

Commercial Property Assessments for Ontario Horse Farms

Overall summary - Jan. 23, 2005

In 2003 and 2004, the Municipal Property Assessment Corporation (MPAC) initiated an aggressive program of reassessments across the province. MPAC has begun to apply a little used legislative provision to reassess the property tax classification for boarding and lesson stables. Instead of assessing them as rural residential or farming they are assessing them as **COMMERCIAL**. This is happening all over Ontario. Many equine-related businesses such as breeding and training horses, or providing services to racehorses are deemed agricultural uses. However, according to a senior MPAC official, Carmelo Lipsi, "any properties that fall into grey areas, like equestrian facilities, automatically default to commercial class."

A commercial classification means that the properties are taxed at a much higher rate. If the property assessment goes from farmland to commercial this can mean an increase of as much as 2600% depending on tax rates in your municipality. In dollars, that translates to tax bills going up by \$10,000, \$15,000, \$20,000 or more.

The financial impact is so severe that some horse farms have already gone out of business and many others are sure to follow.

On August 18, 2004, the Association of Riding Establishments of Ontario (ARE) formed a committee to address the property tax issues surrounding horse farms and riding establishments. The mission of the ARE-ONT MPAC Committee is to research the issues presented, making information available to fellow stable operators, following through with the necessary letter writing and/or petitions, working with other affected groups such as the Ontario Therapeutic Riding Association, and to taking the steps necessary to assist MPAC in making fair assessments of property utilized for equines.

Since August, volunteer co-chairs of the Committee, Jim Waechter and Leslie Brooks, have been diligently researching and organizing the steps necessary to make these changes. In addition to meeting with politicians, agricultural groups and members of MPAC itself, Jim and Leslie have spearheaded a letter writing campaign in order to draw attention to the disastrous consequences of the recent property assessments by MPAC on equine establishments. The ARE is also working with the Ontario Equestrian Federation (OEF) in order to have a single strategy to get the changes that are needed. It is important that all equestrian facilities work together on this issue.

The letter writing campaign package includes 6 letters that address the Minister of Finance, President of MPAC, Minister of Agriculture and Food, Minister of Municipal Affairs and Housing, Minister of Health and Long-Term Care and Minister of Tourism and Recreation. It is working! Keep them coming in.

The letters are available from the Ontario Equestrian Federation (OEF) Office as well as on the OEF website: www.horse.on.ca.

The information contained in this document is made possible from the research done to date. Every attempt has been made to be accurate and to give as much detail as possible to help you understand the most important issues. For further clarification or information, contact the ARE Committee.

The Way it has been Historically and is Today for Most Farms:

A small percentage of the 53,000 horse farms in Ontario have been reassessed as commercial. MPAC says they reassessed 450-500 in 2003 and more in 2004. Some were actually done as far back as the 1980's. It is impossible to get exact numbers. We have documented details of approximately 50 from across the province that have been reassessed as commercial.

Horse farm properties are typically on land 'zoned' as agricultural but zoning is irrelevant for property assessment purposes.

Most horse farm businesses today have 'property assessment valuations' as farmland or rural residential and a 'tax rate' of either farm or residential. The one acre around the house should be assessed as farmland if the owner of the property is the resident farmer or it will be assessed as a residential acre if there is only a tenant farmer. The residence and the one acre is always at a residential 'tax rate', regardless of how that acre is assessed for property assessment valuation purposes.

It is important to note that if the property is assessed as farmland, then you will have a residential tax rate on the land and the farm buildings, unless you qualify for the 'Farm Property Class Tax Rate', which is usually 25% of the residential rate for your municipality. See www.omaf.gov.on.ca for information on Farm Property Class Tax Rate application and qualifications.

What is starting to be enforced by MPAC:

Under the current legislation the property assessment valuation for horse farms that do breeding, racehorse maintenance, and raising/training/selling of horses is farming and as such MPAC usually assesses them correctly as farmland. After this it gets very confusing and inconsistent. If you give lessons or have boarders MPAC says we fall into a grey area and that defaults to commercial.

If You Own or Lease a Barn - and you offer boarding or lessons - you are at risk. This is probably the case if you give trail rides also. It doesn't matter if you have one boarder or one hundred - teach two lessons a week or two hundred - whether you have three acres or one thousand - your facility can be reassessed and all or part of the property and farm buildings will be changed to Commercial. New building permits will certainly cause a reassessment. Also, an assessor may just decide to drop in. We suggest you ask them to book an appointment and come back at a more convenient time. You may not have this option because some assessments are done even when you are not home! They may ask your clients for information or simply do it on their own. Regardless of how they get their information, assessors are making business and life changing decisions for barn owners.

