

Use This Information to Help Preserve Ag, Wildlife, and Timber Valuations!

The threat to ag, wildlife, and timber valuations is real and just one of the many issues that your TWA is addressing during the 2007 legislative session. We need your assistance! Using this information as background, contact your state representative and state senator and help us educate them. Write letters, send faxes and e-mails, place telephone calls, and/or schedule meetings. They have to understand that these valuations are good for all Texans and should be left alone.

Please feel free to excerpt this "Back Sendero," or copy it, or rework these points into your own. Our leaders, including the Governor, Lt. Governor, and

Speaker, need to hear that ag, wildlife, and timber valuations are a vital component of Texas' landscape.

If you don't know who represents you, go to The Texas Legislature On-line at www.capitol.state.tx.us or call the TWA Office at (800) 839-9436 to obtain the contact information.

Of course, there are a myriad of other people who need to receive the same message. Pass this information along to your local property tax appraisal board, your county's chief appraiser, your tax-assessor collector, your county commissioners, the editor of your local paper, the reporters who cover government issues, your banker, your local Chamber of Commerce, your school board, your superin-

tendent, your hunters, your nature tourism guests, and anyone else you can think of who has a stake in this vital issue.

And while you're at it, go to TWA's website at www.texas-wildlife.org and sign up for our List Serve. (And if you are not a TWA member already, please join!) It allows us to e-mail you with up-to-the-minute legislative bulletins and calls to action. As I said earlier, ag, wildlife, and timber valuations aren't the only issues with hot buttons and huge consequences for landowners.

Author's Note: There is an insert featuring this information in this magazine. Please use it as you work to preserve ag, wildlife, and timber valuations. 🐾

We need your assistance!

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- **The ag, wildlife, and timber valuations apply only to the land; all improvements such as homes, barns, bed-and-breakfasts, and *improvements ad infinitum* are taxed at market value.** Rural landowners pay the same taxes on their homes and garages as urban and suburban Texans do. And when rural Texans spend money to upgrade their land by adding barns or other infrastructure, their tax bill goes up accordingly. *For example: 100 acres of rangeland in Kendall County generally contribute about \$109 in property taxes. Build a \$100,000 house with garage/barn and a \$15,000 well and a \$15,000 septic system, and the taxes would increase to approximately \$2,275.*
- **The ag, and later, the wildlife, and timber tax valuations were put in place to help conserve agricultural lands and wildlife habitat.** These valuations are not simply tax breaks; they are conservation incentives.
- **The state's voters, in 1995, overwhelmingly approved expanding the ag valuation to include wildlife management through a constitutional amendment known as Proposition 11.** The measure passed by a 62 percent to 38 percent margin, indicating that Texans representing all demographic groups strongly support retaining open space land.
- **Agricultural, timber, and open space land is the face of Texas.** In addition, these lands provide intangible environmental benefits such as more water, cleaner water, carbon sequestration, improved riparian zones, oxygen, nature-related recreation areas, and wildlife habitat.
- **Even with the ag, wildlife, and timber valuations, Texas is losing agricultural land faster than any other state in the nation.** More than 150,000 acres—almost 235 square miles—per year are being converted from plows, cows, and trees to suburbs and sprawl.
- **If their land is taxed at market value rates, traditional landowners, particularly in high-value transition counties, will not be able to hold onto their property.** In the case of the Langford family's Laurels Ranch in Kendall County, the annual property tax bill could skyrocket from \$2,580 per year to a little more than \$21,500 per year.
- **Widespread land sales, prompted by the loss of ag, wildlife, and timber valuations, would cause rural land values to plummet and could trigger a financial situation similar to the S&L/banking crisis.** Why? Because the asset—in this case the land—could not support the loan's value. And, thanks to banking regulations dating back to the late 1980s, the loan would be classified by federal regulators as under-capitalized and subject to call even if it is current. If the institution issued enough land loans, it could go down the tubes.
- **More residents mean more public services and more local government spending.** According to studies conducted across the United States by the American Farmland Trust (AFT), the cost of providing public services exceeds the amount of tax revenue provided by residential tax payers. Agricultural and open space land, even with lower property tax valuations, generates more tax money than it requires in public service costs. *For example: In Bexar County, the AFT reported that for every dollar that agricultural and open space lands generated in taxes, the county spent only 18 cents to provide them with services. Residential development, on the other hand, required \$1.15 in services for every dollar it contributed from property taxes, sales taxes and other revenues.*
- **Progressive leaders in rural counties and small towns embrace the ag, wildlife, and timber tax valuations because these people recognize open space and the recreational opportunities it provides are economic generators.** These people know that nature and cultural tourism are the economic generators that are keeping their rural way of life alive. They are seeing additional revenue from visitors seeking out the decidedly “un-urban” experiences of hunting, fishing, wildflower trails, bed and breakfasts, birding tours, small town antique shows, dude ranches, hay rides and u-pick-em orchards.
- **Responsible, private land stewards across the State of Texas don't support cheaters.** If there are those individuals and corporations who are taking advantage of this important tax valuation – and jeopardizing it for everyone else – then they should be stopped. Local tax appraisers should be given the training and the support to ensure that any activities falling outside the parameters of legitimate agriculture and wildlife management practices be taxed at market value.

