Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Financial Services

To: Mayor and Members of Council

From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services

Date: September 23, 2020

Subject: Farm Tax Ratio

Recommendation

It is recommended that:

1. The Farm Tax Class ratio be reinstated at the Provincial threshold with a phased in approach as follows:
    a. 2021 – 23%
    b. 2022 – 24%
    c. 2023 and onward – 25%

Background

The Province of Ontario implemented changes to property assessment and introduced taxation reform, which came into effect in 1998. Prior to this, farm properties were subject to taxation at the base residential tax rate and farmers applied annually to the Minister of Finance to be reimbursed 75% of the farm portion of taxes paid to the local municipality. Through the assessment reform, the method of delivering the farm rebates was changed through the creation of the Farm Property Class Tax Rate. Through this change, the responsibility of delivering the rebate was shifted to local municipal governments. Under current legislation the Farm Property Tax Class has a maximum ratio of 25%. The result is that eligible farmland assessment values are now discounted by a minimum of 75% of their full current value assessment (CVA) to produce lower weighted assessment base which is used for tax rate setting purposes.

When the assessment reform came into effect in 1998, Provincial funding was allocated to municipalities through the Community Reinvestment Fund (CRF). Responsibilities relating to 16 government programs and over $3 billion in program costs were realigned between the Province and Ontario municipalities. To help municipalities pay for the downloaded programs, the Province took over funding approximately $2.5 billion in education costs and created the CRF. Since that time the CRF funding criteria has changed many times and is now called the Ontario Municipal Partnership Fund, which no longer has any reference to farm tax levels.

Currently the Farm Tax Class ratio is 22% of the residential tax rate in Chatham-Kent. The rate was 25% as established in 1998 before Council lowered the rate to 24% in 2003 and to 22% in 2004 due to the rise in farm assessments and the low commodity prices at the time. The intent at the time was for this to be a temporary reduction. Farm sale prices continued to rise over the next decade and commodity markets recovered while Council continued with the rate at 22%.

The 2021 Budget Opportunities for 0% Report was received by Council on August 10, 2020. Council approved further analysis of proposed items related to service delivery to efficiently provide quality core services to Chatham-Kent residents and achieve a 2021 Budget target of 0%. The report recommended that detailed reports be brought back to Council for final approval prior to the 2021 Budget deliberations. While there is no direct budget impact, returning the farm tax ratio back to its intended threshold will impact what all property classes pay.

Comments

In the last three years there has been a significant increase in residential home values in Chatham-Kent as demand has outpaced supply which has resulted in increased to home sale prices of 20% to 50% in some areas. This shift to residential assessment that will occur in the next re-assessment cycle provides the opportunity to re-establish the standard 25% farm ratio without a significant impact to farms. Due to Covid-19, the implementation of reassessments has been delayed by one year. MPAC will be mailing updated assessment values in the spring of 2021 for phase in beginning the 2022 taxation year.

Infrastructure costs in the rural areas of Chatham-Kent are very significant. There have been few opportunities approved by Councils of the past to reduce some of the very low used bridges and roads. A return to the standard 25% farm tax ratio would bring the cost share ratio of infrastructure back in line with what was intended when OMAFRA developed the farm tax rebate program. . The actions of previous councils have mitigated farm tax increases for high value farmland for close to two decades, but it is time to return the ratios back to their intended thresholds and no longer have industry, commercial businesses and residential properties subsidize the farm sector.

The table below is a summary of municipalities throughout the Province of Ontario and the Farm Tax Ratio adopted by each. The vast majority of municipalities throughout the Province, being 87.25%, have adopted a Farm Tax Ratio of 25%.

Number of Municipalities by Tax Ratio		
Farm Tax Ratio's	Number of Municipalities	Percentage of Municipalities
11.80%	1	0.25%
15.00%	1	0.25%
16.89%	2	0.50%
17.67%	1	0.25%
20.00%	16	4.00%
22.00%	2	0.50%
22.50%	1	0.25%
22.60%	11	2.75%
23.50%	9	2.25%
23.67%	6	1.50%
24.00%	1	0.25%
25.00%	349	87.25%

Information is based on 2018 FIR submissions

Chatham-Kent has the fourth highest value of assessment in the Farm Tax Class throughout the Province and the lowest farm ratio out of the ten municipalities with the highest values of farm assessment.

