

2008 Farm Property Class Tax Rate InfoSheet

*This InfoSheet contains important information about Farm Property Class tax reform in Ontario and taxation of your farm property in the year 2009 and for maintaining its status in future years. **Please read this InfoSheet carefully.***

The Farm Property Class Taxation Program replaced the Farm Tax Rebate Program effective January 1, 1998.

Under the new taxation policy, farm properties meeting the eligibility requirements will be identified for the Farm Property Class and will be taxed at 25% of the municipal residential tax rate. The farm residence and one acre of land surrounding it will continue to be taxed as part of the Residential class.

Eligibility requirements for the Farm Property Class tax rate are consistent with those previously applied under the Farm Tax Rebate Program.

Effective program year 2000, a multi-year application was introduced. If you have filed an application that is still current, it will also be used to maintain eligibility in the 2009 tax year and future tax years.

NOTIFICATION OF ANY CHANGE IN CIRCUMSTANCES

All property owners are responsible for informing the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) immediately of any changes related to the eligibility status of the property.

PROGRAM YEAR 2008 ELIGIBILITY REQUIREMENTS FOR THE FARM PROPERTY CLASS FOR THE TAXATION YEAR 2009

In order to be eligible for the Farm Property Class (25% of the municipal residential tax rate) **all** of the following criteria **must** be satisfied:

1. The property must be assessed as farmland. This is determined by the Municipal Property Assessment Corporation (MPAC).
2. The property must be used as part of a farming operation generating Gross Farm Income of at least \$7,000 as reported to Canada Revenue Agency for income tax purposes.
If the Gross Farm Income is less than \$7,000, you may still be eligible for the Farm Property Class tax rate if you meet one of the income exemptions. (See HOW TO APPLY FOR A GROSS FARM INCOME EXEMPTION.)
3. A valid 2008 Farm Business Registration number is required for the farm business operating on the land, unless one of the income exemption applies and is granted (see How to Apply for a Gross Farm Income Exemption). *Under the Farm Registration and Farm Organizations Funding Act*, a farm business generating Gross Farm Income of at least \$7,000 as

reported to Canada Revenue Agency for income tax purposes must register annually with AGRICORP. Continued eligibility for the Farm Property Class tax rate requires the yearly renewal of the Farm Business Registration number.

4. More than 50% of the property ownership must be held by Canadian citizens or Permanent Residents of Canada. If the property is owned by a business which is a **sole proprietorship**, the owner must be a Canadian citizen or Permanent Resident of Canada.

If the property is owned by a business which is a **partnership**, more than 50% of the profit or loss of the partnership must be allocated to the partners who are Canadian citizens or Permanent Residents of Canada.

If the property is owned by a business which is a **corporation**, more than 50% of the voting shares must be controlled by Canadian citizens or Permanent Residents of Canada.

HOW TO APPLY FOR A GROSS FARM INCOME EXEMPTION

If you are unable to obtain/renew your 2008 Farm Business Registration number because your 2007 Gross Farm Income was less than \$7,000, you may still be eligible for the Farm Property Class tax rate, if one of the following income exemptions applies:

1. Not a Normal Production Year Exemption

An exemption may apply if, due to some external circumstance, the applicable year was not a normal production year but, if it had been, the Gross Farm Income would have been at least \$7,000.

For this exemption the required review information to be submitted with your application should include:

- a) Details about the situation/circumstance that resulted in your income being less than \$7,000.
- b) Verification of your Gross Farm Income for the previous three-year period.
- c) Crop production plans (crops grown including acreage, expected yield and price).
- d) Livestock production plans (number of head raised, market weight/size and price).
- e) Projected farm income statements for the next two years to verify that your gross income is expected to return to at least \$7,000.

2. Age/Illness/Death Exemption

If a property owner has cut back on the size or scale of the business, as a result of the age, illness or the death of the owner's spouse or

same-sex partner, and Gross Farm Income was less than \$7,000 in the applicable year, you may apply for an exemption. To be eligible, **all** of the following three criteria must be met:

- a) the person carrying on the farm business must be the property owner;
- b) the business must have been operated by the owner or spouse or same-sex partner of the owner for at least ten years and the owner must have met the criteria for the Farm Property Class tax rate during this time; and
- c) the farm business must generate Gross Farm Income greater than zero, as reported/ filed with Canada Revenue Agency for income tax purposes.

