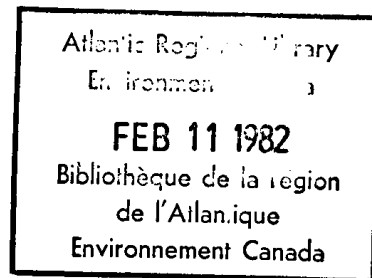


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**ASSESSMENT PROCEDURES IN CANADA AND THEIR USE
IN AGRICULTURAL LAND PRESERVATION**

WORKING PAPER No. 7

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ADDENDUM

Since the research for this publication was completed, the Government of Quebec passed into law Bill 57 (An Act Respecting Municipal Taxation) which goes a long way towards regularizing assessment procedures in the province. Each municipality will have an annual assessment roll prepared containing all "immovables" (land, buildings etc.), listed by units of assessment and owner's name. Actual value (willing buyer and seller) is the criteria of value to be recorded, and taxes computed on that base. Tax exemptions, surtaxes on vacant land, area of land, school tax information and whether or not a farm is in the Agricultural Zone are all to be recorded. The roll is the property of each municipality, and access by researchers is a matter of local policy.

The Act provides that farms or woodlots cannot have a taxable value over \$375 per hectare, and total real estate taxes cannot exceed two percent of the taxable value annually. Any difference between what would be paid and the maximum, will be paid to the municipality by the government. In addition, the Ministry of Agriculture and Food will reimburse a farmer [as defined in the Farm Producers Act (R.S.Q., c-P-28)] seventy percent of real estate and school taxes if the farm is within the agricultural zone, and forty percent if it is not. The farmer must apply for reimbursement. These provisions cease to apply as soon as the property is transferred to a person who acquires it for subdivision into lots, residential, industrial or commercial development, speculation or real estate operations. If a property is transferred to such uses, any prior benefits under these regulations for up to five years is repayable. If the farm is removed from the agricultural zone, up to ten years' repayment is due. This linkage of tax incentives and penalties to agricultural land zoning is a good example of taxes being used to aid in agricultural land preservation.

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ASSESSMENT PROCEDURES IN CANADA AND THEIR USE
IN AGRICULTURAL LAND PRESERVATION

James D. McCuaig and Heather J. Vincent
July 1980

Lands Directorate
Environment Canada

Working Paper No. 7

Disponible en français sous le titre:

Procédés d'évaluation au Canada et
leur utilisation dans la préservation des terres agricoles

ABSTRACT

Land taxes are more than a source of revenue for municipalities. Taxation can also be employed as a planning tool that encourages or discourages specific land uses. The way in which land is taxed varies across Canada, as does the use of taxation in attempting to accomplish particular land-use goals. This paper briefly documents the land-tax systems of each province and outlines the measures that some provinces have taken in an effort to achieve the linked goals of preserving agricultural land and maintaining farm viability.

In the discussion of each province, the assessment system and the information gathered for assessment purposes are described. The data collected in each province range from a bare minimum gathered by individual municipalities to comprehensive, centralized computer systems, containing detailed information on land, land quality, land use, and ownership characteristics. This variation between provinces presents both opportunities and problems for researchers in the area of land-use planning.

The use of assessment or land-tax methods in preserving agricultural land and farm viability also ranges from there being few or no special programs, through differential taxation or tax rebates for farmed land, to systems of land designations for agricultural use in exchange for direct tax benefits.

This paper concludes that programs designed to keep land in agriculture have only marginal effects, especially in areas where potential profits from non-agricultural development far outweigh possible returns from farming even with tax aid.

It is hoped that this paper will stimulate further comparative research into the uses and effects of land-taxation methods, thereby identifying possible tools for planners and politicians who are endeavouring to accomplish goals esteemed to be in the public good.

RÉSUMÉ

Les impôts fonciers ne sont pas qu'une source de recettes pour les municipalités. En effet, ils peuvent servir d'outil de planification destiné à encourager ou à décourager certaines utilisations des terres. La façon dont les terres sont taxées au Canada varie énormément, tout comme d'ailleurs la façon dont les taxes servent à orienter l'utilisation des terres. Le présent document décrit brièvement les régimes d'impôt foncier de chaque province et fait état des mesures que certaines provinces ont prises en vue de réaliser le double objectif de préserver les terres agricoles et de maintenir la viabilité des fermes.

