

# Your MPAC Webinar Team - Municipal & Stakeholder Relations

Committed to Building Customer and Stakeholder Relationships



**Chris Rickett**  
Director



**Jason Hagan**  
A/Regional Manager



**Christine Hudson**  
Account Specialist



**Justin Leblanc**  
Certified AV  
Technician, IT

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## Your Subject Matter Experts - Farm Property Class Tax Rate Program



**James Harvey**  
Account Manager,  
Government Relations,  
MPAC



**Erin Jennings**  
Manager, Assessment &  
Taxation Mitigation, MPAC



**Karl Groskopf**  
Senior Policy Advisor,  
OMAFRA



**Sara Potts**  
Program Development  
Specialist, Agricorp

# Farm Property Class Tax Rate Program

Joint municipal webinar presented by OMAFRA, Agricorp and MPAC

October 21, 2020



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# Policy Framework Overview



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# Program Objective/Authority

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## Purpose of the Program:

- The Farm Property Class Tax Rate Program (Farm Tax Program) is one of the ways the province of Ontario supports agriculture. Through the program, eligible farmland owners receive a reduced property tax rate

## Program Authority:

- The authority for the Program comes from the [Assessment Act, O. Reg 282/98](#) and is the responsibility of the Ministry of Finance (MoF)

# Delivery: Partners and Roles

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OMAFRA is responsible to the Minister of Finance (MoF) for Program delivery. They provide MoF with agricultural policy advice to shape the Program.

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Beginning February 25, 2019, OMAFRA has delegated delivery to [Agricorp](#) – a provincial agency that delivers many of the province’s agricultural programs.

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[Municipal Property Assessment Corporation](#) (MPAC) assesses and classes properties.

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Municipalities set tax rates and issues tax bills.

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[Assessment Review Board](#) (ARB) grants time extensions (about 700 annually) and hears appeals (in the case of the Farm Tax Program, refers class appeals to the Tribunal).

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[Agriculture, Food and Rural Affairs Appeal Tribunal](#) hears about 60-80 Farm Property Class Tax Rate Program cases annually.

# Background and Context

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- The Program has existed since 1998 and before that since 1970 as the Farm Tax Rebate Program
- Eligibility requirements delineate commercial from hobby farming (FBR and primary products) and help ensure tax benefits accrue to those in the community (citizenship and single level corporate structuring)
- The farm tax rate is no higher than 25% of the municipal residential tax rate. Municipalities have the ability to set a lower tax rate for eligible farm properties
- About 210,000 parcels of land classed as farmland, with about 170,000 at the farm tax rate
- Based on an average 200-acre farm and typical municipal property tax rates, the Farm Tax Program provides an estimated reduction of \$18,000-\$20,000 annually in property taxes

## Similar programs include:

[Managed Forest Tax Incentive Program \(MNRF\)](#)

[Conservation Land Tax Incentive Program \(MNRF\)](#)

[Farm Forestry Exemption \(MPAC\)](#)



# Farm Business Registration



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# Obtaining a Farm Business Registration (FBR) Number

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- A FBR number is a requirement under the *Farm Registration and Farm Organizations Funding Act*
- Farmers contact Agricorp to register their farm business
  - If generating \$7,000 or more in gross farming income, they are required to register for an FBR number
  - Registrants must demonstrate that they have generated \$7,000 in gross farm income in the previous year, and have reported the income to the CRA
- New registrants must contact Agricorp prior to August 31 to register
- Agricorp receives payment from the registrant on an annual basis to maintain their registration

# Obtaining/Maintaining an FBR Number

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- Once registered, farmers will receive an invoice from Agricorp each January:
  - Payment is due March 1 of each year
  - Agricorp will direct the payment to the accredited farm organization of their choice
- An exemption from the requirement to pay the fee and/or register may be requested through AFRAAT for religious reasons
- Additional exemptions due to gross farm income <\$7,000 may be applied for through the Farm Property Class Tax Rate Program