Author's Note: We've included these talking points on an insert in this magazine so that they are convenient for you to carry with you. Please use this information to help us educate the state's opinion makers so that we can retain the ag, wildlife, and timber valuations. 🦋

Keep the Tax Valuations!
Our Heritage and Economy Depend On It.
Join TWA Now! Call (800) 839-9453 or
Join Online at www.texas-wildlife.org.

What the Ag, Wildlife, and Timber Valuations Mean to the Texas Economy

by David K. Langford



Author's Note: For a complete set of talking points and some ideas of how to use them, please see the sidebars preceding this article on pages 43 and 44. We've also included an

insert featuring the talking points and call to action, so that it will be easy for you to use this information when you contact your legislators, newspaper editor and every other opinion maker you know to help preserve ag, wildlife, and timber valuations for Texas landowners.

Paul Revere once rode through the dark countryside, waking his sleeping countrymen, with the warning: "The British are coming." Today, I'm afraid my fellow landowners, land managers and wildlife enthusiasts are sleeping blissfully, unaware that we could soon be under attack. Of course, the threat isn't the Redcoats, but the well-meaning, ill-informed legislators who would do away with the ag, wildlife, and timber valuations in the name of tax reform.

In 2007, pundits and politicians once again are eyeing wildlife, agriculture, and timber tax valuations. Why? These plums of taxation appear to be a tantalizingly simple way to address, at least in part, the state's on-going budget challenges. Plus, the face of Texas is changing rapidly and more people, without direct ties to the land, are beginning to question the validity of these valuations.

Right now, there is one interim committee looking at the state's tax system and there are at least three court cases focusing on ag, wildlife, and timber valuations. As you might expect, these court cases are being fought in transition counties, those formerly rural counties on the edge of rapidly expanding urban areas. In these counties, wildlife habitat is quickly giving way to human habitat: sub-divisions, strip centers and paved boulevards. These cases are not only a battle for open space, but a battle for public opinion. The battle of public opinion is one we must not lose.

To hear some people tell it, everything in rural Texas is taxed at a special rate.

This isn't true. **The ag, wildlife, and timber valuations apply only to the land; all improvements such as homes, barns, bed and breakfasts, and improvements ad infinitum are taxed at market value.** Rural landowners pay the same taxes on their homes and garages as urban and suburban Texans do. And when rural Texans spend money to upgrade their land by adding barns or other infrastructure, their tax bill goes up accordingly. For example, 100 acres of rangeland in Kendall County generally contribute about \$109 in property taxes. Build a \$100,000 house with garage/barn and a \$15,000 well and a \$15,000 septic system, and the taxes would increase to approximately \$2,275. Unfortunately, these "inconvenient" facts are often overlooked by those determined to do away with ag, wildlife, and timber valuations in the name of "fairness to all Texans."

Of course, the state budget, particularly the category of public education, is the driving force behind the continued interest in these valuations. **Ironically, many people are focusing their attention on these property tax categories even after a judge ruled that the state's property tax system is an inadequate means of funding public education.** We humans are creatures of habit. And I expect that property taxes will continue to be revisited until a politically fearless visionary has the courage to publicly say that the main source of Texas' wealth is no longer directly tied to the land, but to brains and business, and offers a tax plan created accordingly. It is a monumental change whose time hasn't come. But it sure needs to in a hurry!

In the meantime, as I watch the pundits and politicians plot and ponder, I have to ask the question that they should be asking: "What if wildlife, agriculture and timber tax valuations are done away with?" I believe that the consequences are much more dire and far reaching than these ill-informed individuals could even imagine.

The ag, and later the wildlife, and timber tax valuation, was put in place to help conserve agricultural lands and wildlife habitat. While both agriculture and wildlife/recreation are economic forces in their own rights, these designations were created because lawmakers and the general public recognized that both

agricultural and open space land contribute more to the state than tax revenues. **In fact, the state's voters, in 1995, overwhelmingly approved expanding the ag valuation to include wildlife management through a constitutional amendment known as Proposition 11.** (This measure passed by a 62 percent to 38 percent margin, cutting across all demographic groups.) Unfortunately, these intangible benefits are hard to see and easy to take for granted—until they are gone.

Agricultural and open space land is the face of Texas. They are what make the Lone Star State one-of-a-kind. The Hill Country, the Panhandle, the Piney Woods, the Blackland Prairie, the South Texas Brush, the Trans-Pecos and the Coastal Plains are unique in all the world. Starbucks in strip malls and McMansions on cul de sacs are depressingly alike. Who wants to live in a place defined by the color of its neon signs or the shade of its asphalt?

When we, as Joni Mitchell sang, "pave paradise and put up a parking lot," we lose habitat that shelters wildlife; we lose places where we can hunt, fish and enjoy outdoor recreation in all its forms; we lose green spaces that produce oxygen and cleanse polluting carbon; we lose land that captures rainfall and purifies the water before it enters our aquifers and rivers; we lose land that, with good stewardship, feeds and clothes the world. We lose everything that differentiates living well from merely surviving.