Top 10 Municipalities by Assessment and Ratio			
Municipality	Tier	Assessment	Farm Ratio
Huron Co	UT	$ 7,941,270,439	25.00%
Perth Co	UT	$ 7,501,584,639	25.00%
Oxford Co	UT	$ 6,414,185,131	23.50%
Chatham-Kent M	ST	$ 5,804,353,843	22.00%
Lambton Co	UT	$ 5,345,738,700	22.60%
Middlesex Co	UT	$ 5,185,950,381	25.00%
Simcoe Co	UT	$ 3,804,999,540	25.00%
Bruce Co	UT	$ 3,609,107,023	25.00%
Stormont, Dundas and Glengarry UCo	UT	$ 3,553,396,734	25.00%
Elgin Co	UT	$ 3,335,669,652	25.00%

Information is based on 2018 FIR submissions

There are five municipalities that have a farm ratio greater or equal to 22% but less than 25% throughout the Province. Lambton County, which also falls into the category of the ten highest farm assessment values in the Province has a rate of 22.6%. Lambton County followed Chatham-Kent’s lead in lowering the farm tax ratio over a decade ago.

Our other neighbouring counties (including Essex) have retained the 25% ratio throughout.

Municipalities greater than 22% but less than 25%			
Location	Tier	Farm Rate	Assessment
Chatham-Kent	ST	22.00%	$ 5,804,353,843
Lambton County	UT	22.60%	$ 5,345,738,700
Oxford County	UT	23.50%	$ 6,414,185,131
Lennox & Addington County	UT	23.67%	$ 343,745,051
Brant County	ST	24.00%	$ 1,245,054,207

Information is based on 2018 FIR submissions

Changing the Farm Tax Class ratio will have an impact on the amount levied to each tax class. The impacts per $100,000 of assessment are illustrated for the Farm, Residential and Commercial classes in the table below. This will be the annual impact for each of 2021, 2022 and 2023.

Impact Per $100,000 of Assessment	
Class	Increase (Decrease)
Farm	$13
Residential	($7)
Commercial	($13)

Areas of Strategic Focus and Critical Success Factors

The recommendation in this report supports the following areas of strategic focus:

☒ Economic Prosperity:
Chatham-Kent is an innovative and thriving community with a diversified economy

☐ A Healthy and Safe Community:
Chatham-Kent is a healthy and safe community with sustainable population growth

☐ People and Culture:
Chatham-Kent is recognized as a culturally vibrant, dynamic, and creative community

☐ Environmental Sustainability:
Chatham-Kent is a community that is environmentally sustainable and promotes stewardship of our natural resources

The recommendation in this report supports the following critical success factors:

☒ Financial Sustainability:
The Corporation of the Municipality of Chatham-Kent is financially sustainable

☐ Open, Transparent and Effective Governance:
The Corporation of the Municipality of Chatham-Kent is open, transparent and effectively governed with efficient and bold, visionary leadership

☐ Has the potential to support all areas of strategic focus & critical success factors

☐ Neutral issues (does not support negatively or positively)

Consultation

The Kent Federation of Agriculture and the Christian Farmers Federation of Chatham-Kent were provided advance copies of this report. It is expected that both groups will not be in favour of the recommendation.

Financial Implications

There are no financial implications resulting from the recommendation as tax ratios are revenue neutral and are dealt with after the approval of a budget. The purpose of bringing this to Council for a decision prior to the 2021 budget deliberations is to provide Council with the knowledge, in advance, that by passing this recommendation, there will be a shift of just over $600,000 per year for 2021, 2022 and 2023, or approximately one third of a percent. This should be considered when determining the overall tax budget increases.

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Attachments: None

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