FISCAL NOTE TO

[First Reprint]
ASSEMBLY, No. 975

STATE OF NEW JERSEY

DATED: DECEMBER 20, 1996

Assembly Bill No. 975 (1R) of 1996 would exempt land used for farming purposes from the transfer inheritance tax when transfers are made to aunts, uncles, brothers and sisters of a decedent. The value of farm property over $25,000 is taxed at the rate of 11 percent when it is bequeathed to these relatives, whereas transfers to ancestors and descendants of the decedent are exempt from tax. The farm property under the bill would have to continue to be used for farming purposes by the beneficiary or beneficiaries for at least eight years from the date of death of the decedent. If the property is sold or ceases to be used for farming purposes during that time, the transfer of the farm would become subject to the inheritance tax.

The Division of Taxation has prepared a fiscal note to the bill. It notes there are no data available to estimate the loss of revenue to the State. The Inheritance Tax Branch (ITB) of the division commented, however, that the bill might create a $5 million loss of revenue due to transfers to brothers and sisters. The ITB indicated few farms are left to aunts and uncles. The division also noted any additional administrative costs caused by the bill would be absorbed in the division's operating budget.

The Office of Legislative Services (OLS) notes, while the division stated there are no data available to estimate the cost of the bill to the State, it included the comment by the ITB that the bill might create a $5 million loss per year on farm transfers to brothers and sisters of a decedent. A loss of this magnitude would require exempt farmland transfers valued at $45 million annually under the provisions of the bill. According to New Jersey Department of Agriculture data, the average farm valuation in the State is $455,000. The aggregate data derived in part from census surveys of farmland assessment holders, both corporate and individual owners, suggest at least 100 farms (about 1 percent of the total) would have to be transferred every year to brothers and sisters of a deceased person and the property would have to remain in farm production for 8 years.

Given the combination of these circumstances and the impact of other applicable deductions and exclusions allowed in the inheritance tax statute, the OLS considers the ITB estimate of a $5 million loss each year to be very unlikely.

This fiscal note has been prepared pursuant to P.L.1980, c.67.