultural operation.

Others use grazing leases, hay leases, or wildlife management.

The important point is that **the land** continues to satisfy the constitutional requirements.

The owner, however, remains responsible for ensuring that qualification continues.

Documentation Matters

Good records are often the difference between winning and losing a dispute with the appraisal district.

- Lease agreements.
- Livestock records.
- Feed purchases.
- Fence repairs.
- Hay production.

- Veterinary bills.
- Photographs.

Anything demonstrating that the property is genuinely being devoted to agriculture may become valuable evidence if qualification is challenged.

Simply pointing to a pasture and saying, "I've got cows out there," is rarely enough.

Don't Forget the Rollback Tax

Perhaps the most painful surprise comes when agricultural land is converted to another use.

If qualifying land is taken out of agricultural production—for example, to build homes or commercial development—the owner may owe **rollback taxes**.

Rollback taxes are designed to recapture the tax savings received during the previous three years while the land benefited from agricultural valuation.

The result can be a substantial tax bill arriving at precisely the moment the owner thought the property had become more valuable.

Fortunately, not every interruption triggers rollback taxes.

A temporary reduction in production or an unusually poor agricultural year generally does not.

But permanently abandoning agricultural use often will.

Practical Advice

If you own—or are thinking about purchasing—rural Texas property, keep a few practical rules in mind:

- Confirm whether the property already qualifies for agricultural valuation.
- File your application on time after purchasing the property.
- Learn your county's degree-of-intensity standards.
- Keep thorough records of agricultural operations.
- Periodically verify that your tenant or operator is maintaining qualifying use.
- Never assume the valuation simply takes care of itself.

A little attention today can prevent a very expensive surprise tomorrow.

The Bottom Line

Fortunately, Texas law doesn't require you to wear cowboy boots, own a Stetson, or spend your weekends riding horseback.

It does require genuine agricultural use.

Meet the historical-use requirement.

Meet your county's degree-of-intensity standards.

Keep good records.

Do those things, and one of the most valuable property tax benefits in Texas can remain yours for years to come.

Otherwise, the appraisal district may decide you're exactly what *Urban Cowboy* warned us about—**All hat. No cattle.**

Author: Mitchell Barry
Brusniak Property Tax Attorneys

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Email Twitter LinkedIn

John Brusniak
BRUSNIAK PC
17480 Dallas Parkway, Suite 210, Dallas, Texas 75287
(214) 506-1073
John@TexasPropertyTaxAttorneys.com

BRUSNIAK
★★ PROPERTY TAX ATTORNEYS ★★