# Linkages to other Programs

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Holding a valid FBR number is an eligibility criteria for participation in the following programs:

- **Farm Property Class Tax Rate Program**
  - Farmland taxed at no more than 25% of the residential property tax rate
- **Ministry of Transportation farm vehicle license plates**
  - Access to farm plates for farmers with valid FBR numbers including new plates and transfer of plates between vehicles
- **Strategic Initiatives under Canadian Agricultural Partnerships and the Ontario Wildlife Damage Compensation Program**
  - Covers livestock, honey bees, poultry killed and/or injured as a result of wildlife predation



# Farm Property Class Tax Rate Program



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# Farm Property Class Tax Rate Program Overview

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- Properties approved for the program are eligible for a reduced tax rate of no more than 25% of the municipality's residential tax rate
- Typically, the farm residence and one acre of land surrounding it are taxed at the municipality's residential tax rate
- The property classification and value is determined by MPAC
- Eligibility for the Farm Property Class Tax Rate Program is determined by Agricorp
- The property tax rate is determined and applied by the municipality

# Eligibility

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## **Requirements that must be met to be eligible for the Farm Property Class Tax Rate Program**

The property must be classified and valued as farmland by MPAC.

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The property must be actively farmed by the owner, a tenant, or both.

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The farm business on the property must have a valid Farm Business Registration (FBR) number and generate \$7,000 or more in gross farm income (or hold an approved exemption).

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Property owners must be Canadian citizens or permanent residents.

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# Eligibility

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## The property must be classified as farmland by MPAC

Classifies the property based on requirements set out in the *Assessment Act*.

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Reports all properties classified as farmland to Agricorp on a monthly basis, including property ownership.

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If property ownership or other significant changes occur, Agricorp will issue an application to the property owner.

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If the property is not classified as farmland, property owners must contact MPAC to have the property reclassified. If the change is approved by MPAC, they will inform Agricorp, and an application will then be issued.

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# Eligibility

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**The property must be actively farmed by the owner, a tenant, or both, AND the farm business must have a valid FBR number**

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The farm business operating on the property must generate an annual gross farm income of at least \$7,000. All farm income and expenses need to be filed with the Canada Revenue Agency.

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The farm business must hold a valid FBR number in the year before the tax year. The FBR invoice needs to be paid by March 1 to keep an FBR number valid. Payment may be accepted up to March 1 of the following year if extenuating circumstances are demonstrated.

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The FBR number must be renewed annually to maintain Farm Property Class Tax Rate Program eligibility.

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A gross farm income and/or religious exemption is required if a valid FBR number cannot be provided or maintained annually.

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# Eligibility

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Property owners must be a Canadian citizen or permanent resident.

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If owned by a corporation, more than 50% of the voting shares must be legally owned by individuals who are Canadian citizens or permanent residents.

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If owned by a partnership, more than 50% of the income or loss must be allocated to individuals who are citizens or permanent residents.

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Requirements for other owner types are outlined in the *Assessment Act* and Ontario Regulation 282/98.

# Program Timelines

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- MPAC reports property information to Agricorp on a monthly basis, from January to November. Agricorp reviews the data to identify changes to ownership or other information that warrants a program application
- Applications are generally issued/filed in the year prior to the taxation year
  - If MPAC reports a change in ownership in 2020, an application is generated for the 2021 property tax year
  - Applications are issued throughout the year, as changes are reported
  - If required during the property tax year, an application may be issued on request, e.g. if the property was purchased in 2020, and was not previously eligible for the program for the 2020 property tax year

# Program Timelines

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- The application deadline is August 31 of the year before the tax year; however, they may be accepted up to the end of the property tax year if there are circumstances that prevented them from being filed earlier
  - Applications are issued with a deadline of 60 days from the date issued
- If a deadline has been missed, the property owner must contact Agricorp to discuss their situation
- Properties that are determined to be eligible are reported to MPAC on a monthly basis
  - Reporting of eligible properties to MPAC for a property tax year begins in August of the year before the tax year (July in assessment years)

# Request for Reconsideration (RfR)/Appeals

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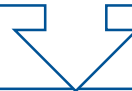
If it's determined that an application is not eligible and the property owner disagrees with the decision, they may file a RfR with Agricorp up to the RfR deadline (generally March 31 of the tax year, but is earlier in assessment years).



