

FREQUENTLY ASKED AG VALUE QUESTIONS

1. If I get agricultural designation on my land, how much tax will I save? Because agricultural value taxation is based on the productivity of the land, there is a significant saving but it is impossible to give a specific answer because it depends on the use of the land and the productivity of the soil. But generally, agricultural value is as little as 10% of market value taxation.
2. How is agricultural value calculated? Typical cash leases in Howard County are gathered by the appraisal district as a starting point. Then typical expenses incurred by the landowner are subtracted from the cash lease amount. Typical expenses include fencing, water wells or surface water, management, brush control, and taxes. The net income is divided by a state mandated capitalization rate of 10% to arrive at value. An example is a cash lease of \$20/acre is the starting point; then expenses of \$8 are subtracted from the lease amount to yield a net to land of \$12/acre. That \$12 is divided by the 10% capitalization rate to yield an ag value of \$120/acre.
3. What do I have to do with my land in order to receive agricultural designation? The land must be used to produce crops or livestock for commercial use in an attempt to make a profit. Hobby farming, as described by the IRS, does not qualify. An owner may use the land for himself or he may lease the property to someone else, but the commercial use of the property is the key.
4. How often do applications for ag value need to be updated? Once approved, the application is sufficient until requested to be renewed by the chief appraiser. If a change of ownership occurs, then a new application is required.
5. Is hunting income considered in the development of agricultural value? Yes, regardless of whether or not the property is leased for hunting, if hunting is typical, a typical hunting lease amount is added to the grass lease for a total income to the property.
6. If my land is in the Conservation Reserve Program, is my land eligible for ag use value? Yes, CRP designation is a valid agricultural use. The land continues to be taxed as if it was cropland during the years it is in CRP. After the CRP program ends, the land is reclassified as improved grassland unless it is broken out into cropland again.
7. How much ag use history is required to receive agricultural valuation? The state tax code requires that property be used for agricultural production five of the past seven years to qualify. The key is the use of the property. If the property has been used for agricultural production even though ag value has not been applied for in prior years, the owner can still apply for the designation so long as the property has been used for five of the last seven years for commercial agricultural use.
8. Can I let my land remain idle to allow the grass to come back and not lose my ag value? Land can be left idle for up to two years to allow for the reestablishment of grasses. It is best to let the appraisal district know what is being done so that it will not be denied ag designation.

9. What is the minimum acreage that can receive agricultural designation? Typically, it takes at least 10 acres to be considered for agricultural value. The key is the use of the property rather than minimum acres.
10. What is good evidence to prove that I am using my land for agricultural value? A lease agreement with a farmer or rancher who is using your land. A schedule F from your federal income tax with income and expenses. A schedule D from your income tax indicating the lease income from your land under a cash lease arrangement. Any of these will tend to be proof that the land is being used for agricultural purposes.
11. Is there an exact number of animal units that I must have to receive ag designation? Again, the answer is that it depends on the circumstances. Most of the land in Howard County yields very little grass and most ranchers will tell you that it takes 20 or more acres to feed one cow. Supplemental feeding may lower the acreage, but the question still comes back to how the land is being used and whether or not the owner is attempting to make money from agricultural use.
12. Are horses an agricultural use? Horses for pleasure riding do not qualify as an agricultural use. Horses for breeding purposes do qualify. An owner who has horses should be prepared to show evidence of sales of the offspring of mares.
13. Are chickens, turkeys, or ducks considered an agricultural use? Only if there is enough production of meat or eggs to be a commercial use. These animals for personal use do not constitute ag use.
14. What is required to receive wildlife designation on my land? First, the land must be in agricultural use presently to switch to wildlife. (state law) A wildlife plan is required which will specify the things that the owner is doing on the land to encourage the development of wildlife on the property. The target species must be designated and then what the owner will do to help the species survive. Examples include water sources, feed plots, brush piles for habitat, game counting, and various other examples to encourage animal survival and growth. An annual report of activities to support the target species is required to be filed with the appraisal district.