

November 6, 2024

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Deputy Prime Minister Freeland,

Re: Proposed Changes to Capital Gains Taxation

We would like to express our gratitude to the federal government for taking our advice on the Canadian Entrepreneurs' Incentive. The inclusion of qualified farm property as eligible for the Lifetime Capital Gains Exemption (LCGE) ensures that this incentive is accessible to all farmers, regardless of their business structure. This adjustment is crucial for supporting farm succession planning and the continuity of family farms in Canada.

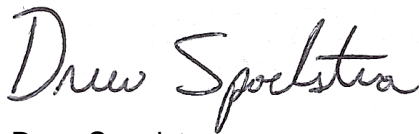
The increase of the LCGE to \$1.25 million and the clarification that the first \$250,000 of capital gains realized by individuals will be taxed at the previous inclusion rate of 50% provide some relief to individual farmers. Although OFA remains concerned about the increased inclusion rate applying to the first dollar of capital gains for farmers who have chosen to incorporate their business, we appreciate your continuing commitment to work with farmers to ensure the sustainability of their farm family businesses.

However, OFA would like to raise a number of concerns and needed adjustments to the Alternative Minimum Tax (AMT) that impact farmers in Ontario, and across Canada. Under the current AMT structure, farmers selling assets may face a significant tax liability, even when the gains from the sale of assets are exempt under the LCGE. Although the tax is recoverable within seven years, it can present an unintended permanent burden if sufficient income is not generated within this period.

To prevent this from becoming a permanent tax burden, we propose that any capital gain eligible for the LCGE should be excluded from the calculation of AMT. This exclusion would prevent unintended tax burdens on farmers who are utilizing the LCGE during farm succession and asset transfers, thereby supporting the continued viability of family farms.

OFA appreciates the opportunity to provide our feedback and perspectives on these important tax matters and your ongoing support for Canadian farmers. We look forward to collaborating on policy solutions that support the agri-food sector and ensure the stability and sustainability of Ontario's farms.

Sincerely,



Drew Spoelstra
President

cc: OFA Board of Directors
 The Honourable Lawrence Macaulay, Minister of Agriculture and Agri-Food
 The Honourable Lisa Thompson, Minister of Rural Affairs
 The Honourable Rob Flack, Minister of Agriculture, Food and Agribusiness
 Keith Currie, President, Canadian Federation of Agriculture
 Kody Blois, Member of Parliament, Chair of the Standing Committee on Agriculture & Agri-Food
 John Barlow, Member of Parliament, Vice Chair of the Standing Committee on Agriculture & Agri-Food