

NEW JERSEY'S FARMLAND ASSESSMENT ACT

A PRIMER ON BASIC REQUIREMENTS

"For general property tax purposes, the value of land, not less than five acres in area, which is actively devoted to agricultural or horticultural use and which has been so devoted for at least two successive years immediately preceding the tax year in issue, shall, on application of the owner, and approval thereof as hereinafter provided, be that value which such land holds for agricultural or horticultural use. " (N.J.S.A. 54:4-23.2)

Eligibility

Eligibility of land for valuation, assessment and taxation under the Farmland Assessment Act shall be determined annually. An application (Form FA-1) shall be submitted by the owner to the assessor of the taxing district in which the land is situated on or before August 1 of the year immediately preceding the tax year for which such valuation, assessment and taxation are sought.

Upon receiving a timely application, it is the responsibility of the municipal assessor to establish the eligibility status of the land for the purpose of approving or denying the application. The owner must represent that the land will continue in agricultural or horticultural use to the end of the tax year for which application is made.

Five acres actively devoted to agricultural or horticultural production is the minimum area needed to qualify. Land under and used with the farmhouse is ineligible and does not count towards the five acres of productive land.

Land is actively devoted when:

(1). The amount of the gross sales of agricultural or horticultural products produced thereon, any payments 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 \$500.00 per year on the first five acres, \$5.00 per acre per year on any additional acres of farmland other than woodland and wetland, and \$0.50 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 and fees amounting to at least \$500.00 per year on the first five acres, \$5.00 per acre per year on any additional acres of farmland other than woodland and wetland and \$0.50 per acre per year on any additional acres constituting woodland and wetland within a reasonable period of time.

In the case where an application is filed for lands not previously qualified for farmland assessment, the owner shall also submit a map of land use classes and soil groups as described in the Report of the State Farmland Evaluation Advisory Committee published annually each October 1 by the New Jersey Division of Taxation (A copy can be obtained by calling (609) 292-7974).

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, income or fees from the agricultural or horticultural use of the land.

Area of Land Devoted

In determining the area of devoted or qualified land, all the land under barns, sheds, seasonal farm markets selling predominantly agricultural products, seasonal agricultural labor housing, silos, grain bins, greenhouses and like structures, lakes, dams, ponds, streams, irrigation ditches and like facilities is included. Land under the farmhouse, and such additional land as may be actually used in connection with the farmhouse, including, but not limited to, land used for lawns, flower gardens, shrubs, recreation and for like purposes, is excluded in determining the qualified area.

Where individual parcels of land in agriculture or horticultural use under a single ownership are located in the same taxing district, compliance with the five-acre minimum area eligibility requirement is deemed to have been met if the individual parcels are contiguous and the aggregate eligible area thereof is at least five acres. Also, land under single ownership, separated

by a public right of way, is deemed to be contiguous.

Where contiguous land in agricultural or horticultural use in one ownership is located in more than one taxing district, compliance with the five-acre minimum area requirement is determined on the basis of the total eligible area of such land and not the area which is located in a particular taxing district.

Where separate, noncontiguous parcels of land in agricultural or horticultural use, in a single ownership, are located in the same taxing district, a separate application for farmland assessment must be made with respect to each parcel. Each separate parcel must individually meet the qualifications for the program.

Assessment Values

The Farmland Assessment Act established the Farmland Evaluation Advisory Committee (FEAC) made up of the Director of the Division of Taxation, the Dean of Cook College, and the State Secretary of Agriculture. The FEAC publishes ranges of fair value for utilization 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.

Example: For cropland harvested, soil group B, the assessment value ranged from \$600 to \$800 per acre by county for the 2002 tax year.

Definitions

"Agricultural use" is land devoted to the production for sale of plants and animals useful to man, including but not limited to forages and sod crops; grains and feed crops; dairy and dairy products; poultry and poultry products; livestock, including beef cattle, sheep, swine, horses, ponies, mules or goats, including the breeding, boarding, raising, rehabilitating, training or grazing of any or all such animals (except "livestock" shall not include dogs); bees and apiary products; fur animals; trees and forest products or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the Federal Government.

"Horticultural use" is land devoted to the production for sale of fruits of all kinds, including grapes, nuts and berries; vegetables; nursery, floral, ornamental and greenhouse products; or when devoted to and meeting the requirements and qualifications for payments or other compensation pursuant to a soil conservation program under an agreement with an agency of the Federal Government.

