



Support HB 97/ SB 1963 Fair Property Taxes for Small Farmers

Although Texas law provides for “agricultural valuation” of land used primarily for raising food, many farmers across the state have experienced problems in qualifying for such valuation due to bias against sustainable farming methods, urban farms, and produce farmers.

HB 97 and SB 1963, the Fair Taxes for Small Farmers bill, provides for fair, consistent application of agricultural valuation.

In 2015, a very similar bill (HB 1900) was passed by the House by a vote of 135 – 4.

The Tax Code provides that land shall be appraised as qualified agricultural land if it is “devoted principally to agricultural use to the degree of intensity generally accepted in the area.” Unfortunately, many county appraisal districts have applied the provision so as to exclude legitimate farms.

HB 97 and SB 1963 have slight differences, but they both clarify the Tax Code by:

1. Specifying that fruit and vegetable production qualify as “agricultural uses.” There have been multiple cases of county tax assessors asserting that growing vegetables isn’t agriculture, or applying guidelines developed for row crops instead of vegetable production so as to exclude them.
2. Directing the Comptroller to convene stakeholder groups to develop guidelines to address under what conditions small acreages, different types of production methods, and diversified farms qualify for agricultural valuation. The bill includes specific factors to be considered for small acreages, including the financial investment of the producer in agricultural use of the land, the degree of active management for agricultural use, and the percentage of the land being used for agricultural uses. These factors will help limit who is eligible and protect against abuses.

The landowner must still show that the land is devoted principally to agricultural use, and has been for at least five of the preceding seven years. The landowner will also remain subject to five years of rollback taxes if the property ceases to be used for agricultural purposes.

This proposal does **not** seek to increase the number of landowners who are entitled to open-space valuation; rather, it merely ensures that people who should already qualify for agricultural valuation under the Texas Constitution are not inappropriately excluded by local authorities.

HB 97 and SB 1963 is supported by the Texas Local Food and Farm Coalition, Texas Organic Farmers & Gardeners Association, Farm & Ranch Freedom Alliance, the Sustainable Food Center, Food Policy Council of San Antonio, GROW North Texas, Grow Local South Texas, and Waller County Farmers & Ranchers Cooperative.

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What Will This Bill Cost?

- Three studies conducted on Bexar¹, Hays², and Bandera³ 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 valuation– effectively subsidize residential communities in their counties. “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.”⁴

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

Will allowing small acreages to qualify ag valuation “open the floodgates?”

- No. Every county *already* contains agricultural parcels under 10 acres. There are at least 367,742 land parcels in Texas under 10 acres which are classified as agricultural (D-1). Every county surveyed (248 total) had at least some D-1 land parcels under 10 acres.⁵
- HB 97 would bring transparency and consistency as to when and how small acreages can qualify for D-1.

Any loss in tax revenue under HB 97 is overestimated.

- An Extension Economist has calculated that, if the bill led to 10% of rural (E) parcels being reclassified to D-1 in all counties, the resulting tax loss would be about \$10 million -- a fraction of last session’s fiscal note.⁶
- In fact, a 10% estimate for E to D-1 reclassification is high since the proposed bill would add prerequisites to reclassification such as financial investment in agriculture, time spent actively farming, and the percent of the land used for agriculture.
- Moreover, to the extent that the bill preserves working agricultural lands, rather than allowing high property taxes to force farmers to sell land to developers, it is a net benefit to the counties, as discussed above.

¹ American Farmland Trust. “Cost of Community Services: The Value of Farmland and Open Space in Bexar County, Texas.” Jan. 1, 2004 (hereinafter “Bexar County Study”).

² American Farmland Trust. “Cost of Community Services: The Value of Farm and Ranch Land in Hays County, Texas.” Jan. 1, 2003.

³ American Farmland Trust. “Finding the Balance: Ranching and Rapid Growth in Bandera County, Texas.” Jan. 1, 2003.

⁴ Bexar County Study at p.3.

⁵ Dudensing, Rebekka. “Agricultural Land D1E Aggregated Value with Tax Loss.” Texas A&M AgriLife Extension Service. (unpublished, based on data from Texas Comptroller)

⁶ Dudensing. “Agriculture Land D1E Aggregated Value with Tax Loss.”