If the property owner wishes to submit a RfR after the RfR deadline, a deadline extension from the Assessment Review Board (ARB) is required. These can be issued up to the end of the tax year.



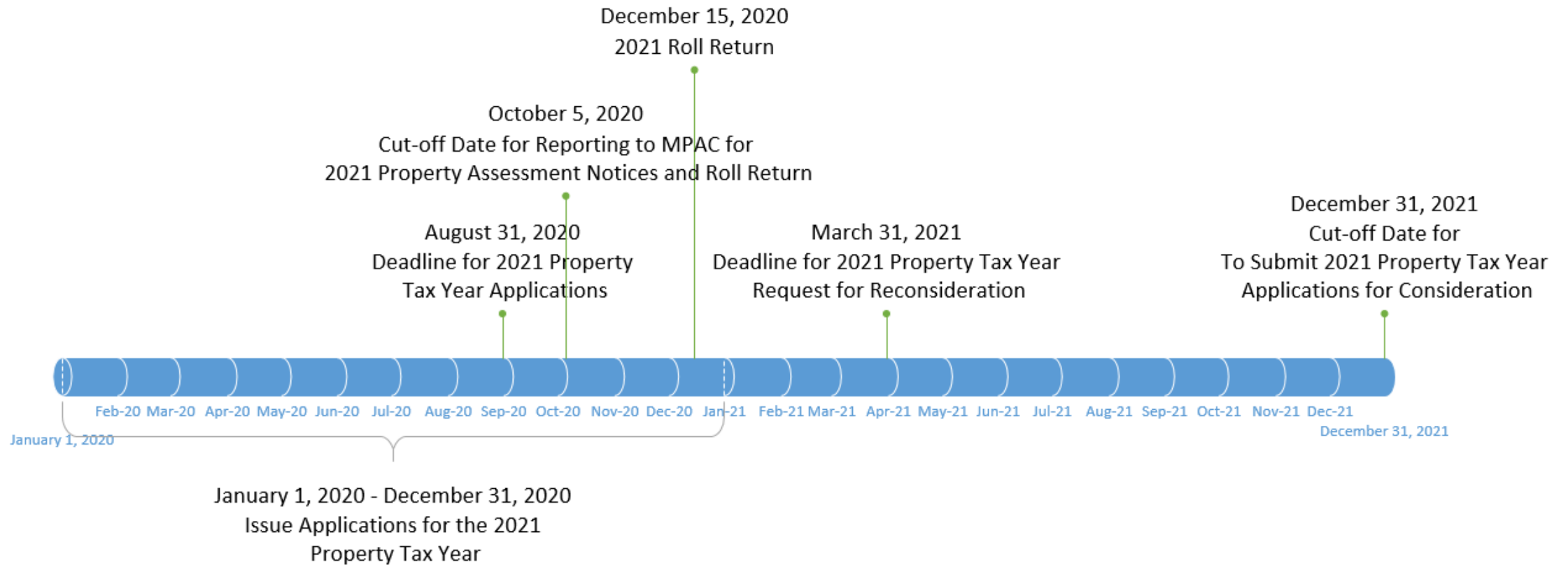
If the RfR is declined, the property owner may file an appeal with the ARB within 90 days of the decision date.



RfRs on property classification completed by MPAC may be accepted retroactively. In these cases, when Agricorp receives notification of the change from MPAC, applications will be issued for the tax year(s) indicated, and will be assessed if received by the given deadline date.

