

Open Space In-Lieu-of Tax Payment Program Fact Sheet

Background

The State first began making in-lieu-of tax payments to municipalities to mitigate the impact of the loss of their tax revenues because of the State's purchase of open space for water supply purposes with funds from the 1969 Water Conservation Bond Act in 1970. The 1971 Green Acres bond issue, and every bond issue since, has provided for in-lieu-of tax payments for State acquired open space. As recommended by the Governor's Council on New Jersey Outdoors, the Garden State Preservation Trust (GSPT) Act (P.L. 1999, c. 152) established an expanded state in-lieu-of tax payment program for municipalities with state-owned open space areas and permanently preserved recreation and conservation lands owned by qualified nonprofit organizations.

Eligible Properties

In the past, many municipalities had received in-lieu-of tax payments for open space from funds provided by the 1969 Water Conservation Bond Act and funds from the 1971 and subsequent Green Acres bond issues, and for open space administered by the Division of Parks and Forestry. The expanded program significantly increased the amount of the payments received by the municipalities, as well as the number of municipalities that benefited from the payments.

Under the Garden State Preservation Trust Act, conservation and recreation lands administered by other Department of Environmental Protection agencies, including the Division of Fish and Wildlife, were made eligible for in-lieu-of tax payments. This change increased the acreage of state lands generating payments from 330,000 acres in 2000 to over 729,000 acres by 2009. Permanently protected conservation and recreation lands owned in fee simple by nonprofit organizations, amounting to nearly 32,000 acres in 2009, have also been made eligible for the state in-lieu-of tax payments.

Declining Balance In-Lieu-of Tax Payment Program

Water Conservation Bond Act

In-lieu-of tax payments were and are still being made at 100% of the taxes paid on the land and improvements in the year immediately preceding the State purchase, except in cases where a water supply facility has been or is in the process of being constructed. In those instances, a municipality continues to receive 100% of the taxes for the land that it had been receiving and to receive the taxes for the improvements on a 12-year declining basis beginning with the year in which actual construction was initiated.

Green Acres Bond Issues

The previous Green Acres bond issues, starting with the 1971 Bond Act, have provided for in-lieu-of tax payments for State acquired open space on a 13 year declining basis. This is similar to the 1969 water supply facilities program with the exception that under the Green Acres Program, municipalities receive 100% of the prior year taxes for the first full year after purchase. After that, the payments decline by 8% each year until reaching 4% in the 13th year.

Division of Parks and Forestry Program

The expanded in-lieu-of tax program established by the GSPT Act replaced the \$1 per acre state payment made to municipalities for state open space owned in fee simple and administered by the Division of Parks and Forestry.

GSPT Expanded In-Lieu-of Tax Payment Program

Per Acre-The expanded in-lieu-of tax payment program established a sliding scale for minimum per acre in-lieu-of tax payments based on the percentage of a municipality's total land area in State and tax exempt nonprofit conservation and recreation land. Municipalities with less than 20% of their land area in State and tax exempt nonprofit open space receive \$2 per acre for State open space and permanently preserved nonprofit land. Municipalities with 20% or more but less than 40% open space receive \$5 per acre, municipalities with 40% or more but less than 60% open space receive \$10 per acre and municipalities with 60% or greater open space receive \$20 per acre.

Declining-The Green Acres bond acts of 1971, 1974, 1978, 1983, 1989, 1992, 1995 and the GSPT Act authorize the State to pay in-lieu-of tax payments to municipalities on a 13 year declining basis for lands purchased by the State. In addition, municipalities with nonprofit lands purchased with 1995 bond act or GSPT funds are eligible for 13 year declining state in-lieu-of tax payments.

Higher Payments- The Green Acres declining balance and the 1969 Water Conservation Bond Act in-lieu-of tax payment programs were continued and municipalities were guaranteed that they would receive the higher amount provided on a parcel basis by either the per acre program or the Green Acres and Water Conservation declining balance programs.

Funding - The program is funded by appropriations from the General Fund.

Green Acres Acreage Figures Calculations

Green Acres draws the acreage figures used in the in-lieu calculations from a number of sources starting with the property reports of the Divisions of Parks & Forestry, Fish & Wildlife and the Natural Lands Trust. Records of recent state open space acquisitions are used to supplement the agency's records. Tax exempt nonprofit conservation lands are identified through the Green Acres Tax Exemption Program's files and supplemental information supplied by municipalities and nonprofit organizations. To determine the nonprofit open space lands that are permanently preserved and eligible for in-lieu-of tax payments, Green Acres uses information supplied by nonprofit groups and records of lands purchased with Green Acres funds. Green Acres provides each municipality with a sheet presenting the information used to calculate its payments.

Use of In Lieu of Tax Payment Funds

According to the Local Finance Notice CFO 2000-7, dated July 12, 2000, published by the Division of Local Government Services, Department of Community Affairs, GSPT in lieu of tax payments are recognized as state aid for municipal government. Questions concerning municipal use of the funds should be directed to the Bureau of Financial Regulation and Assistance at (609) 292-4806.

For additional information on the Open Space In-Lieu-of Tax Payment Programs, contact Eric Knudsen, Bureau of Planning and Information Management, Green Acres Program, P.O. Box 412, Trenton, NJ 08625-0412, (609) 984-0500.

FY 2010 Payments

Payments totaling, \$9,824,341.42, are being made to 294 municipalities in October 2009.