Ontario Federation of Agriculture

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May 14, 2025

The Honourable François-Philippe Champagne
Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister Champagne,

Re: Modernizing Canada's Capital Cost Allowance (CCA) to Enhance Economic Sovereignty and Competitiveness

The Ontario Federation of Agriculture (OFA) proudly represents more than 38,000 farm family members across the province, supporting our members and the agri-food industry on issues, legislation and regulations administered by all levels of government. OFA is passionate and dedicated to ensuring that the agri-food sector and rural communities are considered and consulted with for any new or changing legislation that would impact the sustainability and growth of our farm businesses.

We are writing to highlight the urgent need to modernize Canada's Capital Cost Allowance (CCA) tax policy. As currently structured, Canada's CCA policy discourages capital investment by farms and other businesses, placing Canadian businesses at a distinct disadvantage relative to their U.S. counterparts and thus undermining Canada's global competitiveness and economic security..

Currently, Canadian farm businesses, when purchasing a $300,000 combine (Class 10 asset), face restrictions through the "half-year rule," limiting their immediate deduction to only 15% ($45,000) in the first year. In stark contrast, U.S. farmers benefit from immediate expensing provisions such as Section 179 and bonus depreciation, which allow them to deduct the full $300,000 cost of the same asset in the year of purchase. This discrepancy severely undermines our farmers' ability to reinvest, innovate, and compete globally.

Recent OFA analysis underscores the effectiveness of accelerated CCA in driving investment. Our research, covering 2011-2023, indicates that following the implementation of accelerated CCA measures in 2018, Canadian farm machinery investments increased annually by an average of 8.2%, independent of broader economic conditions. However, even under these enhanced measures, Canadian deductions remain substantially lower than those available to U.S. farmers. For example, on a $2 million equipment purchase, a Canadian farmer's maximum first-year deduction under the fully reinstated Accelerated Investment Incentive (AII) would be $900,000, whereas a U.S. farmer could deduct up to $1.6 million using Section 179 and bonus depreciation.

To address this competitive imbalance and build Canada into an economic powerhouse, **we strongly recommend that Canada adopt a tax policy enabling Canadian farm and other businesses to deduct 100% of the cost of capital purchases in the first year of acquisition**. Such a policy will catalyze immediate investment, enhance Canadian productivity which has lagged behind the U.S for far too long, and stimulate economic growth across Canada.

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Adopting this policy would send a clear signal that Canada is serious about maintaining economic sovereignty and enhancing competitiveness on the world stage. OFA appreciates the opportunity to provide our perspective on this critical issue and we look forward to continuing to work with the federal government to unleash the economic potential of Canada's Agri-Food sector.

Sincerely,

Drew Spoelstra

Drew Spoelstra
President

cc: The Right Honourable Mark Carney, P.C., M.P., Prime Minister of Canada.
The Honourable Trevor Jones, Ontario Minister of Agriculture, Food and Agribusiness
The Honourable Peter Bethlenfalvy, Ontario Minister of Finance
Keith Currie, President, Canadian Federation of Agriculture
OFA Board of Directors