# Key Program Timelines for Agricorp Activities for the 2021 Property Tax Year

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# Renewal

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- Applications are multi-year, so once approved, the property will:
  - remain in the program;
  - taxed at the farm property class tax rate as long as eligibility requirements continue to be maintained;
  - no significant changes (ownership, business structure, citizenship etc.); and
  - the FBR number for the farm business operating on the property remains valid every year.
- If a property becomes ineligible, the owner will need to call Agricorp to reapply for the program

# Maintaining Eligibility

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- **Property owners** must inform Agricorp of any changes that may affect their eligibility, e.g. changes to land use, property rental agreements, FBR status, income, farm business structure or exemption status
- **Agricorp staff** will review the specific situation to determine next steps required to maintain eligibility, e.g. obtaining a new FBR number (if there is a change to the farm business structure or ownership), applying for an exemption, updating tenant information etc.
- If there is a change to a tenant farmer on a property, a tenant declaration form must be submitted to Agricorp to certify that the tenant is farming the property(ies), and to authorize use of their information



# MPAC/Agricorp Integration



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# Who Administers the Farm Property Class Tax Rate Program?

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Agricorp, MPAC and municipalities work together to administer the program. The property tax rate is provided by the farmland owner's municipality.



# MPAC/Agricorp Program Integration

Data related to the program is shared between MPAC and Agricorp on a monthly basis

MPAC shares data with Agricorp on all properties classified as farmland.

Agricorp will identify and review changes reported by MPAC, will issue an application where needed, and assess the application when returned.

Agricorp reports to MPAC on properties that are eligible for the Farm Property Tax Class Rate Program, who is farming the property (owner, tenant, or both), and provides tenant farmer information.

There may be follow up between Agricorp and MPAC on individual properties on an as needed basis.

# MPAC/Agricorp Program Integration

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Property owners who have questions about the Farm Property Class Tax Rate Program, including how to sign up or report changes, may contact Agricorp, and a customer service representative will assist them.



Property owners who have a property that is not currently classified and valued as farmland must contact MPAC to have the property reassessed before applying to the Farm Property Class Tax Rate Program.



# Tax Incentive Approval (TIA) vs Tax Incentive Year-end (TIY)



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# In Year Changes vs. Year End Changes

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## In-Year Changes

Agricorp provides a monthly list of properties eligible for the program. The effective date of the changes are for the current tax year or prior.

MPAC processes these changes by issuing a Tax Incentive Approval Notice (TIA). The TIAs are extracted monthly and sent to the property owner and the Municipality to adjust the taxes.

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## Year-End Changes

Agricorp provides listings to MPAC commencing in early August of properties that qualify for the programs or should be removed from the program for the following tax year.

These changes are updated for roll return. The property owner receives a Property Assessment Notice (PAN) and the municipality receives the new Roll.

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# Tax Incentive Approval (TIA)

## What is a Tax Incentive Approval (TIA)?

- The purpose of the TIA is to report the revised classification and phase-in stream as a result of a decision by Agricorp designating a property eligible for the Farm tax class
- Notification to the owner is a Tax Incentive Approval Letter - a results letter which eliminates the need for signature
- The owner has the right to Appeal to the ARB within 90 days of issuance



JACKSON JASON  
ABC IMPORTS LIMITED  
200 MAIN STREET  
UNIT 5000  
11 FLOOR  
ANYWHERE ON M4K 1B3

Issue Date:  
January 1, 2019

THIS IS NOT A TAX BILL

The Municipal Property Assessment Corporation (MPAC) is responsible for assessing and classifying more than five million properties in Ontario in compliance with the Assessment Act and regulations set by the Government of Ontario.

### Why am I receiving this notification?

Agricorp recently sent you the results of their reconsideration of your property's eligibility for the Farm Property Class Tax Rate Program.

As a result, MPAC has adjusted the classification of your property and the assessed value for the 2019 tax year. Please see below for information on the changes.

