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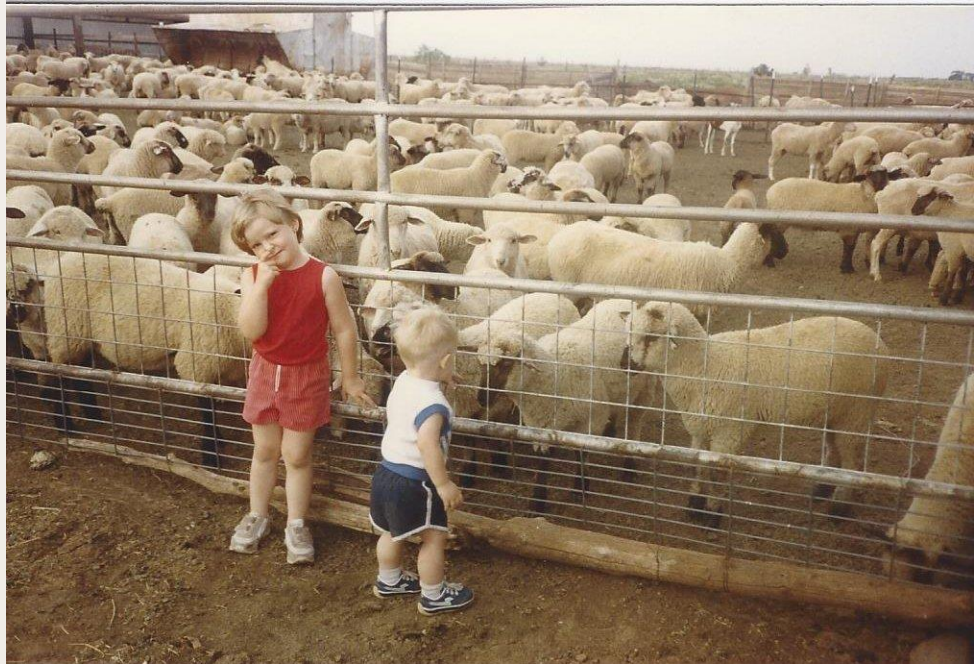
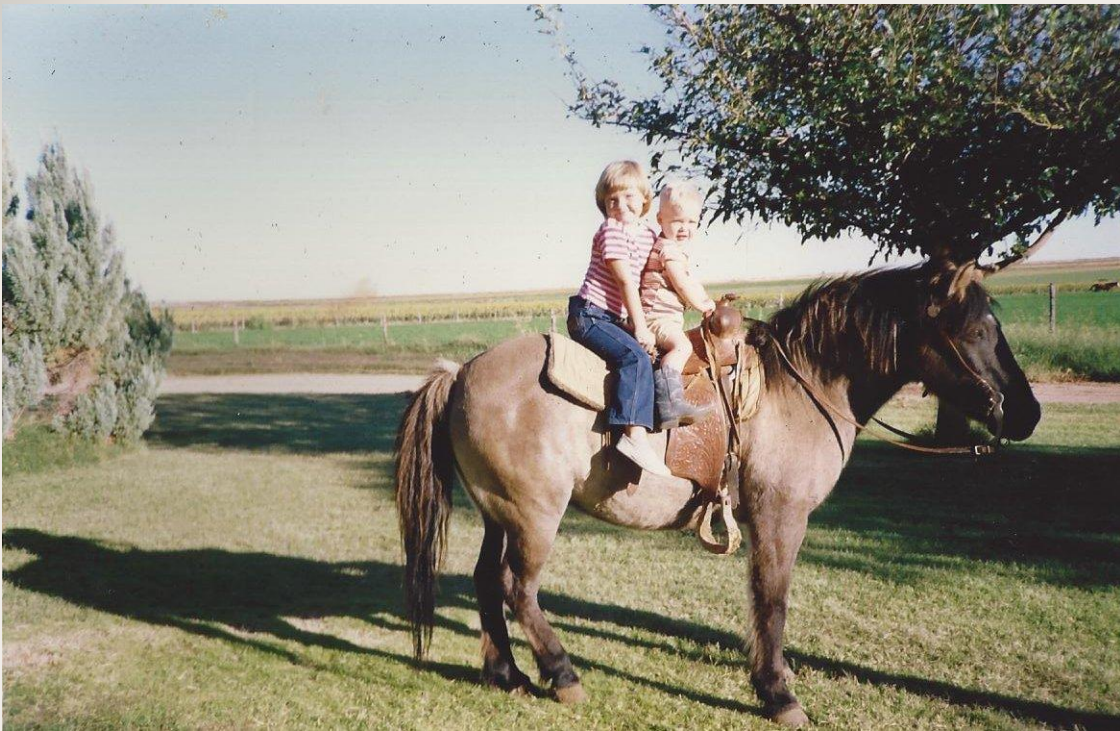
# Impact of Conversion of Land from Agricultural Use Property Tax Valuation to Wildlife Use Valuation on the Livestock Industry



