| Agriculture Land Cap Rates |
| --- |
| **Year** | **Percent** |
| **2011** | 10 |
| **2012** | 10 |
| **2013** | 10 |
| **2014** | 10 |
| **2015** | 10 |
| **2016** | 10 |
| **2017** | 10 |
| **2018** | 10 |
| **2019** | 10 |
| **2020** | 10 |
| **2021** | 10 |

For agricultural or open-space land, Tax Code Section 23.53 requires appraisal districts to use a cap rate that is the greater of 10 percent or the interest rate specified on the previous Dec. 31 by the Farm Credit Bank of Texas plus 2.5 percent. The bank's interest rate on Dec. 31, 2020, was 2.75 percent. With the 2.5 percent added, that rate became 5.25 percent. Since 10 percent is the greater rate, the 2021 cap rate is 10 percent. The cap rate for the past 10 years has been 10 percent, the last time it was not 10 percent was 2007, when it was 10.13 percent.

[Timberland Cap Rates](https://comptroller.texas.gov/taxes/property-tax/caprates.php#timber)

Appraisal districts must use a 2021 timberland cap rate of 6.96 percent. The 2003 Regular Session of the Legislature approved a provision that imposed a new method for determining the cap rate used to calculate timberland productivity values as of Jan. 1, 2004. The changes resulted in less volatility in the cap rate and more stability in timber productivity values. The goal was to slowly move to a cap rate based on a five-year average.

After January 2004, and when the interest rate specified by the Farm Credit Bank of Texas on Dec. 31 plus 2.5 percent is greater than or equal to 10 percent, the cap rate for that year is the interest rate plus 2.5 percent. The following year the cap rate is the average of the Dec. 31 interest rate plus 2.5 percent and the previous years' cap rate for the previous four years as provided by Tax Code 23.74.

The year 2007 was the first time since the change in the law that the interest rate plus 2.5 percent was greater than 10 percent. As you can see in the following table, the cap rate for the first year was the interest rate plus 2.5 percent, or 10.13 percent. In the following years, the cap rate was determined by averaging the Dec. 31 interest rate plus 2.5 percent and the previous years' cap rates excluding the years before 2007.

The following chart demonstrates how the cap rates used to value timberland have been determined from 2006 through 2021.

| Timberland Cap Rates |
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| **Year** | **Interest** | **Interest Rate+2.5 percent** | **Cap Rate Used** | **Determination** |
| **2006** | 6.55 percent | 9.05 percent | 9.05 percent | The greater of previous year's cap rate or the current interest rate plus 2.5 percent |
| **2007** | 7.63 percent | 10.13 percent | 10.13 percent | The greater of previous year's cap rate or the current interest rate plus 2.5 percent |
| **2008** | 7.09 percent | 9.59 percent | 9.86 percent | The average of the previous year's cap rate (10.13 percent) and the current interest rate plus 2.5 percent (9.59 percent) |
| **2009** | 3.74 percent | 6.24 percent | 8.74 percent | The average of the previous two years' cap rates (10.13 and 9.86 percent) and the current interest rate plus 2.5 percent (6.24 percent) |
| **2010** | 3.16 percent | 5.66 percent | 8.6 percent | The average of the previous three years' cap rates (10.13, 9.86 and 8.74 percent) and the current interest rate plus 2.5 percent (5.66 percent) |
| **2011** | 3.78 percent | 6.28 percent | 8.72 percent | The average of the previous four years' cap rates (10.13, 9.86, 8.74 and 8.6 percent) and the current interest rate plus 2.5 percent (6.28 percent) |
| **2012** | 3.76 percent | 6.26 percent | 8.44 percent | The average of the previous four years' cap rates (9.86, 8.74, 8.6 and 8.72 percent) and the current interest rate plus 2.5 percent (6.26 percent) |
| **2013** | 3.1 percent | 5.6 percent | 8.02 percent | The average of the previous four years' cap rates (8.74, 8.6, 8.72 and 8.44 percent) and the current interest rate plus 2.5 percent (5.6 percent) |
| **2014** | 3.7 percent | 6.2 percent | 8 percent | The average of the previous four years' cap rates (8.6, 8.72, 8.44 and 8.02 percent) and the current interest rate plus 2.5 percent (6.2 percent) |
| **2015** | 2.90 percent | 5.40 percent | 7.72 percent | The average of the previous four years' cap rates (8.72, 8.44, 8.02 and 8.00 percent) and the current interest rate plus 2.5 percent (5.40 percent) |
| **2016** | 2.96 percent | 5.46 percent | 7.53 percent | The average of the previous four years' cap rates (8.44, 8.02, 8.00 and 7.72 percent) and the current interest rate plus 2.25 percent (5.46 percent) |
| **2017** | 3.21 percent | 5.71 percent | 7.39 percent | The average of the previous four years' cap rates (8.02, 8.00, 7.72 and 7.53 percent) and the current interest rate plus 2.5 percent (5.71 percent) |
| **2018** | 3.96 percent | 6.46 percent | 7.42 percent | The average of the previous four years' cap rates (8.00, 7.72, 7.53 and 7.39 percent) and the current interest rate plus 2.5 percent (6.46 percent) |
| **2019** | 4.79 percent | 7.29 percent | 7.47 percent | The average of the previous four years' cap rates (7.72, 7.53, 7.39, 7.42 percent) and the current interest rate plus 2.5 percent (7.29 percent) |
| **2020** | 4.08 percent | 6.58 percent | 7.28 percent | The average of the previous four years’ cap rates (7.53, 7.39, 7.42, 7.47 percent) and the current interest rate plus 2.5 percent (6.58 percent). |
| **2021** | 2.75 percent | 5.25 percent | 6.96 percent | The average of the previous four years' cap rates (7.39, 7.42, 7.47, 7.28 percent) and the current interest rate plus 2.5 percent (5.25 percent). |

The method for determining the cap rate used for valuing timberlands is explained in detail in the Appraisal of Timberland section of the [*Manual for the Appraisal of Timberland (PDF)*](https://comptroller.texas.gov/taxes/property-tax/docs/96-357.pdf), published by the Comptroller. This manual was adopted in October 2020. The cap rates in the manual are examples and should not be used in determining timberland values. The Comptroller's Property Tax Assistance Division will continue to report annually the correct rate to be used.