### Account Information:

Roll Number	12 34 567 899 12345 1234
Your property's location and description	900 Dunes Rd. PLAN169 BLK 1 PT LOT4
Lot area	183.82 acres
Municipality	Ottawa City

### Previous assessment information:

Property class/qualifier	Value as of Jan. 1, 2012	Value as of Jan. 1, 2016	Phase-in value 2019
Residential Taxable	\$1,020,445	\$1,075,000	\$1,061,361

### Adjusted assessment information:

Property class/qualifier	Value as of Jan. 1, 2012	Value as of Jan. 1, 2016	Phase-in value 2019
Residential Taxable	\$479,600	\$868,100	\$770,975
Farm Taxable	\$196,400	\$206,900	\$204,275
Total	\$676,000	\$1,075,000	\$975,250

### 2020 Assessment Update:

This year, as part of a province-wide Assessment Update, MPAC will mail a Property Assessment Notice to every property owner in Ontario to reflect the updated assessed value and classification of their property. Updated assessments are used by municipalities to calculate property taxes for the 2021-2024 tax years.

## Tax Incentive Approval

Farm Property Class  
Tax Rate Program

This Tax Incentive Approval has important information for you as a property owner.

Please review it and file it away for your records.

No action is required unless you disagree with your assessment.

### CONTACT US

1 866 296-MPAC (6722)  
TTY 1 877 889-MPAC (6722)  
Monday to Friday  
8 a.m. to 5 p.m.

If you have accessibility needs, please call us for assistance.

# Tax Incentive Year-end (TIY)

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What is a  
Tax Incentive  
Year-end (TIY)?

TIY is a year-end update to a property to reflect *participation* in the Farm Property Class Tax Rate Program.

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TIY is a year-end update that *removes* a property from the Farm Property Class Tax Rate Program.

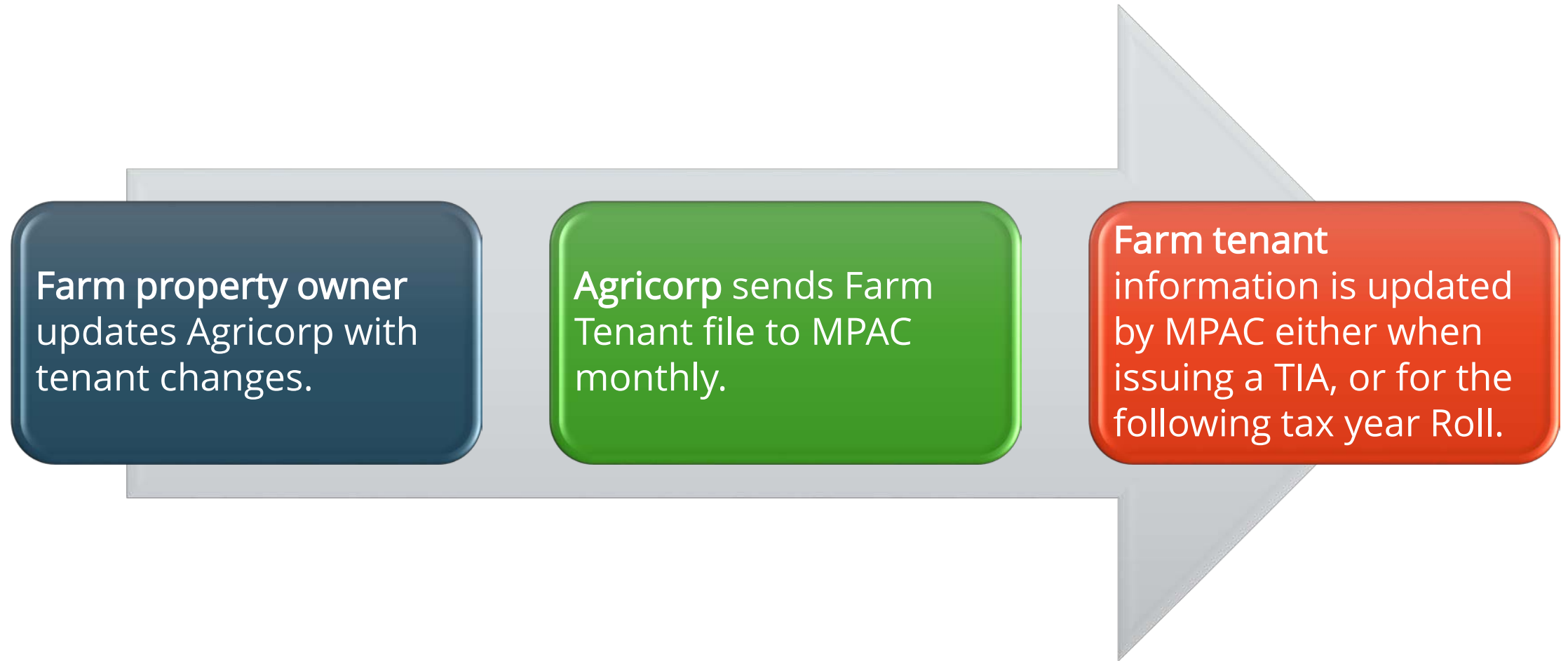
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The resulting TIY changes are reflected on the Property Assessment Notice (PAN) and following taxation year Roll.

