

BACKGROUNDER

Proposed UBCM Resolution: Minimum Requirements for Farm Classification

Proposed Resolution:

WHEREAS the *Classification of Land as a Farm Regulation* establishes minimum gross income requirements for farm operations to be classified as Farm under the *Assessment Act*, that were last increased in 1993;

AND WHEREAS farm property tax reform that confers tax benefits to farm operations would help to encourage farming and support local food security;

THEREFORE BE IT RESOLVED that UBCM call upon the Province of BC to amend the *Classification of Land as a Farm Regulation* to increase the income thresholds to achieve Farm classification, to a single minimum gross farm income of \$7,000;

AND BE IT FURTHER RESOLVED that UBCM call upon the Province of BC to review the income thresholds at least every five years.

The City of Pitt Meadows' recently-completed Agricultural Viability Strategy identifies farm property tax reform, including updates to the income thresholds, as a key action for stimulating a productive agricultural land base. Currently, under the [*Classification of Land as a Farm Regulation*](#), to be classified as farm under the *Assessment Act*, the gross annual value of the farm operation must be at least:

- \$2 500, if the area of land is between 0.8 ha and 4 ha;
- \$2 500 plus 5% of the farmland value of the land farmed in excess of 4 ha; or
- \$10 000, if the total area of the land is less than 0.8 ha.

The 2015 Metro Vancouver report on [*Farm Tax Class Income Threshold Investigation*](#) investigated whether the income thresholds to qualify for BC Assessment's Farm class status warrant adjustment to ensure that farmers and the public interest are benefitting from the policy to support the longterm viability of agriculture. The following are excerpts from that report:

"Across Canada, and indeed across the world, different jurisdictions use various measuring sticks and associated incentives for farmers. It is worth noting that BC has one of the lowest income thresholds both within Canada and abroad. These include:

- *Ontario sets farm property taxes at 25% of the municipal residential rate, but gross farm income must be at least \$7,000 as reported to the CRA for income tax purposes.*

- Quebec offers a rebate system: 50-77% off the residential rate, depending on the level of farm sales (77% if more than \$10,000). They also use a maximum assessed value for school taxes on farmland.
- Saskatchewan has a system that excludes farm residences and farm buildings from property taxes. Assessment values range from 50% (rangeland) to 70% (cropland) of agricultural market value.
- Alberta's Department of Agriculture and Forestry notes that a minimum of \$10,000 gross annual farm production income is required to obtain farm status.

Raising the threshold will discourage those who are using farmland primarily for lifestyle reasons and are obtaining Farm class status for solely the tax benefit. It will help ensure that the tax benefit is offered only to hobby and commercial farming operations.

A single, higher threshold was also a recommendation from the 2009 BC Farmland Assessment Panel report. That report recommended changing the threshold to \$3,500 for all farm sizes. It is now 6 years later, and it is worthwhile revisiting an increase in the Farm class threshold. It may also be appropriate to use inflation as a starting point for validating the threshold level, which was previously undertaken in 1995. At today's dollar values, the thresholds used in 1974 and 1993 would be between \$3,500 and \$7,500 when adjusted for inflation.

The 2016 Metro Vancouver White Paper on [Encouraging Agricultural Production Through Farm Property Tax Reform in Metro Vancouver](#) also informed the proposed resolution on the Minimum Requirements for Farm Classification. The following is an excerpt from that White Paper:

"One of the main reasons for changing the threshold is to encourage more actively farmed land either through leasing agricultural land to farmers or by encouraging more investments in farming to increase income levels. In addition, removing the \$10,000 income threshold for properties less than 2 acres could encourage new farms on small lots near urban areas."

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Proposed UBCM Resolution: School Tax Exemption

Proposed Resolution:

WHEREAS the *School Act* exempts 50% of the assessed value of a parcel of land in the Agricultural Land Reserve (ALR) from school taxation if the land is vacant and unused, or used only for a residential purpose;

AND WHEREAS to encourage farming in the ALR to ensure local food security, school tax exemptions should only apply to ALR land that is being used for a farm purpose;

THEREFORE BE IT RESOLVED that UBCM call upon the Province of BC to amend the *School Act* to remove the 50% school tax exemption for vacant and unused land, and residential purpose land in the ALR.

The City of Pitt Meadows' recently-completed Agricultural Viability Strategy identifies farm property tax reform, including changes to the school tax exemption, as a key action for stimulating a productive agricultural land base. This resolution on the school tax exemption was informed by the background information in the 2016 Metro Vancouver White Paper on [Encouraging Agricultural Production Through Farm Property Tax Reform in Metro Vancouver](#). The following are excerpts from that White Paper:

"The policy option under consideration is to eliminate the 50% school tax exemption for properties classed as "Residential" in the ALR. This change would ensure that residential uses of land are treated equitably throughout the region, whether in or outside the ALR. Removing the exemption is also justifiable because these residential properties are not farming or leasing their land and therefore are not providing the public benefits recognized for farms."

"The school tax exemption is an inequitable property tax policy as the main beneficiaries of the policy are residential landowners in the ALR who are not farming. Reforming this policy would provide a financial incentive to farm or lease agricultural land, as farm class would be required to receive the school tax exemption. Land classified as farm should retain the benefit because it supports active farming and the cost to society for providing this exemption to farmers is small. The elimination of residential classification from the School Act (Section 130) requires a change in provincial legislation, and would automatically apply to other agency fees defined under the Act."