Tiffany Dowell Lashmet

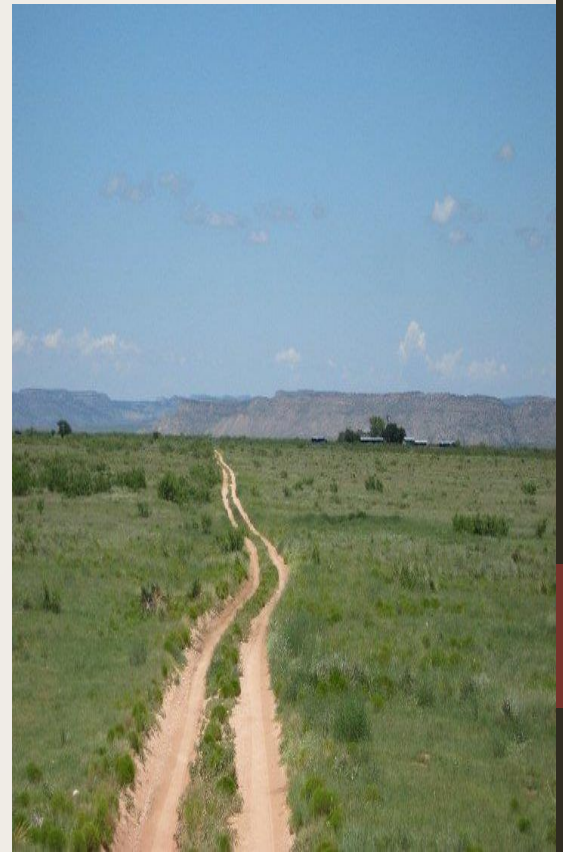
David P. Anderson

Kasey Ullrich



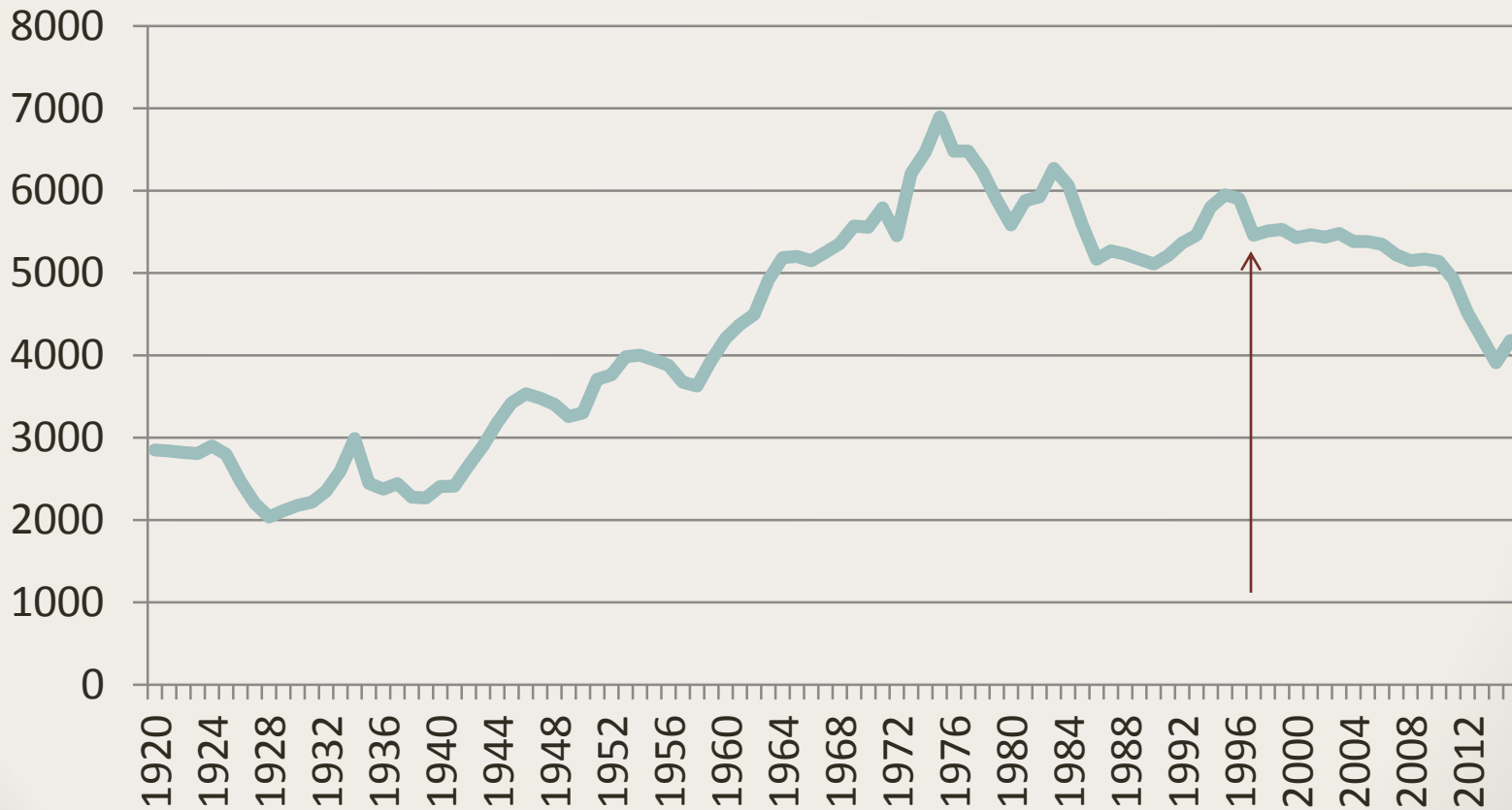
# Road Map

- Decrease in Texas Cattle Numbers
- Potential Reasons
- Origination of Special Use Valuation
- Rules for:
  - Agricultural Valuation
  - Open Space Valuation
  - Wildlife Management Valuation
- Potential Impact of Wildlife Use Conversion on Cattle Numbers
- What We Don't Know
- Conclusions



# Reduction in Cattle Numbers

## Texas Beef Cow Inventory



# Potential Reasons

- Drought
  - 2006 drought in South Texas.
  - 2010 drought begins across state.
  - 2011 driest year on record for Texas.
- Low Profitability
  - High feed and other costs
- Conversion to Wildlife Management Use Valuation
  - Some concern that large landowners may elect to stop agricultural operations if not necessary to ensure lower tax rate.

# Origination of Special Valuation

- General rule: Property taxed on market value.
- Problem in 1960's
  - Urban sprawl creates increased demand for land.
  - Market value of agricultural land skyrockets.
  - Farmers & ranchers cannot afford to pay taxes on agricultural income.
  - Farmers & ranchers sell land to developers.
  - Threat of America's food supply dwindling.
- Solution: Create special use valuation rules that modify calculation of taxes for certain types of land.
- Tax land on value of agricultural productivity value.
- Most states have some form of ag use valuation for property taxes.

