



*Long-Term Thinking  
for Today's Issues*

## **Christian Farmers Federation of Ontario**

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### **On-farm Value-Added Property Taxation A CFFO Position Statement**

#### **Preamble**

The Christian Farmers Federation of Ontario (CFFO) is very concerned with reported incidents of increased taxation levels of buildings used for on-farm value-added and/or value-retention activities. There is inconsistency in the messages of different branches of the provincial government, namely the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Ontario Ministry of Finance (OMF), that is creating a situation of no net benefit to farmers.

#### **What We Know**

- 1.) OMAFRA is encouraging value-added activities as a means for agricultural operations to increase their margins and become more profitable.
- 2.) OMF is mandated with securing a stable tax base for the provincial government.
- 3.) The Municipal Property Assessment Corporation (MPAC) is the provincial organization charged with assessing property uses and establishing the taxation class for all land and buildings in Ontario.
- 4.) The primary source of revenue for municipalities in Ontario is property taxation. These municipalities are struggling to meet their budgetary needs while being burdened with more responsibilities that have been downloaded from the provincial level. This has required them to find ways to increase revenues, including assessing agricultural value-added activities as industrial and commercial in order to greatly increase property tax revenue.
- 5.) Taxation levels for industrial and commercial activities are conceptualized and evaluated within an urban context. This conception creates a fundamental flaw when applying the same criteria to similar rural activities. Simply put, rural Ontario lacks the critical mass to produce sufficient business revenue to off-set increased levels of taxation on buildings that have been redefined as commercial. In the same way that there is an understanding regarding the difference between agriculture and residential land, there should be a similar understanding of the difference between rural and urban commercial operations.
- 6.) One of the goals of government policy should be to foster rural development. The interests of rural municipalities will be better served over the long term through the

development of more agriculture-related economic activity in the country-side. Heavy taxation on these activities will stifle innovation, reduce the level of economic activity, and perpetuate chronic revenue shortfalls.

- 7.) Diversification through value-added operations is essential for strengthening the long-term viability of many farming operations. These innovative activities need to be taxed appropriately on a consistent basis.
- 8.) As responsible Christian citizens of Canada, we recognize that one of the responsibilities as Canadians is to pay our fair share of taxes. In exchange, Canadians receive the rights, privileges and standard of living that we enjoy.
- 9.) There may be a scale at which the activity should be considered commercial or industrial for property taxation purposes.

### **Concerns**

- 1.) MPAC is assessing on-farm value-added activities as either industrial or commercial activities, regardless of its tie to the agricultural activities that are taking place.
- 2.) The net-benefit of on-farm value-added activities are often marginalized or, in some circumstances, negated by an adjustment in taxation levels that results in a ten-fold increase in taxation on the building in which the activity takes place.

### **CFFO Policy Recommendations**

There are two classes of activity to be considered: value-retention and value-adding.

1. Value retention includes those activities which are required to bring a product to market, or retain its value longer for a high sale value at a later date. All activities that are done to retain value or are necessary for a product to be marketable should be considered agricultural activities. Any buildings or property where retention activities are conducted by a farmer should be considered agricultural for taxation purposes.
  - a. 51% of the produce used in the process must be sourced from the operator's land (owned or rented), and
  - b. 90% of the produce used in the process must be sourced from Ontario.
2. Value-added activities are those activities that increase the value of an agricultural product through a variety of processes or activities. These activities are sometimes done by other companies or individuals as a commercial venture. To justify an agricultural property-tax classification for these activities on-farm, there are two key criteria that must be met
  - a. 51% of the produce used in the process must be sourced from the operator's land (owned or rented) and assets, and
  - b. 90% of the produce used in the process must be sourced from Ontario.

These two criteria ensure that the value-added activities foster innovation on farm, while working to the benefit of rural Ontario.

- There should be an exception that allows these producers engaged in value-added activities to source material from outside sources in the event of a disaster without affecting their property tax status. This will allow them to fulfill contracts under these circumstances.
- 3.) Farmer-owned energy production facilities should be considered a separate issue from value-added activities. The Ontario government has already taken steps to treat several of these activities in a very favourable fashion.
  - 4.) That an agriculture specific appeal process be established by MPAC that includes persons with expert knowledge of the sector.
  - 5.) That agricultural groups, MPAC and the ministry of finance develop strong definitions and criteria for establishing which activities fall into agriculture, agricultural value-retention and value-added activities, and which activities belong in another taxation class.
  - 6.) That the provincial ministry of finance reevaluate its allocation of financial resources to rural municipalities in such a manner that is more reflective of the weight of responsibilities that have been downloaded in recent years.

**Adopted by Provincial Council  
Christian Farmers Federation of Ontario  
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