"Beneficial to a tract of land" means land which enhances the use of other land devoted to agricultural or horticultural production by providing benefits such as, but not limited to, windbreaks, watershed, buffers, soil erosion control, or other recognizable enhancements of the viability of the qualifying land.

"Change in Use" means when land valued under the Farmland Assessment Act is applied to a use other than agriculture or horticulture, including being abandoned from farming.

"Fees received for grazing" means only those fees which are actually paid in consideration for grazing and which reasonably reflect the value of grazing provided. The income which would otherwise be imputed to land used for grazing as established and determined by the State Farmland Evaluation Advisory Committee shall be prima facie evidence of those fees which reasonably reflect the value of the grazing provided.

"Income imputed to land used for grazing" means values for the pasturing of livestock as established by the State Farmland Evaluation Advisory Committee.

"Raising livestock" means the management, caring and feeding of livestock for the purpose of producing for sale as a farm product either the livestock themselves or products produced there from.

"Seasonal agricultural labor housing" means dwelling units designed solely for lodging laborers and their family members where laborers are employed to perform seasonal agricultural or horticultural labor on the contiguous land, five acres or more, qualifying for farmland assessment. Notwithstanding a claim as labor employed on the land, any housing which is either occupied by the landowner, the landowners' spouse, or their children, parents or siblings, or is not vacant annually for a minimum period of 90 continuous days during any period of 12 continuous months shall not be deemed to be "seasonal agricultural labor housing."

"Seasonal farm market" means a facility utilized for the primary purpose of selling predominately agricultural or horticultural products, and which is annually closed to business during the off season for a period of not less than 90 continuous days.

“Supportive and subordinate woodland” means a wooded piece of property which is beneficial to or reasonably required for the purpose of maintaining the agricultural or horticultural uses of a tract of land, which tract of land has a minimum area of at least five acres devoted to agricultural or horticultural uses other than to the production for sale of trees and forest products, exclusive of Christmas trees.

Livestock - Including Criteria for Equine Operations

Breeding or raising of livestock for productive gain, which includes horses, is defined as an agricultural use. The boarding, rehabilitating, training or grazing of livestock is **also** an agricultural use, but to be "actively devoted" the boarding, rehabilitating or training facility must be contiguous to land which otherwise qualifies for valuation, assessment and taxation under the Farmland Assessment Act.

One of the means to qualify such a facility is to use income imputed to land for grazing. It is to be noted that fees received for boarding, rehabilitating or training livestock are not counted when qualifying the initial five acres of land that is contiguous to a boarding, rehabilitating or training facility.

The following examples are offered to assist in understating the revisions made to the Farmland Assessment Act in 1995 that relate to boarding, rehabilitating or training livestock:

(1). On a 10 acre parcel of land, six acres are devoted to growing crops and generate annual gross sales of \$650.00. The remaining four acres are used for boarding horses and generate annual boarding fees of \$8,500. Since the land used for boarding horses is contiguous to land five acres or more otherwise

qualifying for farmland assessment, the fees from boarding may be included to meet the minimum gross income requirement and qualify the entire 10 acre parcel.

(2). On a 10 acre parcel of land, 3.5 acres are devoted to growing crops and generate annual gross sale of \$450. The remaining 6.5 acres are used for boarding horses and generate annual boarding fees of \$10,500. The land contiguous to the land used for boarding horses does not otherwise qualify for farmland assessment, both because it is not at least five acres in area and because it does not meet the minimum \$500 income requirement for the first five acres. Therefore, the fees from boarding may not be included to meet the minimum gross income requirements, and the entire 10 acre parcel is ineligible for qualification.

(3). On an 8.5 acre parcel of land, .5 acres is used with the house, and three acres are devoted to boarding and training horses which produces fees of \$3,200. The remaining five acres are utilized for grazing the boarded horses. Income imputed to grazing is determined to be \$395. Since the five acres used for grazing does not have an imputed value for such use of at least \$500; it is not eligible for farmland assessment. The three acre portion used for boarding and training is also ineligible because it is not contiguous to land which otherwise qualifies for farmland assessment.

(4). Three horses and a pony are kept on their owners' land for pleasure riding. The animals pasture on 14 acres, which have an imputed grazing value of \$1,120. Although the imputed grazing value exceeds the income requirements for qualification, the land nevertheless would be ineligible for farmland assessment since the livestock are not raised for sale, the livestock do not

produce products for sale, and the grazing is not connected with breeding, raising, boarding, rehabilitating or training activities.

