



## Support SB 330 / HB 950

### Support Young People and Military Veterans Going Into Farming

SB 330/ HB 950 help address the problem of our aging farmer population by allowing young beginning farmers and military veterans to qualify for agricultural valuation on their land after one year of farming, instead of having to pay high taxes for five years.

Texas faces an agricultural crisis, with an average farmer age of 60.1 years and rising. Just 4% of Texas farmers are under the age of 35, while almost four times as many are 75 or older.<sup>1</sup> A growing number of young people aspire to become farmers, and many military veterans are being trained in farming by programs sponsored by USDA and Texas AgriLife Extension Service. Yet both groups often lack the savings needed to start a farm and carry it through the initial years.

High property taxes are one of the major start-up costs for new farmers. Texas law provides that land used primarily for raising food is taxed on its “agricultural value” rather than its development value. **The entire community benefits from preserving agricultural lands**, reducing the burden on city and county infrastructure and services, promoting agricultural businesses, and providing food security.

But not only must the land be used principally for agriculture, but it must have been used that way for at least 5 of the preceding 7 years. If a new farmer buys land that is already in agricultural valuation, this is not a problem; but a farmer seeking to start a farm on land that has been allowed to fall out of agricultural use faces 5 years of paying taxes as if the land were being developed, rather than used for agriculture.

The high taxes during the farm start-up period are exacerbated by several factors:

- Farming has high startup capital requirements and does not start paying dividends for years. Cattle take time to grow to market weight, orchards take years to bear fruit, and soil takes years to improve to provide good harvests.
- Most farms have a very small profit margin and many beginning farms operate at a net loss.

As stated by one military veteran: “I have come to see the property tax system as a huge hurdle in starting an agriculture operation in Texas. We are not sure if we can survive the five-year waiting period. And this is from a family that has a six-figure off-farm income, and we are still struggling.”

**SB 330 and HB 950 address this issue in a targeted manner.** The waiting period to qualify for agricultural valuation, and thus reduced property taxes, would be set at one year for two groups:

- 1) Veterans who become farmers; and
- 2) Young, beginning farmers, defined as those under the age of 35 who have not been the principal operator of a farm for more than ten years.<sup>2</sup>

**Helping beginning farmers means lower taxes for everyone in the long run (see back of this page).**

<sup>1</sup> USDA, 2012 Census, Texas Data, Table 55: Selected Operator Characteristics  
[https://www.agcensus.usda.gov/Publications/2012/Full\\_Report/Volume\\_1\\_Chapter\\_1\\_State\\_Level/Texas/st48\\_1\\_055\\_055.pdf](https://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1_Chapter_1_State_Level/Texas/st48_1_055_055.pdf)

<sup>2</sup> We do not have firm numbers on how many young, beginning farmers are in Texas. The USDA’s 2012 census lists 10,091 farmers (principal operators) who are under 35, but do not indicate how many also qualify as beginning. Moreover, based on a survey conducted by the Texas Local Food and Farms Coalition in 2016, the majority of farmers already have ag valuation on their land. We estimate that this bill will impact somewhere several hundred to a couple of thousand farmers, most likely on the lower end of that range.

## Agricultural land generates net positive revenue

- Three studies conducted on Bexar<sup>3</sup>, Hays<sup>4</sup>, and Bandera<sup>5</sup> Counties found that agricultural lands generate net positive revenue for their counties by requiring significantly less in public service expenditures than they generate in property taxes, sales taxes and other revenues.
- In contrast, residential lands generate a net loss by requiring more in services such as road maintenance, schools, water, wastewater, and law enforcement.
- In other words, **agricultural lands – even at the lower open space valuation– effectively subsidize residential communities in their counties.**

**Public Service Expenditures Per \$1 In Revenue**

County	Agricultural	Residential
Bexar	\$0.18	\$1.15
Hays	\$0.33	\$1.26
Bandera	\$0.26	\$1.10

- “Taxes and other revenues from residential development do not cover all the public services residents demand. The county needs a balance of land uses, including farms and open space, to reduce overall infrastructure costs and provide sufficient revenue to pay for these services. Otherwise, as more residential development occurs in existing subdivisions, services will be stretched thinner or cut—or property taxes will have to be raised.”<sup>6</sup>
- “Agricultural land and open space pay more in local tax revenues than they receive back in services. Texas’ agricultural and open space valuation property tax program is justified as a cost-effective incentive to keep land open and in active agricultural use. Even with a reduced assessed value agricultural properties contribute a significant surplus to offset the high cost of public services for county residents.”<sup>7</sup>
- Because of the rapidly aging population of Texas farmers, if we do not make it feasible for young people to go into farming the entire state will suffer:
  - from the loss of our agricultural industry and
  - from the loss of agricultural lands, which will ultimately lead to higher taxes for everyone.

SB 330/ 950 helps Texans by helping these two key groups – young farmers and military veterans – have a fair chance to start and maintain farms.

SB 330/ HB 950 is supported by the Farm and Ranch Freedom Alliance, the Farm & Food Coalition of East Texas, the Food Policy Council of San Antonio, GROW North Texas, Sustainable Food Center, Waller County Farmers and Ranchers Cooperative, the Texas Local Food and Farm Coalition, and the Texas Organic Farmers & Gardeners Association. The bill is also supported by the Texas VFW.

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<sup>3</sup> American Farmland Trust. “Cost of Community Services: The Value of Farmland and Open Space in Bexar County, Texas.”. January 1, 2004. (hereinafter, “Bexar County Study”)

<sup>4</sup> American Farmland Trust. “Cost of Community Services: The Value of Farm and Ranch Land in Hays County, Texas.” January 1, 2003.

<sup>5</sup> American Farmland Trust. “Finding the Balance: Ranching and Rapid Growth in Bandera County, Texas.” January 1, 2003.

<sup>6</sup> Bexar County Study at p.3.

<sup>7</sup> *Id.*