The BC Chamber of Commerce also recommends reforming the school tax exemption to apply strictly to land classified as farm (refer to [Using Property Tax Reform to Support](#)

[Agriculture Production](#)). The following is an excerpt from the BC Chamber of Commerce policy:

"All land in the ALR, regardless of classification, receives a 50% exemption on School taxes. The 50% exemption also includes other taxes in Metro Vancouver such as TransLink, Hospitals, etc. An analysis completed by Metro Vancouver found that properties not used for farming accounted for 84% of the total amount of school tax exemptions for the region, despite accounting for only 59% of parcels. In particular, small properties (under two acres), not necessarily subject to ALR restrictions, received school tax exemptions."

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Proposed UBCM Resolution: Unfarmed Land Tax

Proposed Resolution:

WHEREAS the purpose of the Agricultural Land Reserve (ALR) is to preserve much-needed land for farming to ensure local food security, and not real estate speculation;

AND WHEREAS speculation in the ALR can lead to increased land values and the underutilization of ALR land for farming;

THEREFORE BE IT RESOLVED that UBCM call upon the Province of BC to establish a targeted unfarmed land tax, to discourage speculation and encourage farming in the ALR.

The City of Pitt Meadows' recently-completed Agricultural Viability Strategy identifies farm property tax reform, including a targeted tax on unfarmed land, as a key action for stimulating a productive agricultural land base. In order to try to prevent valuable farmland from falling into the hands of speculators and developers, the proposed Unfarmed Land Tax is intended to be similar to the Speculation and Vacancy Tax introduced by the Province in 2018, to try to discourage housing speculation and people from leaving homes vacant in designated areas of BC.

The proposed Unfarmed Land Tax would tax land that is within the ALR that could be farmed, but that is not being farmed due to land speculation. It is intended to encourage farming in the ALR by providing a financial incentive to farm the land or lease it for farming.

The [2022 Farm Credit Canada Farmland Values Report](#) states that *"the average cultivated farmland values in British Columbia increased by 8.0% in 2022. This followed an 18.1% increase in 2021 and an 8.0% increase in 2020. British Columbia is the only province to have recorded a single digit increase at 8.0%, but it is also a market where land values on a per-acre basis are the highest on average. Increasing demand and limited supply contributed to higher values throughout the province. Farmland near urban areas or within commuting distance saw increased competition for hobby farming, rural residences or investments."* The land values are particularly high in the South Coast, Vancouver Island, and Okanagan regions.

This increase in land cost makes it nearly impossible for new, young farmers to enter the farming sector. Leasing land is now necessary to farm, as farmers are getting priced out of the market; however, farmers are less likely to invest in infrastructure and equipment

for leased land due to the uncertainty. Additionally, some land owners speculate that by not leasing the land for farming, they will be able to prove that the land is not viable for farming, in order to try to exclude it from the ALR and redevelop it for urban uses in the future.

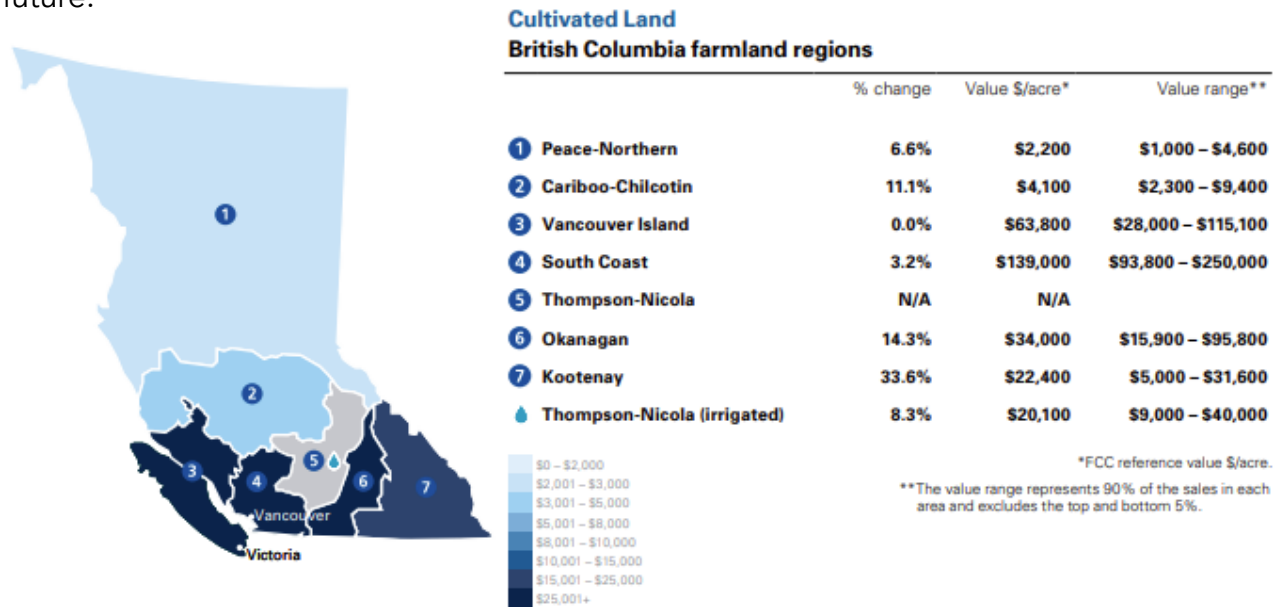


Figure 1 – BC Cultivated Land Value/Acre

Similarly, the BC Fruit Grower's Association and the BC Tree Fruit Sector conducted an [ALR Review](#) in 2018, recommending an ALR luxury tax that would be applied to Non-residents on ALR land, that would be higher than the property tax on a similar large homes in an urban area, to prevent residential development in the ALR.

As recently reported in the media (see November 29, 2023 issue of [Country Life in BC](#)), an anti-speculation tax, or tax on unused farmland, is being considered by the Province and is supported by BC Young Farmers.