Renting Farmland

Under the Farmland Assessment Act, land may be rented to another person who will actively devote the land to an agricultural or horticultural use. It is the owners' responsibility to annually complete an application for Farmland Assessment. For rented land, the name, Social Security number of the farmer, address, telephone number, and the current year 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 sales requirement for farmland assessment. Instead, the value of production sold from the land by the farmer is used.

Qualifying Woodland

The Farmland Assessment Act of 1964 provides that land "shall be deemed to be in agricultural use when devoted to the production for sale of plants and animals useful to man, including trees and forest products." Land devoted to the growing of trees (woodland) is eligible for reduced tax assessments when it meets certain qualification requirements.

(1). Self-qualifying woodland or acreage composed of woodland which clearly qualifies for farmland assessment, meeting all statutory requirements in respect to income, acreage, years actively devoted to agricultural use, and compliance with an

approved woodlot management plan. Self-qualifying woodland is deemed to be non-appurtenant woodland and is entered as such on the farmland assessment application Form FA-1.

To qualify this type of woodland, the following additional requirements must be met: and submitted annually:

- (a). A properly prepared woodlot management plan (first year only, until plan is renewed or changed).
- (b). A woodland data form WD-1 signed by an approved forester;
- (c). A scaled map indicating location of woodland activity and soil classes; and
- (d). An exact copy of the information submitted to the assessor is to be submitted, at the same time, to the New Jersey Forest Service, Department of Environmental Protection, Trenton.

(2). Supportive woodland is woodland acreage which is part of a crop or livestock farm, and which may or may not contribute income to the farm. Typically, such land does contribute benefits to the farm, such as lumber or fencing for on-farm use, protection from wind, erosion, water conservation, or buffer areas for the farm from neighbors. This woodland is deemed to be appurtenant woodland and is entered under this category on the Form FA-1.

A wooded piece of property is presumed to be supportive and subordinate woodland when its area is less than the area of cropland and pasture land qualifying for farmland assessment. An owner claiming farmland assessment for a wooded piece of property exceeding the acreage in cropland or pasture land shall submit an explanation and additional proofs the assessor may require to support the claim that such woodland is supportive and subordinate.

Woodland that does not qualify under (1) or (2) is not eligible for farmland

assessment. For additional information on woodland management and farmland assessment, the New Jersey Forest Service, Department of Environmental Protection may be contacted at 609-292-2531 or www.state.nj.us/dep/forestry.

When the Use of Land Changes

The Farmland Assessment Act provides special treatment for land which is continued in active, agricultural or horticultural use by permitting reduced assessments and reduced tax on such qualifying lands. In order to recapture some of the taxes which would have been paid had the land been taxed on the same basis as all other property, the Farmland Assessment Act provides for levy of rollback tax if the use of the land changes which includes the abandonment of agricultural activity.

The liability for rollback taxes attaches to the land at the time a change in use of the land occurs, but not when a change in ownership takes place, if the new owner continues to devote the land to agricultural or horticultural use in conformity with the requirements of the Act. Any land which changes from an eligible agricultural or horticultural use under the Farmland Assessment Act to some other non-farm use is subject to rollback taxes for the year in which the change takes place, and for such of the two tax years immediately preceding, in which the land was valued, assessed and taxed under the Act.

Filing for Farmland Assessment

The owner or owners of land used for agricultural or horticultural purposes may apply for assessment of the land under the Farmland Assessment Act by filing Form FA-1, which is available from the respective municipal tax assessor. Woodland owners must file in addition to the Form FA-1, a completed Woodland

Data Form WD-1 and a copy of their woodland management plan (first year only, until plan is renewed or changed).

Form FA-1, and Form WD-1 if required, must be filed annually with the tax assessor on or before August 1 of the year preceding the year for which Farmland Assessment is being applied for. An extension of time for filing is extended to December 1 of the pre-tax year if the taxing district completes a revaluation or reassessment of all real property in time to be reflected in the assessments for the next succeeding tax year.

The assessor may grant an extension of time for filing the application for farmland assessment which extension shall terminate no later than September 1 of the pre-tax year, in any event where it shall appear to the satisfaction of the assessor that failure to file by August 1 was due to:

- a). The illness of the owner certified by a physician stating a physical incapacity; or
- b). The death of the owner or immediate member of the owners' family and a certified copy of the death certificate is filed with the application by the individual legally responsible for the estate of the owner, or the owner, as the case may be.

