

## **Significant Tax Savings being Missed on Horse Farms**

Update May 9<sup>th</sup>, 2005

The Ontario Ministry of Finance recently passed a regulation to change the way properties with equestrian operations are assessed and classified. One of the significant changes is that the commercial tax on these properties was eliminated. The regulation specified that the changes apply to the 2004 and subsequent taxation years. Horse farm property owners (and their accountants) need to understand that many owners will be able to lower their property taxes even if they were not previously assessed in the commercial tax class. If you believe your assessment is not correct, it is important to call the Municipal Property Assessment Corporation (MPAC) and have your assessment corrected as soon as possible. Although MPAC has requested calls by May 20<sup>th</sup>, 2005 in order to assist Municipalities with their planning for next year, they will continue to accept calls to make the necessary assessment corrections. For the time being, there is no charge and it is a simple process. Don't delay, call MPAC today at 1-866 296-MPAC (6722), not your municipality. As of early May, only 60 properties have called and have been corrected.

One of the biggest wins in this taxation fight was for horses to be recognised as livestock and that raising, maintaining and caring for all horses - not just breeding stock or racehorses, is now being treated consistently with other types of farm activities. These are the new rules since March 2005 and retroactive to Jan 1, 2004. It does not matter if you train, teach lessons, board horses or give trail rides. It would be wise for everyone to verify that their properties are being treated as farms for 'valuation' purposes. You will pay a residential tax rate or if you qualify, you will pay a farm tax rate. The valuation determines the dollars on which you will pay the tax rate. Many properties could have their valuations lowered by as much as 50%!

Assuming you are not a hobby farmer (this is typically someone on a very small acreage) and you are maintaining and caring for horses, then your property will be assessed as a farm. This means the valuation on the barn and arena, will be treated as farm buildings. There is 50% obsolescence on your barn and arena. Many horse farms do not have this today. If your barn and arena is valued at \$300,000, for example, then it will automatically be assessed as a farm building and re-valued to \$150,000 by MPAC. This alone will lower your property taxes. Your land will also be valued as farmland. The residential tax rate will apply (not commercial) unless you qualify for the farm tax rate (25% of the residential rate). The obsolescence is to recognize that you typically do not get full value for farm buildings on the sale of a farm property.

The 1 acre around your house will be valued as a residential acre unless you are a qualified farmer as determined by the rules for the Farm Property Tax Class. If you are a qualified farmer and you are living in your house on the property then the 1 acre around your house will be valued as a farm acre which could be significantly lower. Your house and the 1 acre around your house will always be at a residential tax rate. You may want to verify that any acreage that is being valued as residential is being valued as part of the whole parcel of land and not valued as a standalone residential acreage which would carry a much higher value.

The area used exclusively for trail rides or lessons will be taxed at a residential tax rate or there will be a portion that is at the residential tax rate and the rest at the farm tax rate. For example, most likely your arena is used for pleasure riding, training and caring for horses and it is also used for lessons. If an arena is open for use 10 hours a day and an average of 2 hours per day is for lessons, then 20% of the value should be at a residential tax rate and 80% of the value will be at the farm tax rate, assuming you qualify. Otherwise, it is 100% at the residential tax rate - never commercial. If there is a tack shop or restaurant - this area only would be valued at full value and taxed as commercial.

If you are not sure that your assessment is correct, it is definitely to your advantage to call MPAC and check that you are getting the best valuation and tax rate possible. See the OEF website [www.horse.on.ca](http://www.horse.on.ca) for the latest information, MPAC's Q & A's, and an example. The MPAC number to call is 1-866 296-MPAC (6722) select either English or French for your language of preference, then press 4 to speak with an agent who is trained to handle equestrian centres. To confirm your eligibility for the farm property tax rate contact OMAF at 1-800-469-2285 or [www.gov.on.ca/OMAF](http://www.gov.on.ca/OMAF).

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