3. Start-Up Exemption

If you are starting your farm operation and have not yet met the \$7,000 income criteria in 2007, you may be eligible for a start-up exemption provided the property is actively farmed in the year it was purchased. To qualify for this exemption, you must clearly demonstrate that the property is being farmed and will gross the \$7,000 income criteria in future years. The length of the start-up period must be realistic and relative to the commodity being produced.

For this exemption the required review information to be submitted with your application should include:

- a) Crop production plans for the first, second and third year* (including crops to be grown, acreage, expected yield and price).
- b) Livestock production plans for at least the first, second and third year* (including the number raised, market weight/size and price).
- c) Projected income and expense statement for at least the first, second and third year. You should also include any 'actual' expenses incurred to date.*

*The information provided needs to demonstrate clearly how the income will be achieved and the minimum time frame involved.

If you feel that you may meet one of the above income exemptions, you must complete the application form, provide a letter explaining your request and any supporting documentation (see above) and forward them to OMAFRA by the due date printed on the application.

Eligibility information submitted by landowners will be subject to verification. At any time you may be asked to submit a new application or additional documentation to support the information on your application form and/or to support your eligibility for an income exemption.

HOW TO COMPLETE THE APPLICATION FORM PROPERLY

This 2008 Farm Property Class Tax Rate Application Form must be completed and returned for processing if you wish to apply for the Farm Property Class tax rate for the 2009 taxation year.

Box A Verify your language preference and telephone numbers.

- Indicate changes where necessary.
- Indicate whether or not you are a Canadian citizen or Permanent Resident. Please refer to the residency requirements on page 1 of this InfoSheet, under "Eligibility Requirements" - Item 4.
- Verify your name and address.

Box B Read carefully and complete the "Non-Eligibility Acknowledgement", if you do NOT wish to apply for the program.

Box C Verify the property information of each roll number, the description and the acreage.

- Indicate, for each roll number, whether farmed by self and/or tenant.
- Provide the owner or tenant's Farm Business Registration number for each roll number listed.

Box D Provide the name, address and telephone number of the tenant farmer.

- Have the tenant farmer sign the application form. If you have more than one tenant farmer, please attach a separate Tenant Farmer Declaration for each property, signed by the tenant.

Box E Complete the applicable box (if you farmed the property yourself and qualify for an income exemption).

- Provide written explanation to support your exemption request and/or request special forms from OMAFRA.

Box F Provide full name, address and telephone number of person operating the farm business on the land if a religious exemption from obtaining a Farm Business Registration number or paying the registration fee has been granted. If the person is a tenant, have him/her sign the declaration.

Box G Read carefully and sign the eligibility declaration and acknowledgement, as required.

PROPERTY OWNER DECLARATION AND OWNER ACKNOWLEDGEMENTS

The declaration you provide in Box G will be used to maintain your property in the Farm Property Class (25% of the municipal residential tax rate) for taxation purposes in future years.

This will be an automatic process and, in most cases, you will no longer be receiving an annual Farm Property Class Tax Rate Application Form. However, you will be responsible for providing notification if any circumstance changes in your farming operation. Failure to do so will result in non-eligibility in the Farm Property Class and potential repayment of all applicable municipal property taxes.

It is your responsibility to maintain a valid Farm Business Registration number by paying the fee annually, if the Gross Farm Income reported was at least \$7,000 in the previous tax year (2007), and/or to ensure that your tenant farmer has a valid Farm Business Registration number.

An annual Farm Property Class Tax Rate Application Form may still be required for applicants claiming a Gross Farm Income

exemption (Box E) on the Farm Property Class Tax Rate Application Form.

For verification purposes and to maintain the integrity and accuracy of the Farm Property Class database, applications will also be sent to a selected group of clients, on a random basis each year.

