Know some facts about... New Jersey’s Farmland Assessment Act

The following information was prepared by New Jersey Farm Bureau in August 2006, and is provided for educational purposes. Edited by Jenny Carleo and Jack Rabin, April 2009.

- Policy makers and New Jersey’s public long ago recognized the market benefits of farmland and farming do not reflect their full values to society. The public benefits of agriculture include clean air, clean water, water recharge, wildlife habitat, open space, decreased crime, decreased congestion, freedom from sprawl, pastoral views, local food security and diversity, and a rural lifestyle. None of these community and ecosystem values are priced into the products farmers sell. Hence, agricultural policy like Farmland Tax Assessment, have sought to correct this externality by encouraging the retention of farmland.

- Farmland Tax Assessment in NJ allows land actively devoted to an agricultural or horticultural use to be taxed on its farm value instead of its development value.

- All land qualifying for farmland assessment must meet a minimum income threshold from the sale of the agricultural output of the farm. The threshold begins at $500 for the first five acres.

- New Jersey farmers pay about $50-$80 tax per farmland acre. The 2002 national average farmland taxes paid were about $5.70 per acre. Even with Farmland Tax Assessment, New Jersey farmers pay many times the national average property taxes per acre of farmland (US Census of Agriculture).

- Farmers are not exempt from market value assessed property taxes. Farmers pay the same property taxes as all other households on their homes, driveways, garages, swimming pools, etc. They also pay market value taxes on the structures (barns, sheds, fences, etc.) on the farm. Only the land that is actively devoted to agriculture production is farmland assessed.

- Even with farmland assessed lands, a total farm on average generates more property tax revenue to a municipality than it costs in municipal services, and therefore is a positive tax ratable for any town. For each $1.00 in taxes paid on open farmland, service costs are $.35 (Source: “The Cost of Community Services in Monmouth County, NJ” – American Farmland Trust, 1998).

- Farmland Tax Assessment, approved in 1964, remains the single most effective farmland viability tool that State government has ever provided. It is key reason NJ still has any “garden acres” remaining in the Garden State. In most cases, it is not possible to generate enough income from farming to afford development value assessments and remain a competitive farm business. Historical farm records indicate that even by years prior to the Civil War in the mid-1800s, essential food acres like wheat were being pushed out of NJ due to development pressure!
• As of 2005, there were approximately one million acres of farmland assessed ground in New Jersey. This represented nearly 22% of the total acreage in the State; green open space that requires little cost to support by municipalities. By 2007, NJ farmland acres have fallen to 733,400 acres, 17% of New Jersey’s landmass, but 50% its remaining open space.

• Lands that ever get removed from farmland assessment pay a hefty penalty called a rollback tax. That tax is three years back taxes at the market value assessment plus the value after infrastructure improvements (sewer and water). Because New Jersey’s land values are so high, it’s reasonable to say that the three-year rollback penalty would be equivalent to a five-year or greater tax in other states with lower land values.

• Farmland Assessment is based on the use of land and is neutral as to the size of the farm or who owns the farm. Even very small parcels, or lands owned by large corporations may qualify for farmland assessment, so long as the land is actively farmed. In most cases, those properties owned by non-farmers are being leased and farmed by “real farmers” who need those tillable acres as part of their land portfolio, in order to keep their farm operations viable.

• State law requires that local tax assessors inspect all farm-assessed properties every three years to insure that the land is being actively devoted to agriculture or horticulture. If they find the land is no longer being farmed, they must deny the farmland assessment application.

• Farmers at New Jersey’s urban fringe face higher and ever escalating land values which not only result in higher property taxes, but also in the direct loss of farmland to development. An increasing population of residents, a fixed amount of land, and a fixed amount of farmable land, means competition for land use (Lopez, Adelaja and Andrews 1988). For example, between 1950 and 1995, land values in New Jersey increased at least fifteen-fold. Increases in farm cash receipts lagged way behind.

• Most of New Jersey’s farm income is earned through the sale of crops and commodities sold at wholesale prices, not the retail prices seen at the grocery store. Many commodity crops prices have increased little since the 1964 inception of the farmland assessment program. Data from the National Agricultural Statistics Service shows that agricultural commodity prices have increased only 18% over the last 25 years. Note that during the same time farm input costs have increased by 150%.