An assessor shall not approve an extension of time to file an application in cases where the death of the owner or a member of the owners' immediate family occurred prior to first day of January of the pre-tax year.

By law, an on-site inspection of the land will be made by the tax assessor at least once every three years. However, on-site inspections may be made as many times as reasonably necessary to establish the eligibility status of the land for the purpose of approving or disapproving the application.

Completing the Form FA-1

The Form FA-1 application is the primary document filed with the local assessor containing the essential agricultural and land use information for eligibility for preferential tax treatment under the Farmland Assessment Act. The annual application provides basic data on a tract of land by county and district for which the owner seeks farmland assessment for the coming year. If the Form FA-1 contains information which is not accurate, or data is missing, the application may be denied.

Section I - Identification Information

The name, address, telephone number, Social Security number, land location and block(s) and lot(s) are to be filled in.

The land may be farmed solely by the owner, rented to a farmer, or farmed by the owner and tenant. If the farmland is farmed by someone other than the owner, information on the farm operator including a Social Security number needs to be provided.

Section II- Breakdown of Land Use Classes

Acreage in a tract of land is either actively devoted or not actively devoted. Land not actively devoted is assessed at its true or market value. Refer to the definitions of land use classes in order to correctly place the acreage by its use in the current (pretax) year.

"Cropland harvested" is land from which a crop is harvested during the current year, land under farm buildings, in nurseries, Christmas trees or land in government programs.

"Cropland pastured" is land that can be and often is used to produce crops but its maximum income may not be

realized in a particular year. An example of "cropland pasture" is on which cover crops are grown as part of a regular crop rotation.

"Permanent pasture" is land that is not cultivated because its maximum economic potential is realized from grazing or as part of erosion control programs. Animals may or may not be part of the farm operation for land to be qualified in this category.

"Non-appurtenant woodland" is forest land devoted to the production for sale of trees and forest products (except for Christmas trees which should be entered in the cropland harvested classification). Also woodland which is not "supportive and subordinate" to cropland harvested, cropland pastured, or permanent pasture land should be entered under this classification. When acreage is entered as "non-appurtenant woodland" additional documentation must be submitted to the assessor and to the Department of Environmental Protection.

"Appurtenant woodland" is woodland which is not devoted to the production for sale of trees and forest products, but nevertheless can be eligible for farmland assessment on the basis of being "beneficial to a tract of land" which is 5 acres or more and is otherwise actively devoted and qualified farmland. Generally, only woodland acreage less than the total actively devoted acreage in cropland harvested, cropland pastured, or permanent pasture will be considered as "appurtenant woodland."

Woodland acreage exceeding the otherwise actively devoted farmland should only be entered as "appurtenant woodland" when proof of its benefit to the otherwise actively devoted farmland can be explained and substantiated to the assessor.

"Acreage used for boarding, rehabilitating or training livestock" - For this acreage to be deemed actively devoted to an agricultural use it must be contiguous to land which otherwise qualifies for farmland assessment. Note: this acreage does not include acreage that is pastured.

"Land under and used in connection with the farmhouse" - This is land on which the farmhouse is located, together with such land area as may be devoted to lawns, flower gardens, shrubs, etc. and like purposes related to the use and enjoyment of the farmhouse. Only the land actually used with the residence should be assessed at its residential value, the same as the land with other residences in the municipality.

Section III - Current Year Farming Activity

In filling out the number of acres in Section III, it is possible to exceed the total acreage of all land reported in Section II in that two plantings in the same year (double cropping) is to be reported as the acreage for each crop. For example two plantings on 25 acres should be reported as 50 acres.

Additional Information

The above information is intended to help landowners understand the basic requirements of the Farmland Assessment Act. The New Jersey Department of Agriculture will answer questions on agricultural and horticultural production related to farmland assessment requirements. The New Jersey Division of Taxation will answer questions on tax procedures, tax laws, regulations, and court cases. The Bureau of Forestry Management will answer questions concerning woodland. Rutgers Cooperative Extension can provide information on crop and livestock production, farm management

and marketing, and other related topics. Municipal tax assessors can provide forms needed for filing.

NJ Dept. of Agriculture (609) 984-2503

NJ Division of Taxation (609) 292-7974

NJ Forest Service (609) 292-2531

Rutgers Cooperative Extension - For your county office refer to listing in blue pages of your telephone directory under "County Government" -Extension Service - Agricultural Agent.

October 2001

Prepared by the New Jersey Department of Agriculture in consultation with the New Jersey Division of Taxation