# Traditional Ag Use Valuation

- **“Agricultural Valuation”**
  - Constitutional provision passed in 1966.
  - To qualify:
    - Property primarily put to “agricultural use;”
    - Property owned by natural person;
    - Owner earns more than half income from agriculture;
    - Annual application filed; and
    - Land devoted exclusively to agricultural use or continually developed for agricultural use for past 3 years.
- Tax calculated based on average net income land would have yielded under prudent management practices during the past 5 years.
- Difficulties:
  - Farms and ranches using business entities to protect against liability cannot qualify.
  - Farmer who works an off-farm job (or whose spouse works off the farm) may not qualify.



# Open Space Valuation

- **“Open Space Valuation”**

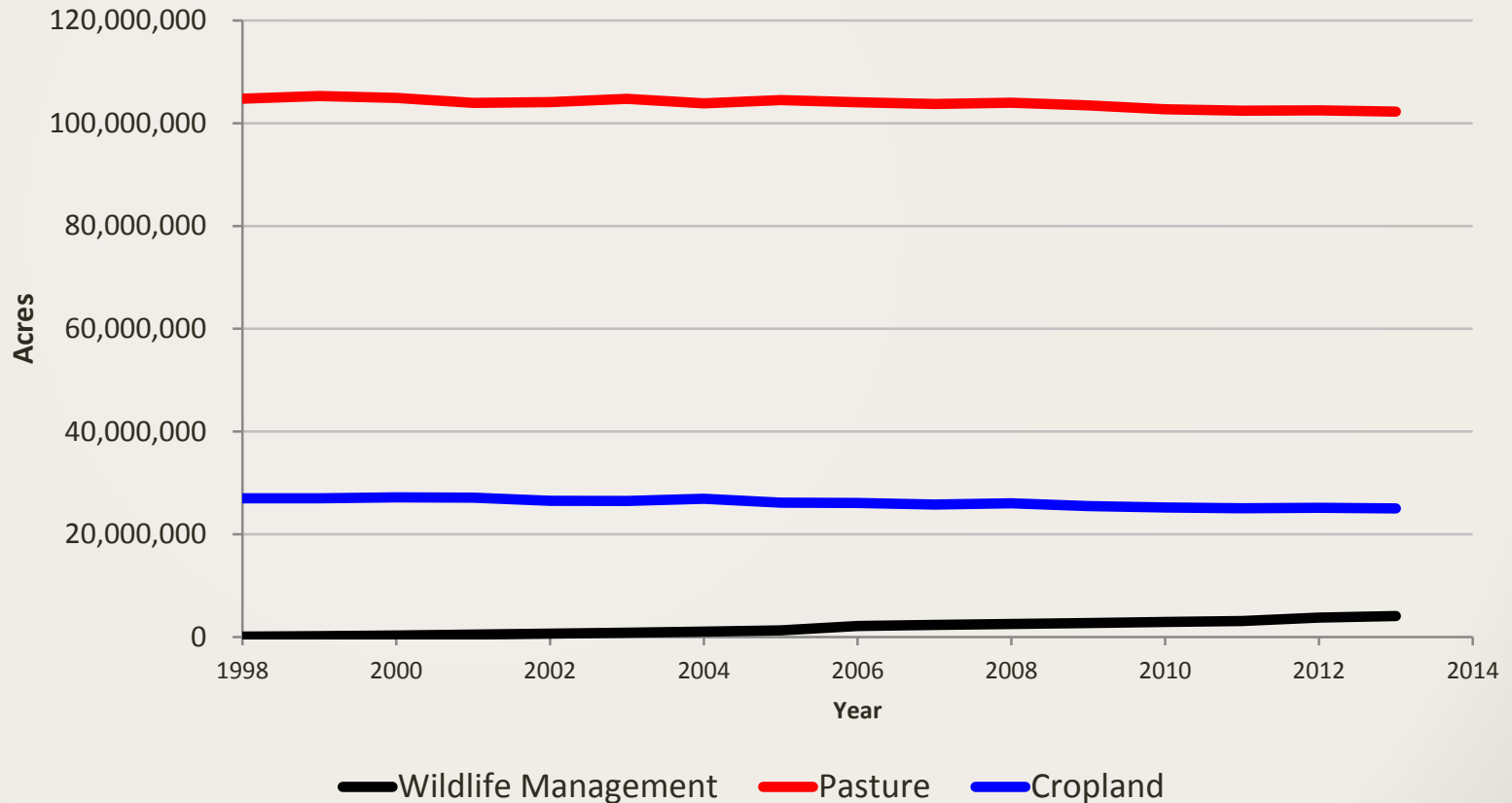
- Constitutional provision passed in 1978.
- To qualify:
  - Land currently devoted to agricultural use of degree & intensity generally accepted in the area;
  - For 5/7 past years land principally devoted to agriculture or timber use; and
  - One-time application filed.
- Once qualified, CAD categorizes land.
- Significant County Assessor discretion in standards & approval.
- Taxes calculated based on net value to land, which looks at average annual income that could have been earned using ordinary prudence in managing the land, including hunting leases.

