



Corporation of the Township of Perth South
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July 9, 2020

Agricorp
Attn: Board of Directors
1 Stone Road West
Box 360 Stn Central
Guelph, ON N1H 8M4

Re: Farm Property Class Tax Rate Program

Dear Board of Directors

The Farm Property Class Tax Rate program was developed by the province to support agriculture in Ontario. Through this program, farmland owners receive a reduced property tax rate. Eligible farmland is taxed at no more than 25% of the municipal residential tax rate. This program is administered by Agricorp, the Municipal Property Assessment Corporation (MPAC), and municipalities with farmland assessment within their municipality.

The Assessment Roll is returned by MPAC in December of each year for the following year. It is important that the assessment roll values on the returned roll received from MPAC are accurate as these values are used as the basis for the calculation and distribution of taxes. However, we have found that the 2020 Assessment Roll as returned

by MPAC requires many adjustments in the form of Tax Incentive Adjustments (TIA) for the Farm Property Class Tax Rate Program, each of which result in taxation write-offs for the Township.

The TIAs are required to transfer properties which have become eligible for the Farm Property Class Tax Rate Program from the Residential Class back to the Farmland Class. It is our understanding that the large number of TIAs that are processed by MPAC are necessary due to the number of farm properties that have sold their property, made a change to the ownership of the property, or failed to submit paperwork to Agricorp by the required deadline.

The result is that the Assessment Roll is returned with an overstated Residential Class assessment and an understated Farmland Class assessment and when used in the determination of the Residential Tax Rate at budget time results in a rate that is less than it would otherwise be. In addition, taxation write-offs of 75% of the residential amount must be refunded. These refunds are required for the current year, and in some instances, in the prior year as well, placing a financial burden on municipalities.

While these adjustments are not new, they certainly seem to be increasing in volume in more recent years and we anticipate that they will continue to increase as baby-boomer farmers continue to retire and sell their farmland.

In 2020 Perth South had \$34,606,000 of Farmland Class assessment transferred to Residential Class assessment. As a result of this transfer the total write-off is \$213,550.86 of which \$107,041.20 is Perth South's portion, \$66,799.27 is Perth County's portion and \$39,710.39 is the School Board's portion. While a tax write-off of \$107,041 may not seem like a large amount for many municipalities, in Perth South is it significant and would require a 3% levy increase to offset this amount.

Perth South is also concerned with the impact that these "misclassified" properties may be having on information used by other provincial departments. For example, the classification of Farmland assessment as Residential assessment negatively impacts the

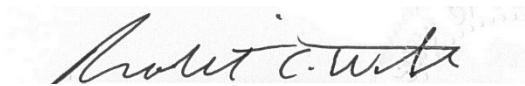
Ontario Municipal Partnership Fund (OMPF) calculation, specifically the Farm Area Measure, which could result in a financial loss in the form of reduced grant funding for the year. Despite the fact that there has been no development on farmland, Perth South's Farm Area Measure decreased from 91.7% to 90.8% in 2020, a decrease attributed to the transferring of property from the Farmland Class to the Residential Class. If the Farm Area Measure were to fall below 90% Perth South would incur a loss in grant funding, a loss we simply cannot afford. And should such a loss occur there does not appear to be a mechanism to allow for the correction of the OMPF allocation following the transfer of assessment back from Residential Class to Farmland Class.

It should also be recognized that the levy costs imposed on municipalities for maintenance and administration costs of conservation authorities is also impacted by this transfer of land from the Farmland Class to the Residential Class. The apportionment of costs is determined by multiplying Current Value Assessment (CVA) in the Residential Property Class by a Factor of 1 and multiplying the CVA in the Farmlands Property Class by a factor of .25. The inclusion of assessment from the Farmland Property Class in the Residential Property Class artificially increases our proportionate share of maintenance and administrative costs and represents another unreconcilable calculation for which we are financially penalized.

The current process places an administrative burden on municipalities and diverts staff time from other administrative work that we simply do not have to spare. In recent years the provincial government has been working with municipalities and other partners to improve service delivery and efficiencies. As part of their review, Managing Transformations: A Modernization Action Plan, there was a focus on strong leadership by the government to work with ministries and various partners to strengthen horizontal coordination and establish a renewed focus on improving the efficiency, productivity and outcomes of the Broader Public Sector, while at the same time delivering the most efficient Ontario Public Services possible. A similar review of the delivery of this program may be very beneficial.

Perth South understands that the province and MPAC need to ensure that each farm operation meets the requirements of the Farm Property Class Tax Rate Program, but we feel that there must be a more efficient and effective way for this to be achieved. Perth South would like to be part of the solution and suggests that all stakeholders to the Farm Property Class Tax Rate Program review the current program in an effort to find efficiencies and ultimately, a less disruptive classification process.

Yours Truly,

A handwritten signature in black ink, appearing to read "Robert C. Wilhelm", is centered on the page. The signature is fluid and cursive.

Mayor Robert Wilhelm
Township of Perth South

Cc: Hon. Vic Fedeli, Minister of Finance
Hon. Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs
Randy Pettapiece, MPP Perth Wellington
Board of Directors, Municipal Property Assessment Corporation (MPAC)
Board of Directors, Rural Ontario Municipalities Association (ROMA)
County of Perth
Ontario Municipalities