

An Introduction to New Jersey's Farmland Assessment Act

Fact Sheet FS1100

Cooperative Extension

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Introduction

New Jersey agricultural producers are fortunate to enjoy some of the most progressive agricultural legislation in the country. These laws are in place to protect responsible commercial agricultural producer's rights to pursue an agricultural enterprise. Regulations are in place not only protecting a farmer's right to farm, they also provide certain tax privileges for agricultural operations.

Agriculture is changing rapidly in New Jersey. Every year new small farms are started in the state. Many of these new agricultural producers are unaware of the tax benefits and protections afforded them by New Jersey law. Having a thorough understanding of agricultural regulations is an important component of a successful farming enterprise.

The following information is intended to give agricultural producers a basic understanding of the NJ Farmland Assessment Act and how the law may impact their business. This information is not intended to replace professional advice from an accountant or NJ Division of Taxation representative.

Eligibility

The New Jersey Farmland Assessment Act of 1964 permits farmland and woodland actively devoted to an agricultural or horticultural use to be assessed at its productivity value. The Act does not apply to buildings of any kind, or to the land associated with the farmhouse; buildings and home sites on farms are assessed like all other non-farm property. When and if the land qualified under the Act changes to a non-agricultural or non-horticultural use, including being idle, it is subject to a rollback tax.

Basic Requirements

1. Applicant must own the land.
2. Owner must annually apply for farmland assessment on Form FA-1 with the municipal tax assessor on or before August 1 of the year immediately preceding the tax year.
3. Land must be devoted to agricultural and/or horticultural uses for at least two years prior to the tax year.
4. Land must consist of at least five contiguous (adjoining) acres being farmed and/or under a woodlot management plan. Land under and adjoining the farmhouse is not counted in the 5-acre minimum area needed to qualify.
5. Gross sales of products from the land must average at least \$500 per year for the first five acres, plus an average of \$5 per acre for each acre over five, except in the case of woodland or wetland where the income requirement is \$.50 per acre for any acreage over five; or there is clear evidence of anticipated yearly gross sales, payments, or fees within a reasonable period of time dependent on the agricultural or horticultural products being produced.

Note: There are additional requirements for the boarding, training, or rehabilitation of livestock and for forestlands enrolled in a woodlot management program¹.

The applicant, on request of the assessor, at any time, must furnish proof of all the prerequisites necessary to show the land is eligible for farmland assessment, such as: ownership, description, area, uses, gross sales, and income or fees from the agricultural or horticultural use of the land. To be qualified for farmland assessment, land in a Farmland Preservation Program must meet the criteria and filing requirements of the Farmland Assessment Act.

Land Area Requirement

To be eligible for Farmland Assessment, land actively devoted to an agricultural or horticultural use must have not less than five acres devoted to:

1. the production of crops;
2. livestock or their products; and/or,
3. forest products under a woodlot management plan.

Once the minimum of five acres is actively devoted to an agricultural or horticultural use, all the land under barns, sheds, seasonal farm markets selling predominantly agricultural products, seasonal agricultural labor housing, silos, grain bins, green-houses and like structures, lakes, dams, ponds, streams, irrigation ditches and like facilities is included, provided their use is related to agriculture or horticulture. Ineligible land is land under the farmhouse, and such additional land as may be used in connection with the farmhouse.

Where individual parcels of land in agriculture or horticulture use under a single ownership are located in the same taxing district, compliance with the 5-acre minimum area eligibility requirement is considered to have been met if the individual parcels are contiguous (adjoining) and the total eligible area is at least five acres. Also, land under single ownership, separated by a public right of way, is considered to be contiguous.

Sales and Payment Requirements

1. Gross sales of agricultural or horticultural products produced from the land, payments received from a soil conservation program under an agreement with an agency of the Federal government; fees received for breeding, raising or grazing any livestock; income imputed to land used for grazing in the amount determined by the State Farmland Evaluation Advisory committee; and fees received for boarding, rehabilitating or training any livestock where the land under the boarding, rehabilitating or training facilities is contiguous to land which otherwise qualifies for farmland assessment, have averaged at least \$500 per year on the first five acres, \$5 per acre per year on any additional acres of farmland other than woodland and wetland, and \$.50 per acre per year on any additional acres constituting woodland and wetland during the two-year period immediately preceding the tax year in issue; or

2. There is clear evidence of anticipated yearly gross sales, payments, fees amounting to at least \$500 per year on the first five acres, \$5 per acre per year on any additional acres of farmland other than woodland and wetland and \$.50 per acre per year on any additional acres constituting woodland and wetland within a reasonable period of time.

Rented Farmland

Under the Farmland Assessment Act, land may be rented to another person who actively devotes the land to an agricultural or horticultural use. It is the owners' responsibility to annually complete an application, Form FA-1, for Farmland Assessment. For rented land, the name of the farmer, address, telephone number, and the information on current year's farming activity must be provided. The municipal assessor may require clear evidence of sales, especially where farming activities are not readily apparent. Rent received from a farmer is not considered the sale of an agricultural or horticultural commodity, and cannot be used to meet the gross sales requirement for Farmland Assessment. Instead, the value of farm products sold from the land is used.

Rollback Taxes: When the Use of Qualified Land Changes

The liability for rollback taxes attaches to the land when a change in use of the land occurs. However, no liability occurs when a change in ownership takes place if the new owner continues to devote the land to qualified agricultural or horticultural uses. Any land which changes from an eligible agricultural or horticultural use under the Farmland Assessment Act to a non-farm use is subject to rollback taxes for the year in which the change takes place, and for the two tax years immediately prior, in which the land was valued, assessed and taxed under the Act.

Assessment Values

The Farmland Evaluation Advisory Committee (FEAC) publishes ranges of fair value for use by assessors in assessing qualified farmland in accordance with its agricultural or horticultural use. The land use classes established by the FEAC are cropland harvested, cropland pastured, permanent pasture, non-appurtenant woodland, and appurtenant woodland. The soil ratings are A through E, from very productive farmland to very poor farmland. The Report of the

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State Farmland Evaluation Advisory Committee is published annually each October 1 by the New Jersey Division of Taxation. A copy can be obtained by calling (609) 292-7974 or by visiting the New Jersey Division of Taxation website² and select the link for statistical data.

Additional Information and Contacts

A more detailed description of the Farmland Assessment Act is available in the following guide:

¹New Jersey Farmland Assessment Act: An Informational Guide on Basic Requirements
www.nj.gov/agriculture/divisions/md/pdf/primerfarm.pdf

The New Jersey Department of Agriculture can answer questions on agricultural and horticultural production related to farmland assessment requirements.

NJ Department of Agriculture (609) 984-2503 or Robert.Bruch@ag.state.nj.us
www.nj.gov/agriculture/

The New Jersey Division of Taxation will answer questions on tax procedures, tax laws, regulations and court cases: NJ Division of Taxation (609) 292-7974

² www.state.nj.us/treasury/taxation/lpt/localtax.shtml

The New Jersey Forest Service will answer questions concerning woodland.

NJ Forest Service (609) 292-2531
www.nj.gov/dep/parksandforests/forest

Rutgers Cooperative Extension can provide information on crop and livestock production, farm management and marketing, and other related educational programs.
www.njaes.rutgers.edu

For a comprehensive list of our publications visit www.njaes.rutgers.edu.

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