

ASSEMBLY, No. 167

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman HAROLD "HAL" J. WIRTHS

District 24 (Morris, Sussex and Warren)

SYNOPSIS

Permits a farm income averaging credit under the New Jersey gross income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** permitting a farm income averaging credit under the New
2 Jersey gross income tax, and supplementing Title 54A of the
3 New Jersey Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. A taxpayer who has farming income during a taxable year
9 shall be allowed to claim a credit against the tax otherwise due for
10 the taxable year pursuant to the "New Jersey Gross Income Tax
11 Act," N.J.S.54A:1-1 et seq., in an amount as is determined pursuant
12 to this section.

13 b. The credit allowed pursuant to this section shall be equal to
14 the difference between the taxpayer's tax liability that otherwise
15 would be determined pursuant to N.J.S.54A:1-1 et seq., and the tax
16 liability that would be determined by substituting the farm
17 averaging income for the farming income in the determination of
18 the taxpayer's tax liability pursuant to N.J.S.54A:1-1 et seq.,
19 provided however, that no credit shall be allowed pursuant to this
20 section in an amount in excess of \$5,000.

21 c. As used in this section:

22 "Agricultural commodity" means plants, other than horticultural
23 commodities, and animals, other than dogs, useful to humans,
24 including but not limited to forages and sod crops; grains and feed
25 crops; dairy animals and dairy products; poultry and poultry
26 products, livestock, including beef cattle, sheep, swine, horses,
27 ponies, mules or goats; bees and apiary products; fur animals; and
28 trees and forest products, produced for sale.

29 "Base years" means the three taxable years of the taxpayer
30 immediately prior to the taxable year for which the taxpayer is
31 claiming the credit allowed pursuant to this section.

32 "Farm averaging income" means the sum of (1) the farming
33 income reported by the taxpayer for the taxable year for which the
34 credit is sought to be claimed, and (2) the base years' farming
35 income, which sum is divided by four. Any taxable year within the
36 base years in which the taxpayer reported a loss from farming
37 income shall be considered as zero in the determination of that sum.
38 Any taxable year within the base years in which the taxpayer does
39 not engage in farming business shall be disregarded in the
40 determination of "farm averaging income" and the denominator of
41 four shall be reduced accordingly.

42 "Farming business" means a trade or business conducted in this
43 State the sole activity of which is the cultivating of land or raising,
44 breeding, boarding, rehabilitating, training or grazing of any
45 agricultural or horticultural commodity, and any of such activity if
46 devoted to and meeting the requirements and qualifications for
47 payments or other compensation pursuant to a soil conservation

1 program under an agreement with an agency of the federal
2 government.

3 "Farming income" means the net profit or loss of a farming
4 business in the categories of income described in subsection b., k.
5 or p. of N.J.S.54A:5-1.

6 "Horticultural commodity" means fruits of all kinds, including
7 grapes, nuts and berries; vegetables; and nursery floral, ornamental
8 and greenhouse products, produced for sale.

9 d. The Director of the Division of Taxation shall adopt rules
10 and regulations as are necessary for the implementation of this
11 section.

12
13 2. This act shall take effect immediately and shall apply to
14 taxable years beginning on or after January 1 next following the
15 date of enactment.

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18 STATEMENT

19

20 This bill provides New Jersey farmers with a credit against their
21 annual New Jersey gross income tax determined by using income
22 averaging (averaging out yearly gains and losses or varying levels
23 of gains over a four-year period) from their farming business. The
24 value of the credit is equal to the difference between a New Jersey
25 farmer's income without four-year farming income averaging and
26 with farming income averaging. The maximum annual credit
27 allowed is \$5,000.

28 Farmers are faced with a variety of risks that impact the
29 economic viability of their farming operations. Risks associated
30 with production, weather, financial management, marketing and
31 labor influence the potential for success. In order to assist farmers,
32 the federal government enacted income averaging provisions that
33 would permit farmers to have more control over the cyclical nature
34 of agricultural risks and even out their tax liabilities for a more
35 secure future. This New Jersey tax credit will provide farmers with
36 New Jersey gross income tax relief in taxable years that follow the
37 less profitable years of their New Jersey farming business.