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# Farm Tenant Changes

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# Processing Timelines

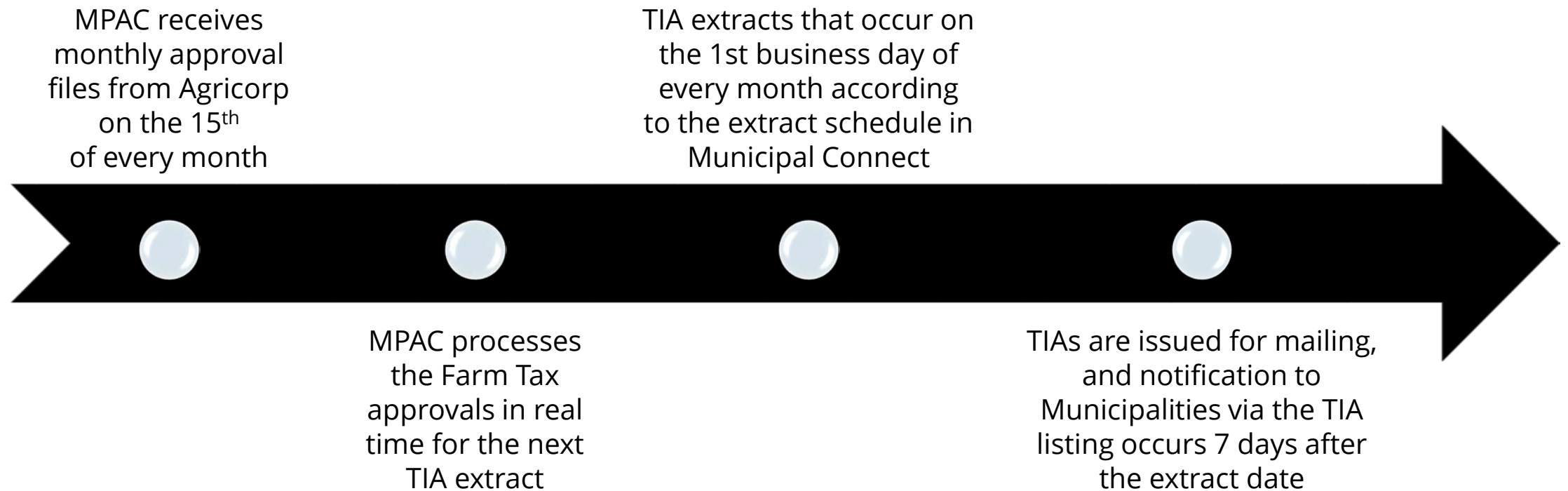


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# Timelines: In-year Approvals (TIA)

