Ontario Federation of Agriculture

FACT SHEET

Farm Property Assessment Issues

The OFA has a long history of working on farm property tax issues. That work continues today. Here are some of the key farm property tax policy positions OFA is advocating for.

Defining Farm Lands

In two Assessment Review Board decisions released on December 15, 2006, dealing with apple storage facilities, “Farm Lands” were interpreted as ground excluding buildings. These decisions note and reject the previous interpretation used in the April 13, 2004, decision dealing with chick hatcheries when “Farm Lands” were interpreted as meaning both land and buildings.

The implications may be far-reaching. If “Farm Lands” refer only to ground, then:

- Farming activity conducted within a structure where the surrounding land is not farmed could potentially be disqualified for the farm property tax valuation and classification.
- Standalone greenhouses and mushroom operations, and livestock buildings that have been severed from the crop land could be disadvantaged by this new interpretation.

OFA strongly recommends the Ontario Finance Minister clarifies that the term “Farm Lands” is meant to include buildings.

Adding and Retaining Value

The Ontario Government needs to ensure facilities used for value retention practices that need to be carried out in order to get the primary agricultural product/ commodity into a storable and marketable conditions are included in the farm Property Tax Assessment classification.

Ontario must retain and build food processing capacity to have a successful agriculture industry. However, the current property tax classifications penalize farmers for adding value to their farm products. OFA defines value-added activities as an extension of the farming operation by taking a marketable farm commodity produced on land owned or controlled through rental, lease and/or sharecropping arrangements by the same farmer or farmers and increasing its value by further preparing it, storing it, and/or selling it directly to consumers.

We recommend that if historically at least 51 per cent of the product is grown and value-added to by the same farmer or farmers and at least 90 per cent of the product is grown in Ontario, then the facilities should be subject to the farm class property tax rate.

On May 19, 2018, the provincial government amended O.Reg 282/98 under the Assessment Act to introduce the Small-Scale On-Farm Business Subclasses. These are optional sub classes under the commercial and industrial property tax classes.

In municipalities that choose to enact the optional property tax sub-classes, eligible on-farm buildings, where value added activities are taking place, will have the first $50,000 of assessed value taxed at 25% of the local commercial or industrial tax rate. Buildings with assessed values of greater than $1 million are not eligible.

OFA believes that capping the assessment eligible for the optional sub-classes at $50,000 is too small of an incentive for farmers to engage in value added activities. We recommend that the $50,000 assessment cap be removed to provide a significant incentive to farmers looking to expand into on farm processing and retail.

Assessment valuation of farmland

The farm-to-farmer sales approach currently employed to value farmland for assessment purposes is not sustainable. The declining number of farmers in the province will ultimately result in fewer bonafide sales to use to value all Ontario farms.

Ontario must commit to conduct analysis to evaluate alternative means to value farmland for property tax assessment purposes. We propose Ontario investigate using a productive value assessment methodology.

The OFA has expressed support to researchers at the University of Guelph who are engaging in a project to gather farmland rental data for Ontario. Using rental data to value farmland for assessment purposes would be a better measure of the productive value of farmland. Additionally, using rental data would solve the problems caused by the limited number of eligible sales MPAC can use in its statistical model. The use of Rental data would dramatically increase the sample size for MPAC to use in its statistical model, leading to more reliable and consistent assessment values.

If you disagree with the assessment you receive from MPAC, you have the right to file a Request for Reconsideration. The deadline to file a Request for Reconsideration is March 31st of the tax year. The required paperwork to file a Request for Reconsideration is available on MPAC's website: https://www.mpac.ca/en/MakingChangesUpdates/DisagreeingYourAssessedValue/RfR
For more information on farm property tax assessments, contact your local OFA Member Service Representative or OFA's Guelph office.

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