# Wildlife Management Valuation

- **“Wildlife Management Valuation”**
  - Actually subpart of Open Space Valuation.
  - Passed in 1995, effective in 1997.
  - To qualify:
    - Land used primarily for “wildlife management;”
      - Either actively used to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use or actively used to protect a federally listed endangered species if certain criteria met.
    - Land qualified for open space valuation the year prior;
    - Landowner must utilize at least 3/7 listed practices; and
      - Habitat control; erosion control; predator control; providing supplemental supplies of water; providing supplemental supplies of food; providing shelter; making census counts.
    - Application submitted, including wildlife management plan
  - Allows special valuation without requiring any agricultural operation.

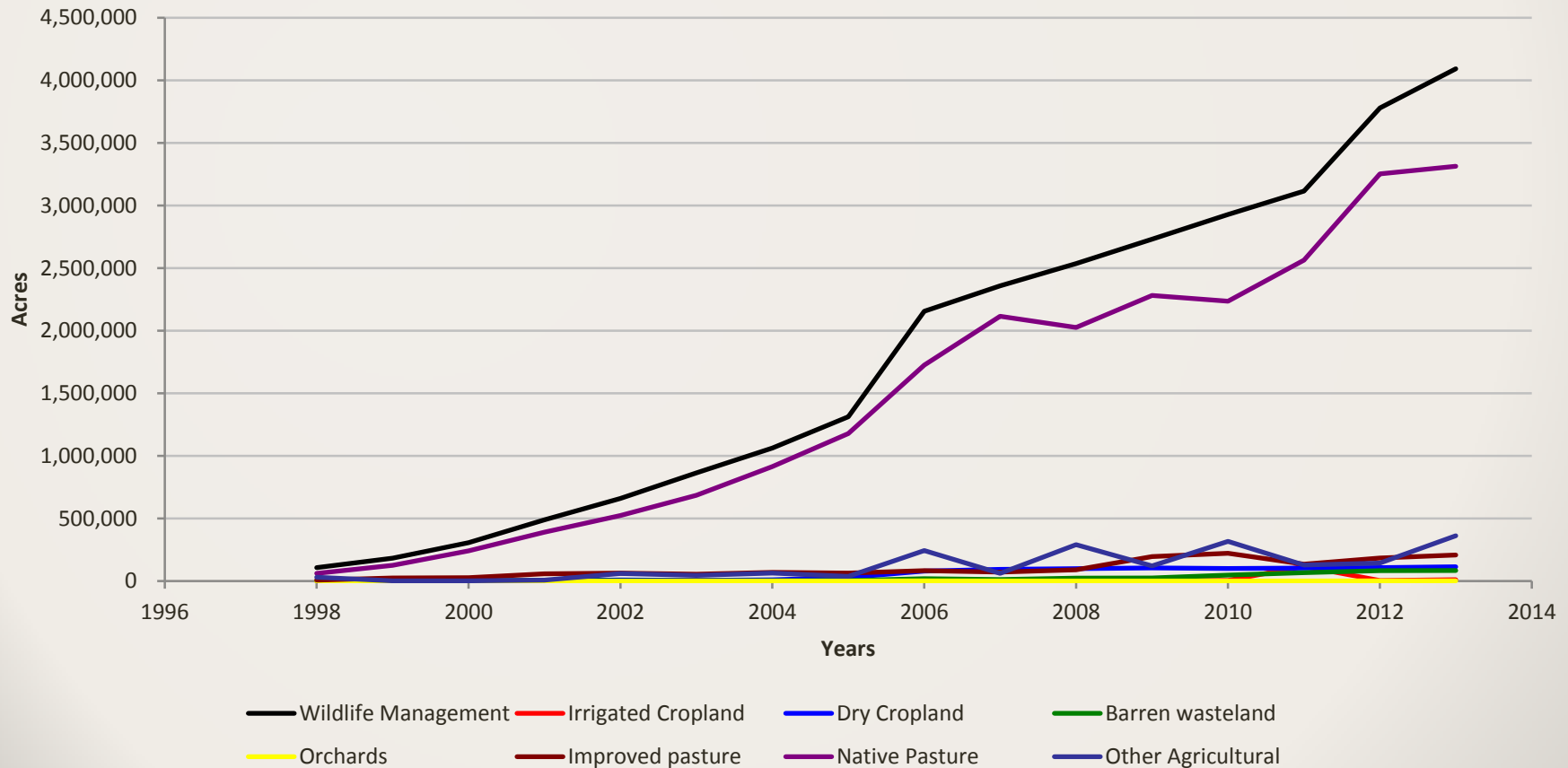
# Wildlife Acres Increasing

## Texas Land Use



# What Land Is Being Converted?

## Wildlife Management by Land Category



# Potential Impact on Cattle Numbers?

- We know 4.09 million acres were converted to wildlife management, of which 3.52 million acres were pastureland.