Typically, MPAC seems to be taking all farm buildings as 100% commercial and a

number of acres. The rest MPAC may change to rural residential or leave some as farmland and some as rural residential. Whatever split they do, can usually be challenged. It depends on the mix of horses you have on the property and their purpose. The end result could be an assessment where a percentage of the buildings and land is assigned to all three - commercial, farm and rural residential. At the moment this is the best you can hope for.

In addition to the current year increase, MPAC makes the reassessments retroactive up to two years for newly assessed buildings resulting in, for many equestrian facilities, property tax bills for \$10's of thousands of dollars, some due and payable in a matter of weeks. Individual barn owners simply don't generate the revenue that commercial property rates were established for. If a reassessment is done on previously assessed buildings, it can be applied to the current year and future years only. The changes for the future years are bad enough but the retroactive tax bills can be financially disastrous.

Barn owners cannot give our clients retroactive bills. MPAC can!

The appeal process is documented at www.mpac.ca. You must pay particular attention to deadlines. The process is worth the trouble. We were assessed 100% commercial and received a retroactive bill for approximately \$15,000. We asked MPAC to reconsider and were told it was assessed correctly and there was no need to reassess but we persisted. We educated ourselves on the issues so that we were prepared to answer the assessor's questions. We took the lead, as needed, to give him accurate information and after a second reassessment, it was significantly reduced. It was well worth it! If you would like tips and help from someone that has been through the process, call the Association of Riding Establishments or MPAC Committee Chairs, Leslie Brooks & Jim Waechter at 519-696-3688 or email JLnet@Quixnet.net. You may also want to consult a Property Tax Consultant. Ironically, many consultants used to work for MPAC.

If You Own a Horse and your barn is reassessed - your board will go up - way up. Even worse, the farm may be forced out of business and your horse will be homeless.

If You Take Lessons and your barn is reassessed - your lesson costs will increase - dramatically. You may even have to find a new place to ride, if your barn has to close.

If You Provide Services to the horse industry and the number of horse farms are significantly reduced - who will be your clients?

If there are far less horse farms, there will certainly be less horses and riders. Who will you sell your horses to? Who will buy all the hay and grain? Even Real Estate sales are already affected. Some people are re-considering whether to purchase a horse farm or not because of the possible property tax issues. How do you sell a property with such a high property tax? Others are postponing farm building improvements and the building of new barns and arenas. Will the equine industry be able to afford new trucks and trailers? Who will be around to go to horse shows? Many major decisions are already being influenced by this commercial taxation of horse farms.

The Future:

If this commercial taxation of horse farms continues, the ramifications will be far reaching. The financial impact is so severe that many horse barns will not survive. In his, "Economic Impact of the Ontario Horse Industry," survey, The Ontario Minister of Agriculture and Food (OMAF) Veterinary Scientist, Dr. Robert Wright, indicates the equine industry's annual economic impact in Ontario is \$579.1M annually, with an additional \$5.9B invested in fixed assets. Not only will the farming industry, already reeling from it's many challenges, be affected by reduced consumption of hay, feed and bedding material, veterinarians, blacksmiths, equipment suppliers, farm improvement contractors and more than 51,000 people directly employed by equestrian facilities will be hurt by MPAC's decision. There are over 53,000 horse barns across the province and more than 253,000 Ontarians ride horses to enjoy the vigorous physical workout and many other recreational benefits equestrian facilities provide. These reassessments will close the barns and take a healthy lifestyle choice away from thousands of Ontario residents.

The province's "Rural Plan" states that Ontario's success depends on building strong communities, a strong economy and a healthy environment in rural Ontario. The plan acknowledges the important contributions that rural Ontario makes to the economic vitality of the entire province.

Riding establishments are not the playgrounds of the wealthy. Providing riding lessons to children and adults, children's summer camp programs, therapeutic riding programs for the disabled or boarding and caring for horses is much more a labour of love than a lucrative business venture. Many families make real sacrifices so they can enjoy time with horses in a rural setting. Most stables are small agribusinesses with very high input costs and narrow profit margins. It is simply not feasible to expect that a riding establishment could pass on a commercial taxation rate to their customers and stay in business.

