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# GOVERNMENT OF ONTARIO DECISION ON THE PROPERTY TAX TREATMENT OF EQUESTRIAN PROPERTIES

**The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, May 5, 2005, from the Commissioner of Finance:**

## 1. RECOMMENDATIONS

It is recommended that this report be received for information.

## 2. PURPOSE

This report provides an overview of the Ontario Government's recent decision to implement new tax assessment criteria for equestrian properties across Ontario.

## 3. BACKGROUND

At its meeting of March 3, 2005, the Finance and Administration Committee received a report from staff on the issues and local tax impacts of the Municipal Property Assessment Corporation's (MPAC) decision to review the assessment classification of certain horse farms (Report 3, Clause 10, *MPAC Reassessment of Equestrian Properties)*. The Committee was also advised that a review of the assessment criteria was being conducted by MPAC at the request of the Minister of Finance. Staff were requested to report on the outcome of that review.

### 3.1 Chronology of Events

In 2003, MPAC initiated a review of equestrian properties in order to address existing inconsistencies in the classification of Ontario's horse farms, with some properties being assessed and taxed as farms, some as residential, and others as commercial. During 2003/4, seven properties in York Region were affected by either full or partial reclassification to the commercial class.

The reassessments of horse riding establishments to the commercial class and the associated tax increases resulted in an assertive lobby effort from equestrian property owners, led by the Ontario Equestrian Federation (OEF) and the Association of Riding Establishments (ARE), demanding that MPAC and the Provincial Government reconsider the assessment criteria applied to equestrian properties across Ontario.

On February 3, 2005, the Minister of Finance directed MPAC to suspend any further reclassifications of equestrian properties until a review of the applied definitions was conducted in consultation with representatives from equestrian associations and the Ministry of Finance and provided to the Minister within 30 days. A joint committee (ARE MPAC Committee) was formed to assist MPAC in its review. Throughout the review process, in an effort to reverse the negative effects of the recent reclassifications on horse farm owners and on the industry's economic sustainability in the province, MPAC worked very closely with the equestrian associations to develop fair and consistent criteria for the taxation of all equestrian and horse-racing properties.

On March 3, MPAC provided the Minister of Finance with a report presenting recommendations on the resolution of the issue, developed in partnership with the equestrian associations and based on extensive consultations with the industry's stakeholders.

### 3.2 Decision by the Minister of Finance

On March 11, the Minister of Finance issued formal direction to MPAC to implement the recommendations presented in their report. The recommendations specified new, more equitable criteria for the classification and assessment of equestrian properties that apply, retroactively, to January 1, 2004 and the subsequent years. The approved changes to MPAC's new assessment criteria applied to horse farms are anticipated to have the effect of, wholly or partially, reversing the commercial classifications and/or the assessed values on the seven equestrian establishments within York Region affected by the recent reclassifications.

## 4. ANALYSIS AND OPTIONS

The Minister of Finance has recently passed O. Reg. 100/05 amending O. Reg. 282/98, to prescribe the new criteria for the classification and assessment of equestrian properties. The new criteria are to be applied retroactively to January 1, 2004 and will be processed through resolutions to Requests for Reconsideration (RfR) filed with MPAC and Assessment Complaints filed with the Assessment Review Board (ARB). In addition, where no pending resolutions are currently outstanding, adjustments will be made by municipalities under the special amended Notice of Assessment provisions of the Act.

The new criteria include:

1. **Farm treatment -** Properties that are used for breeding, raising, boarding, maintaining, training or selling of horses will be assessed at their current use value under section 19(5) of the Assessment Act, consistently with other types of farm activities. New to the farm classification is the activity of horse

boarding, which, except when conducted for recreational or hobby purposes, will now also be eligible to qualify for farm tax treatment.

2. **Residential treatment** - Properties that are used for trail rides and riding lessons to the public, as well as properties used for horse boarding activities not qualifying for farm treatment, will be treated consistently with other land-intensive recreational activities, like golf courses and ski hills, which are included in the residential class.

3. **Commercial treatment** - Properties or portions of properties used for retail activities, such as tack shops, sale of equestrian supplies or clothing, restaurants, snack bars, cafeterias, commercial rate tracks and slots, grandstands, banquet halls, and areas to provide black smith, farrier or other retail service to the public, will continue to be classified and taxed as commercial properties under section 5 of O. Reg. 282/98.

In cases of multiple-use equestrian facilities, where a combination of farm, residential, and commercial activities exists on one property, the assessment will be apportioned to the appropriate class based on the value attributable to the portion of the property used for each purpose.

## 5. FINANCIAL IMPLICATIONS

The financial implications to the Region are expected to be minimal because only seven of the Region's 1400 equestrian properties were subject to the 2003/04 reassessments, resulting in just over $4,000 in estimated additional property taxes levied for Regional purposes.

However, the Regional tax revenues will be subject to changes ensuing from any future reconsiderations of the assessed values on the affected properties.

## 6. LOCAL MUNICIPAL IMPACT

The seven properties within the Region affected by MPAC's reclassifications are located across four municipalities – Town of Aurora, Town of East Gwillimbury, King Township, and Town of Whitchurch-Stouffville. The increased tax revenues that resulted from the full or partial reassessments of those properties to the commercial class, estimated at just under $2,500 in additional property taxes levied for municipal purposes, will now potentially be retroactively adjusted.

## 7. CONCLUSION

As a result of the equestrian industry's assertive lobby effort, the Minister of Finance has recently approved an equitable tax treatment for horse farms based on more consistent and transparent criteria developed by MPAC in partnership with the industry's representatives and Ministry staff.

The Senior Management Group has reviewed this report.