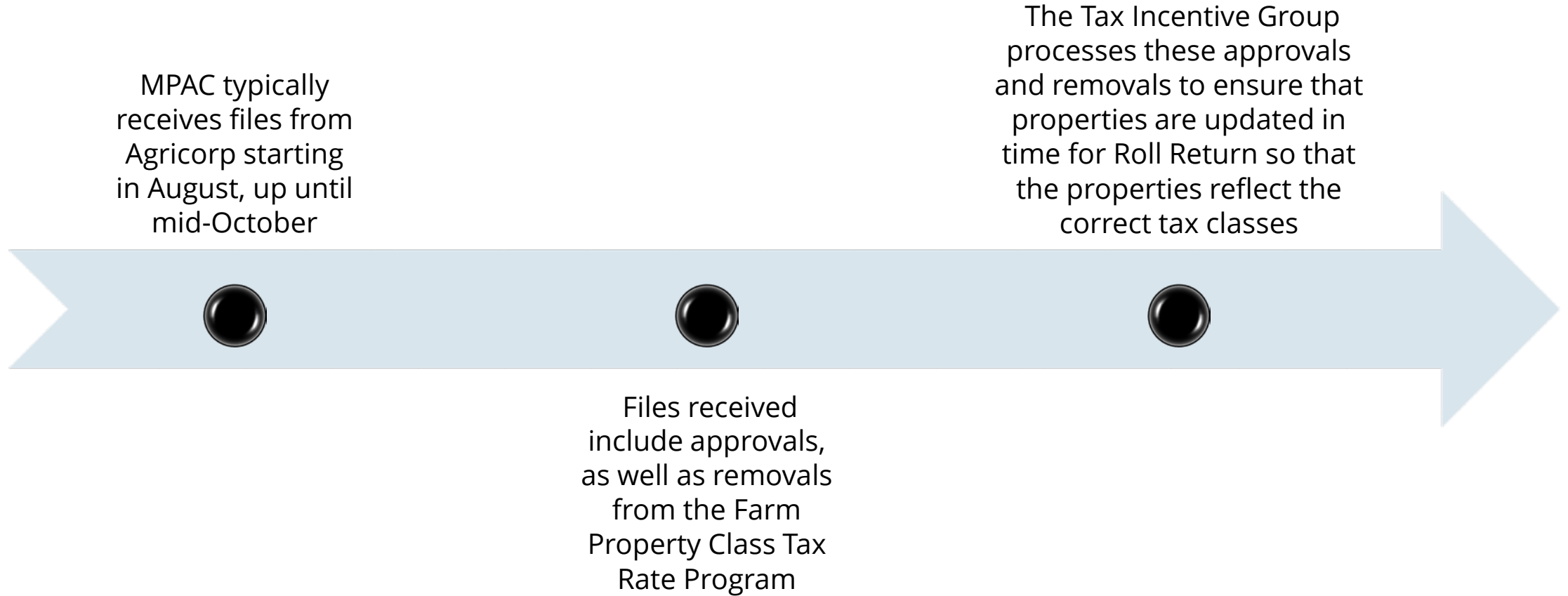
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Please note that **MOST OF THE TIME**, property owners receive their approval letters from Agricorp **AHEAD** of the notification to MPAC.

# Timelines: Year-end Approvals (TIY)

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# Request for Reconsideration (RfR) and Missed Deadlines

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- If a property is already assessed as farm, but would like the Farm Tax class then the owner should file a RfR directly with Agricorp
- Where a property is not already assessed as a farm the owner must file a RFR with MPAC. The RFR would indicate the property owner requests farm valuation and tax class: if the property qualifies for farm valuation MPAC will create MoS to reflect the revaluation only
- Upon the property owner accepting the MoS a form confirming the farm valuation is sent to Agricorp
- Agricorp will then inform MPAC of the eligibility for the Farm Tax class, and then the TIA will be issued by the Tax Incentive group
- In cases where the RfR deadline has been missed the owner may request an extension with the Assessment Review Board (ARB)



# Severances and Consolidations



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# Severances/Consolidations

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Parcelization department and the field office valuation staff review the severance/consolidation to determine if the new properties are farmland. These updates are effective for the following taxation year and the new properties are returned on the Roll.



As soon as the severance/consolidation is complete, the newly created farm properties are included in the monthly file sent to Agricorp. Those properties receive an application for the Farm Property Class Tax Rate Program for the following year.