Today, even with ag, wildlife, and timber valuations in place, Texas is losing agricultural land faster than any other state in the nation. More than 150,000 acres—almost 235 square miles—per year are being converted from plows and cows to suburbs and sprawl. The question then becomes: How quickly will our natural heritage disappear if the conservation incentives provided by ag, wildlife, and timber valuations are removed?

I don't know exactly, but I guarantee it will be pretty danged fast. Traditional landowners, particularly in high-value transition counties, will not be able to hold on to their land if it is taxed at market value rates. Personally, here on the Laurels Ranch in highly desirable Kendall County, our annual property tax bill could

skyrocket from \$2,580 per year to more than \$21,500 per year. It would be practically impossible for us to pay the first year taxes, much less hang on for year two. I'm sure our neighbors in the county and across the state would find themselves between the same sorts of rocks and hard spots.

The real estate equivalent of a statewide fire sale would ensue. Because of the laws of supply and demand, land values would plummet, all because of a wrong-headed, short-sighted change in tax policy. It would be a buyer's market, but who would want to buy? Even those pesky developers, who people love to cuss, wouldn't want a piece of something that holds no promise of increasing value. If land is worthless, what happens to a county's property tax base? Any third grader can tell you: Something times zero is still zero.

Now this scenario is scary enough in and of itself, but it is just the tip of the iceberg. **If rural land values plummet, almost anyone with a note on their land—even those with good jobs who have never missed a single payment—could become non-complying.** Why? Because the asset—in this case the land—could not support the loan's value. And, thanks to banking regulations dating back to the late 1980s, the loan would be classified by federal regulators as under-capitalized and subject to call even if it were current. If the institution issued enough land loans, it could go down the tubes. Anybody ready for another S&L/ banking crisis? I suspect not.

Another question has to be asked: "Is the short-term gain of assessing agricultural, timber, and open space land at its market instead of its productive value worth the long-term cost?" No, especially when you put a pencil to it.

When development first appears in rural counties, local leaders are ecstatic. But the jubilation is often short-lived. Why? Because the leadership soon discovers that while new residents do bring more tax dollars they also require increased services. Providing those services costs money, big money.

In fact, **according to studies conducted across the United States by the American Farmland Trust (AFT), the cost of providing those public services far exceeds the amount of tax revenue provided by residential taxpayers. On the other hand, agricultural and open space lands, even with lower property**

tax valuations, generate more tax money than they require in public service costs.

One of AFT's most recent Cost of Community Services surveys was conducted in Bexar County, home to the nation's seventh largest city. Between 1990 and 2000, Bexar County's population, which is currently 1.4 million, grew by almost 20 percent. While it would be a stretch to call Bexar County rural, it still has rural areas.

In the case of Bexar County, researchers found that the county's agricultural and open space lands generate nearly six times as much revenue as the county spends on them in services. The AFT reported that for every dollar that agricultural and open space lands generated in taxes, the county spent only 18 cents to provide them with services. Residential development, on the other hand, required \$1.15 in services for every dollar it contributed from property taxes, sales taxes and other revenues.

Results were similar for studies in Hays, Bandera and every one of the more than 130 other counties studied across the nation. While the results are startling, they make perfect sense. Obviously, a single family on 100 acres requires fewer services than 100 families on 100 acres, because cows don't go to school, songbirds don't call 9-1-1, and crops don't require the "jaws of life" or Medivac helicopters after Saturday night smashups on the freeway.

And, despite what some pundits would have you believe, **the rural counties and small towns that capitalize on their unique natural features embrace the ag, wildlife, and timber tax valuations.** These people know that nature and cultural tourism are the economic generators

keeping their rural way of life alive. They are seeing additional revenue from visitors seeking out the decidedly "un-urban" experiences of hunting, fishing, wildflower trails, bed and breakfasts, birding tours, small town antique shows, dude ranches, hay rides and u-pick-em orchards. Without their agriculture and open space lands, these counties would be home to a tiny post office and a lot of boarded-up businesses.

With all that said, I can tell you that **responsible, private land stewards across Texas don't support cheaters.** If there are those individuals and corporations who are taking advantage of this important tax valuation—and jeopardizing it for everyone else—then they should be stopped. **Local tax appraisers should be given the training and the support to ensure that any activities falling outside the parameters of legitimate agriculture and wildlife management practices be taxed at market value.** If it is the five-year rollback that is problematic, then maybe its length should be reviewed. Under no circumstances, though, should ag, wildlife, and timber valuations be done away with to punish the few who abuse this beneficial conservation incentive.

The bottom line is agriculture, wildlife, and timber valuations are a boon for Texas and all Texans. Agricultural and open space land gives more than it takes. It would be short-sighted and potentially disastrous to remove the very incentives that conserve our state's natural resources, our cultural heritage and all our tax-paying back senderos.

If our leaders are wise, they will keep ag, wildlife, and timber valuations on all our back senderos in place. If they are not, all Texans will pay a price that our state cannot bear. 🐾

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