

Submission to Farm Assessment Review Panel

By: Barbara Johnstone Grimmer, PhD, P. Ag.

As a farmer, farm advisor and

I have had many discussions with farmers – large and small- over the current farm assessment review.

I have also researched this topic including the review of academic papers, other provincial and state policies of farm taxation, and by my own experience and others with BC Assessment Authority.

I understand that the review of farm assessment regulations is to help find ways to streamline property assessment rules and procedures while ensuring equity, fairness and transparency. As a preferential voluntary tax class, there are concerns of abuse by hobby farmers and estate properties with little intention of farming or food production, and more intention to farm the tax system. This removes viable farmland from production, and in the case of estate properties, increases their value above its value as a farm, increasing the difficulty of farmers accessing these farm units.

Farm status is an important benefit of farming; it forms the baseline identification for tax purposes and for many is the only government subsidy available. Benefits such as farm plates, PST exemption, coloured fuel, etc. assist in improving the viability of agriculture. In addition it is required to access federal-provincial programs, such as the Environmental Farm Plan.

I was pleased to see the interim recommendations by the Farm Assessment Review Panel of suspending large scale classification projects by BCAA at this time, utilizing a professional agrologist to advise on farm classifications and assessments, and the utilization of federal income tax information to determine farm income.

From these interim recommendations, I would add that:

A. Support needed for BC Assessment

- A minimum of one Professional Agrologist must be on full time staff at BC Assessment Authority to assist with defining farm uses and evaluating farm applications and assessments
- BC Assessment Authority take direction from BC Ministry of Agriculture, the Agriculture Land Commission, and other agencies as needed for advice on farming in BC.

B. Support needed for farming and farmers

- I would also emphasize the importance of supporting the ALR as the main farmland base for agriculture. It is a provincial zoning scheme that targets

agriculture as a primary use. Therefore, all land in the ALR should be considered farm for the purposes of assessment taxation.

All ALR land should be considered as Class 9 (farmland) with perhaps one tax rate for farmed, one for non-farmed to encourage leasing of non-farmed land. This would help to remove the argument of taxation as a reason to remove land from the ALR and would significantly streamline the farm assessment process for the BCAA. Part of the escalating price of good farmland is based on the speculative value of this land for a non-farm use (ie housing, industrial).

According to Allison Pearse, professional agrologist formerly with BC Assessment “***My solution was that all land in the ALR be considered farm for the purposes of assessment taxation*** I would isolate the farm unit in class 9. As opposed to just having farmland in class 9, I'd put the farm buildings and the farmland in class 9. I would value, as I mentioned, the farmland and the farm buildings at market. But then I would exempt the farm buildings and the farmland by a very significant amount. I guess why I would prefer this system is that right now, if we wanted to better target this benefit to larger farms, most larger farms tend to be either capital-intensive -- very building-intensive -- or very land-intensive. If you exempted the farmland and the farm buildings to a larger extent than they are currently, I think that the larger benefit would flow to the larger farmer as opposed to the small farmer who had a very low investment in buildings and land. Then I would adopt the home-and-homesite proposal, which is essentially isolating the farm residence and a homesite area in class 1, which is our residential class -- which means that every farm in the province would pay a residential tax on its home and homesite, but a large proportion of the farmland and the farm buildings they own would be exempt from tax”

- A home and homesite policy whereby a baseline value of the farm house and associated homesite area could be taxed at the farm rate, any home over that value at the residential rate. The rest of the farm would be at the farm rate. Farm buildings should be taxed at the farm rate, not residential rate.
- Income to be determined by federal income tax information for clarity and uniformity, fairness, and to streamline the process. I believe this is how Ontario determines farm income for tax purposes.
- Income threshold – could stay the same, given farm incomes have not kept pace with input costs. The real issue is productivity of the farm unit. It could be increased to \$5,000 as a first step. Ontario is at \$7,000 gross income, and if less than \$7,000 the farm must meet exemption criteria, such as an abnormal production year, a start up period, or criteria such as a age/illness/death.
- Taxation policy be based on realistic assessment of market conditions. The closing of processing facilities and the BSE crisis has been devastating for many

farmers in BC, especially those lacking inspected processing facilities of suitable capacity or within a reasonable distance in former uninspected areas. Policies to deal with farm crises should be in place.

- That value-added be included in farm income. It has been encouraged by government for farms to be more diversified and include value-added products to improve farm income, given that wholesale and commodity prices have not kept pace with the cost of living for farmers.
- That processing facilities on a farm be taxed at farm rate – not commercial or industrial given reasonable criteria.
- That older farmers of ALR land not be forced off the farms that have been farmed for years due to inability to farm or by insufficient farm activity by lease holders of their land. The process currently does not require BCAA to notify landowners of impending changes to farm tax status through requests for farm income activity; the BCAA notifies lease holders instead. The landowner often only receives a single final letter notifying them that they have lost farm status and may appeal as their first notice of a problem. By then it is virtually too late, and the landowner is responsible for paying the taxes. In many cases they have leased the land because they are too old to farm, and often on a fixed income and put into a difficult situation. BCAA must change this policy in that each letter to a lease holder must be copied to the landowner
- Split classifications are not supported by the farm community and counter the efforts of agriculture to be more ecological and holistic. Split classifications reduce the competitiveness of farming and do not allow for environmental farm areas such as riparian areas, buffer zones, and set backs.

C. Support of Canadian Food Security

Land tenure should be considered in that Ontario requires farmland to be greater than 50% Canadian owned (or permanent resident status of the landowner), whether it be private or corporate for farm tax status to be granted.

Although not covered by this review, an update of the definition of farmer and farmed products needs to be revisited. There have been many changes to agriculture and the rules need to be constantly adapted to the changes.

The one final recommendation was that the Farm Assessment Review Panel should issue an interim report that summarizes what they've heard and what needs to occur during the process. The corresponding stakeholders could respond to this interim report and provide constructive feedback.