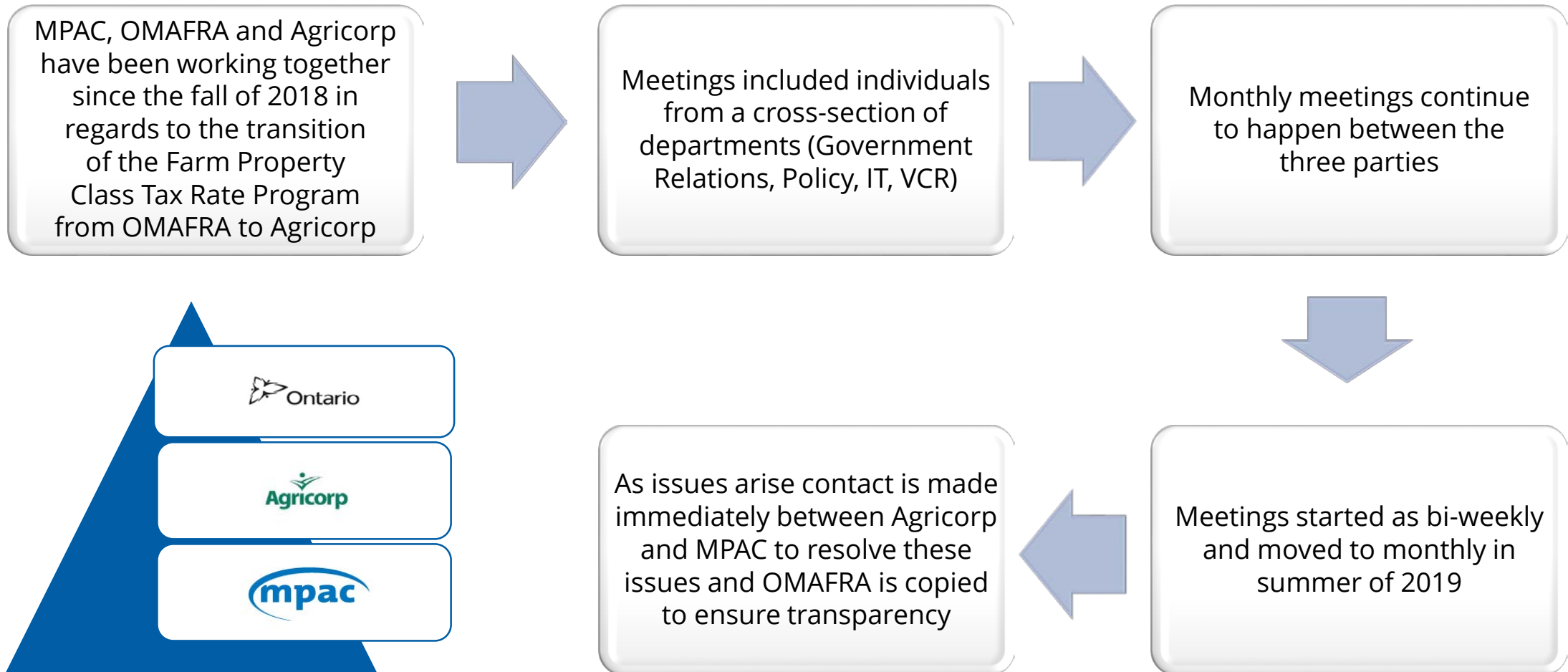
# Mid-year Ownership Changes

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- Farm Property Class Tax Rate approval is for the entire year, MPAC does not add/remove properties from the program based on the sale of a property mid-year
- If the new property owner does not meet the requirements for the Farm Property Class Tax Rate Program the update would be reflected on the Roll for the following tax year
- MPAC does not update properties into, or out of the program unless directed by Agricorp who administers the program



# OMAFRA / Agricorp / MPAC Working Relationship



# For more information

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[agricorp.com](http://agricorp.com)



[mpac.ca](http://mpac.ca)

Questions?