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Memo

To: Members of Council
From: Agricultural Development Advisory Board
Date: April 4, 2017
Subject: Farmland Tax Rate

Recommendation:

RESOLVED THAT the farmland tax rate be reduced from 25% to 20% of the Residential Rate in an incremental fashion with a reduction of one and a quarter percent (1.25%) each year over four years, aligning with the phase in of the increased assessment values faced by farmers due to increasing land costs. This would provide for a 23.75% rate in 2017, 22.50% in 2018, 21.25% in 2019 and 20% in 2020.

Background:

At the Agricultural Development Advisory Board meeting of February 9th the following motion was passed:

Tim Webster moved and Matt Hollinger seconded

THAT ADAB recommends that Council reduce the farmland tax rate from 25% to 20% of the Residential Rate in an incremental fashion with a reduction of one and a quarter percent (1.25%) each year over four years, aligning with the phase in of the increased assessment values faced by farmers due to increasing land costs. This would provide for a 23.75% rate in 2017, 22.50% in 2018, 21.25% in 2019 and 20% in 2020. Carried

Rationale:

The newest municipal property assessments valued at January 1, 2016 show that farmland values have increased by an average of 70% across the province of Ontario, and, according to Manager Norris' report elsewhere in this agenda, by 74% in Kawartha Lakes. Many farms have seen their property assessment increase by a third and in some cases nearly double.

The mission of the Agricultural Development Advisory Board is to advise Council on issues of concern to the agriculture sector. There is a significant concern regarding the shift in the burden of tax toward the farmland tax class.

How much the impact will be for farmland owners will depend on the increase in Farmland values relative to other property classes (residential, commercial, industrial). The more disproportionate the increases in farmland values, the more tax burden will be shifted to farmland property owners.

Questions have been raised about what share has each class paid of the tax bill in the 2016 year, and what will that look like for the 2017 year once the new higher assessed values are factored into the tax bills? In review of the statistics released by other Ontario municipalities some areas are seeing the farmland share of tax burden go from 6% to 10% and some are seeing farmland carry double the tax burden.

To avoid a property tax shift onto farmland property owners the Farm Property Tax Ratio needs to be adjusted to below the current 25% of residential taxes. How much the tax ratio needs to be adjusted will depend on the assessment changes in the municipality.

Municipal governments have full authority to adjust the farm tax ratio anywhere between 0%-25% of the local residential tax rate each year. Durham Region has already reduced their farmland tax rate to 20% of the residential rate.

What is the fair share for farmland?