

## FARMLAND ASSESSMENT – KNOW THE FACTS

- Farmland assessment allows land actively devoted to an agricultural or horticultural use to be taxed on its farm value instead of its development value.
- Farmland assessment, approved in 1964, is the single most effective farmland viability tool that state government has ever provided. It's the main reason we still have any "garden" left in the Garden State, because in many cases, it is not possible to generate enough income from farming to afford development value assessments and remain a competitive farm business.
- 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.
- Most of New Jersey's farm income is earned through the sale of commodities at wholesale prices, not the retail prices seen at the grocery store. Commodity prices for many crops 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%.
- Farmers are not exempt from property taxes. Far from it. 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.
- In fact, even with farmland assessment, New Jersey farmers pay three times the national average of property taxes per acre of farmland (Source: NJ Department of Agriculture; US Ag Census).
- As of 2009, there were 992,405 acres of farmland assessed ground in New Jersey. This represents nearly 22% of the total acreage in the state, green open space that requires very little cost to support by the municipality (Source: National Agricultural Statistics Services).
- 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 \$0.35 (Source: "The Cost of Community Services in Monmouth County, NJ" – American Farmland Trust, 1998).
- Lands that ever get removed from farmland assessment pay a hefty penalty called a roll-back 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 roll-back 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 (must be at least 5 acres), 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 ensure 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.