THE DUE DATE

If you receive an application form in 2008, your completed Farm Property Class Tax Rate Application Form must be returned to OMAFRA by the due date printed on the application form. This will allow time for the application to be processed and for early submission of eligible properties to the Municipal Property Assessment Corporation for the taxation year 2009.

If you do not submit your form by the due date, your property/properties listed on the form will not be eligible for the Farm Property Class and you will be required to pay property tax at the full (100%) of the municipal residential rate for the 2009 taxation year.

Legislation has been passed that allows OMAFRA to accept a late application up to the end of the taxation year, December 31, 2009, if there were mitigating circumstances that affected the property owner's ability to meet the original due date printed on the application.

HOW TO CONFIRM OR APPEAL ELIGIBILITY STATUS OF THE PROPERTY

The Property Assessment Notice will confirm the Current Value Assessment and the Tax Rate Class for the property.

If anything has changed for the Taxation Year 2009, a Property Assessment Notice will be issued by MPAC in late 2008. If the property is to be taxed at the Farm Property Class tax rate, the assessment notice property classification will read, "Farm Taxable: Full".

If there appears to be an error with the current value assessment (either the dollar value or if there is a suspicion that the property is assessed as something other than a farm) you should contact the Municipal Property Assessment Corporation or file a complaint directly with the Assessment Review Board.

If there appears to be an error with the tax rate and the property is not in the Farm Property Class (25% of the municipal residential tax rate) you may contact the Administrator, Farm Property Class. The final deadline to file an application is December 31 of the taxation year. You also have the option to file a notice of complaint or a written appeal directly to the Assessment Review Board. The deadline to file an appeal for the 2008 taxation year is March 31, 2008.

PROPERTY TRANSFERS

On transfers of farm property or if there has been a change in the use of the property, actions taken by MPAC and the property owner will be based on the status of the property at the time the 2008 tax roll closes.

If the property is classified in the Farm Property Class for the 2008 taxation year, at the time the 2008 taxation roll closes, there are two options:

1. In situations involving a new property owner who is not going to continue to farm the property, MPAC may issue a supplementary assessment to reclassify the property to the residential property class and the new owner will pay the residential tax rate for the remainder of the taxation year.
2. In situations involving a property being purchased by a farmer, who owns other land that has been classified in the Farm Property Class for 2008, or a new owner who meets the eligibility criteria, MPAC may choose not to reclassify the property and issue a supplementary assessment. As a result, the property will remain in the Farm Property Class.

If the property is assessed as a farm, but classified in the residential property class for the 2008 taxation year, at the time the 2008 taxation roll closes, there are also two options:

1. In situations involving a new property owner who is also not going to continue to farm the property, MPAC will make no changes and the new owner will also pay the residential tax rate for the remainder of the taxation year.
2. In situations involving a property being purchased by a farmer, who owns other land that has been classified in the Farm Property Class for 2008 or a new owner or an owner who commences to farm the property and who meets the eligibility criteria, may contact OMAFRA and request an eligibility determination and approval for the Farm Property Class tax rate for the remainder of the year.

CONTACTS

If you have questions concerning the **Farm Property Class**, contact:

Ontario Ministry of Agriculture, Food and Rural Affairs
1 Stone Road West 2nd Floor
Guelph, Ontario N1G 4Y2
Toll Free: 1-800-469-2285
Telephone: 519-826-3446
Fax: 519-826-3170
Email: farmtax.omafra@ontario.ca
Website: www.omafra.gov.on.ca

For all inquiries, please state your Owner ID number, name, address, property roll number and telephone number.

If you have questions concerning your **Farm Business Registration** contact:

AGRICORP:
Toll Free: 1-866-327-3678
Fax: 519-826-4118
E-mail: contact@agricorp.com
Website: www.agricorp.com

To contact the **Municipal Property Assessment Corporation**:

Toll Free: 1-866-296-6722

For local calls, please refer to the blue pages of your telephone book.

To contact the **Assessment Review Board**:

Assessment Review Board:
655 Bay Street, Suite 1200
Toronto, Ontario M5G 2K4
Toll Free: 1-800-263-3237
Fax: 1-866-297-1822
Website: www.arb.gov.on.ca