- Let's assume, on average, we can run 1 cow to 30 acres.
  - Some land had no cattle, adjust for quality.
- If there are no cattle run on any of the converted acres, the impact is significant:
  - Loss of 120,000 cows, out of 1.5 million lost over the period.



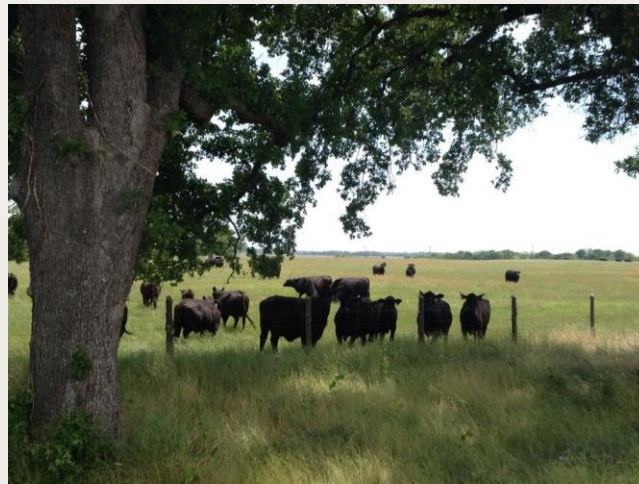
# Known Unknowns...

- Number of cows on pasture prior to conversion.
- Whether cattle remain despite conversion to wildlife management.
- Whether decision to sell cattle was based on wildlife management valuation option.



# Conclusions

- Number of wildlife management acres totaled 4.09 million in 2013.
- 3.52 million (86%) of these acres were converted from pasture land.
- Once converted, no agricultural practices are required to retain tax valuation.
- It is possible that the conversion of land has caused a significant decrease in the number of cattle in Texas.



# Thank you!



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