

# Grey County Federation of Agriculture

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May 19, 2020

Dear Tara Warder, Deputy Clerk Grey County

## **RE: Resolution on farm tax rebate program**

Grey County Federation of Agriculture (GCFA) is writing to you today in response to a recent conversation with Councillor Robinson and Warden McQueen on a resolution (Mapleton) that was forwarded to many municipalities regarding the farm tax rebate program.

First, GCFA would like to reiterate our support once again for the provincial government to provide adequate funding to our rural municipalities. The provincial government has not fulfilled its obligation to rural municipalities. The cuts to the Ontario Municipal Partnership Fund (OMPF) and many other changes to municipal-provincial cost and service delivery agreements have not favored our single-tier, rural municipalities.

However, the suggestion that the policy solution of returning to the farm rebate program to fund rural municipalities is deeply flawed and counter productive.

## **Background on Rebate program**

The Farm Tax Rebate Program was intended as a “temporary” measure until long term property tax reforms were completed. The Program lasted from 1970-1998 with multiple changes to guidelines, rebate amounts and eligibility requirements along the way.

The Farm Property Tax Class was introduced in 1998 as part of reforms in Ontario’s property tax system. This change was not done in a vacuum, it was one factor in a complete change in municipal finances in Ontario. Other changes included the creation of other property tax classes, Creation of MPAC (known at the time as OPAC) and a move to Current Value Assessments. In addition to these changes the province realigned service delivery and uploaded certain services from the municipalities and downloaded other services.

The province also introduced the Ontario Municipal Partnership Fund (OMPF), which has been cut significantly in recent years. It is important to remember that the cuts to OMPF were the result of negotiations between the City of Toronto, the provincial government and AMO.

The Farm Property Class tax ratio is set to a maximum of 25% of the residential tax rate. All property tax classes including commercial and industrial are a ratio of the residential tax rate (which has a ratio of 1).

### **A rebate program does not work for Ontario farmers**

Reinstating the rebate program would tie up significant amounts of dollars that could be better used on the farm.

As you know, the property tax burden of farmers in Grey county has nearly doubled over the past 10 years, even with Grey county's leadership in reducing the farm tax ratio below 0.25 in 2019 and 2020.

In many other county's farmers have seen a similar or more severe increase in tax burden with many of these county governments failing to take action. The idea of multiplying farm taxes by four and waiting for OMAFRA to cut a check for the difference, would have significantly negative impacts on cashflow for Ontario farmers.

As concerning as the cash flow issues would be the eligibility criteria for the rebate program. During the lifetime of the rebate program OMAFRA frequently changed both the eligibility requirements and the rebate amount. This made it difficult for many farmers to predict how much of a rebate they would receive or if they would receive any rebate at all.

Since the rebate would be funded by provincial dollars, if the provincial government needed to cut spending to balance its budget, the rebate program could be reduced significantly. This is part of the reason the OMPF program was cut and there is no reason to think the same could not happen under a hypothetical rebate program.

### **Producing prosperity and funding for rural municipalities**

The problem that we all wish to solve is the lack of funding for rural municipalities. The fact is that there are much more efficient ways to fund rural municipalities. The Farm Property Tax Rebate Program required significant administrative costs to deliver the program. The fact is that the

rebate program is exactly the type of program that the current government wishes to move away from.

If the goal is to provide rural municipalities with better funding, that goal could be more efficiently achieved by continuing to lobby for improvements to the OMPF program as well as targeted infrastructure funding for rural municipalities. Increased funding for rural municipalities has been a central theme of OFA's producing prosperity campaign. OFA will continue to lobby the provincial government to increase funding for our rural municipalities.

GCFA remains a willing partner to help lobby for adequate funding of rural municipalities. We hope to work with you to find solutions that provide funding for municipalities without putting increased burden on Ontario farmers.

Sincerely,

*Hugh Simpson*

Hugh Simpson

President of Grey County Federation of Agriculture

C.c to Paul McQueen and Christine Robinson (for Grey County Council)