MPAC is inconsistent in its evaluations and does not recognize that equestrian facilities have the same agricultural uses and services, as the horse racing industry.

A note of support received from Edward Kendall, President of Equine Canada: " Equine Canada identifies riding establishments as important contributors to the livestock industry. These facilities are part of a value-adding chain that is characteristic of most livestock sectors. Equine Canada supports the recognition of stables as facilities for the intermediate care of horses and thus their inclusion in agricultural property bases."

We believe and the OEF believes that "Horses are livestock. Livestock farming is an agricultural activity. This activity may include, but is not limited to, the breeding, raising, training, showing and maintenance of livestock." All horse maintenance should be considered farming for property assessment purposes. Current legislation for property valuation purposes, Section 19(5) of the Act, recognizes racehorse maintenance as farming. We believe it should be 'horse maintenance', regardless of what you are doing with the horses. We all have the same issues, similar expenses, and farm chores! We are not trying to change what is defined as 'farm income' for Revenue Canada

purposes. We are not challenging what determines the Farm Property Class Tax Rate. If we qualified before, we will still qualify. We are concerned with Property Assessment Valuations; we are farmlands not commercial. At least with income tax - we can make a profit before we pay tax. Under current enforcement, MPAC will have you pay property taxes at commercial rates if you have any dollars coming from lessons or boarders, profit or no profit.

We need legislative clarification and change. We are in the midst of discussions with various government ministries. Ultimately, it will be a decision made by the Minister of Finance, Greg Sorbara. The committee hopes that the cooperation continues and that the discussions are successful and legal action will not be necessary. This will be extremely costly. We have had contact with several lawyers who are keen to take on our case. We may need donations to help the cause. We will let you know or you can contact ARE. A fund has been started.

For your Information - MPAC had a letter sent to the Ministers as a response to our letter writing campaign and they posted it on their website dated Dec 17, 2004. It was inaccurate. It said that selling of horses is commercial. Raising livestock and selling is considered farming. I called MPAC and they are revising the letter. They also wrote that most farms were reassessed from residential to commercial and it is more likely that they went from farmland to commercial. Some may have been residential. They agreed. Please note that they also use the word 'training' to mean training of people - lessons.

WHAT YOU CAN DO TO HELP:

Help us inform and educate everyone about this tax. Barn owners and all stakeholders need to be aware of what is happening and help fight the commercial taxation of horse farms. It is destroying our industry. The sport will become a sport for the wealthy. You can find a one page summary on the OEF site www.horse.on.ca. Please hand it out and post it everywhere - tack shops, barns, and feed stores, etc.

To show the government that you care, go to www.horse.on.ca. Follow the link to MPAC - Tax Crisis - **Letter Writing Campaign**. Print the letters, sign and send. Give copies to your barn, friends, and parents - anyone who is over 18 and cares about the future of the equine industry. The letters are working! They create political pressure.

We need to educate people that the majority of horse people are not wealthy - this is a misconception. I have heard this from several sources - that MPAC people and others have said that it is about time those rich horse people pay their dues. This is so far from the truth it is almost funny! Why do I muck stalls? Why are the parents sacrificing so much just so little Sally can ride?

Talk and write to your municipalities, your MPP's, opposition critics to the Ministers, newspapers, TV. You can direct them to the ARE Committee chairs or ARE for details and interviews. Please help get the media involved. This also creates political pressure. They need to understand how devastating this will be to you, the rural economy, the horse industry and everyone that rides or owns a horse, not just the barn owners and service providers. We have had a lot of exposure - CBC TV Toronto, CBC radio and CKCO TV from Kitchener plus a number of newspapers but we need more.

So many in our industry do not know this is happening so please pass the information on.

For updates, you can visit www.JLEquestrianCentre.com. Please post our updates on your site or create a link. We must help all barn owners and others know the issues. We must come together on this issue.

Thanks to all of you for your part, the volunteers helping us directly and all the supporters! You are great! The horses and ponies are very grateful!

IF YOU HAVE BEEN REASSESSED, would like updates sent to you directly, or would like to offer more help, please contact the ARE MPAC Committee Chairs, Leslie Brooks & Jim Waechter at 519-696-3688 or email JLnet@Quixnet.net. We are continuing to document the impact across the province including the inconsistencies. We may be able to give you some tips. We have been through the process! You may also want to use a Property Tax Consultant.