La partie "analyse" décrit les modes d'évaluation foncière de chaque province et les informations qui servent à cette évaluation. Les données réunies dans chaque province varient des renseignements minimums rassemblés individuellement par les municipalités aux données entrées sur systèmes informatiques centralisés et exhaustifs donnant des informations détaillées sur les caractéristiques, la qualité, l'utilisation et la propriété des terres. Cette diversité entre les provinces présente à la fois d'excellentes occasions et d'épineux problèmes aux chercheurs du domaine de la planification de l'utilisation des terres.

L'utilisation de l'évaluation foncière ou des modes d'imposition foncière en vue de préserver les terres agricoles et de maintenir la viabilité des fermes varie également énormément: d'une part, il peut n'exister aucun programme spécial en ce sens, ou très peu, tandis que l'on rencontre, d'autre part, des systèmes d'impôt distinct ou des dégrèvements fiscaux pour les terres agricoles ou, encore, des régimes de désignation de terres réservées à l'agriculture en échange d'avantages fiscaux directs.

L'étude conclut que les programmes conçus pour préserver les terres agricoles n'ont que peu d'effets, particulièrement dans les régions où les profits pouvant découler d'exploitations non agricoles dépassent de beaucoup ceux que pourrait donner l'agriculture, même après abattements fiscaux.

Il est à espérer que le présent document favorisera la réalisation d'autres études comparatives des méthodes d'imposition foncière, de l'utilisation des impôts fonciers et de leurs effets, de façon à permettre aux planificateurs et aux politiciens de disposer d'outils pour la réalisation d'objectifs qui sont jugés bons pour le public.

ACKNOWLEDGEMENTS

The authors would like to acknowledge the invaluable assistance of the various provincial agencies that provided the information contained in the paper, reviewed, and, in some cases, suggested revisions for the preliminary draft. The agencies are listed below, along with addresses and telephone numbers, should a reader have questions about specific points.

Thanks are especially due to Maret Liivamae for revising, editing, and preparing this paper prior to publication.

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Assessment Division
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TABLE OF CONTENTS

	<u>Page</u>
ABSTRACT	ii
RÉSUMÉ	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	vii
1. INTRODUCTION	1
1.1 Organization	2
2. BRITISH COLUMBIA	2
3. ALBERTA	5
4. SASKATCHEWAN	7
5. MANITOBA	9
6. ONTARIO	9
7. QUEBEC	12
8. NEW BRUNSWICK	13
9. NOVA SCOTIA	15
10. PRINCE EDWARD ISLAND	16
11. NEWFOUNDLAND	18
12. SUMMARY	18
TITLES IN THE WORKING PAPERS SERIES	20
•	
•	

LIST OF TABLES

	<u>Page</u>
Table 1: A Comparison of Taxable Assessments for Two Farms in British Columbia	5
Table 2: Contents of Old and New Assessment Systems in Saskatchewan	8
Table 3: Summary of Payments by the Ontario Farm Tax-Reduction Program	11
Table 4: Real Property Assessment Information in New Brunswick	14
Table 5: Nova Scotia Tax-Reduction Program, 1978	16
Table 6: Economic Factors in the P.E.I. Agricultural Area Capability Rating	17

1. INTRODUCTION

The property-tax structure is an important tool in land-use planning. Property taxes are not only a means of raising funds for governments, but also of achieving desired land uses. By providing incentives or penalties, differential taxation can be used to encourage landowners to behave in desired ways with respect to their land. Several Canadian provinces have developed programs that utilize differential land taxes to achieve prescribed goals. One objective is to encourage retaining farmland in agricultural production by discouraging alternative land uses. Various programs, ranging from specialized farm-taxation methods to ten-year contractual agreements, have been implemented. These programs are directed at both preserving agricultural land and maintaining farm viability.

Property taxes are direct taxes, so they are a responsibility of the provincial governments under the BNA Act, section 92, clause 2. Generally, the provincial legislatures have delegated the setting and collection of land taxes to local municipalities, and, in most cases, such taxes constitute the largest proportion of municipal revenues. In order to establish and collect these taxes, regardless of their intended use or effects, each municipality or province must have particular information about each property within its jurisdiction when assessing its taxable value.

Some essential information about each property is required for assessment purposes:

1. the name and address of the owner or user of the property;
2. the location of the property;
3. the size and other physical data relative to the property;
4. the nature of the use and the improvements that make up the property;
5. the taxation status of the owner or user of the property (fully taxable, partially exempt, fully exempt).

The physical record of this data is contained in the assessment rolls.

The amount of property tax payable by landowners is then determined by each municipality through the setting of mill rates or tax rates to be applied to the assessed value of each property. Property taxes are levied either by applying an assessment and a tax rate directly against a property, in the same manner as income tax or sales tax, or by setting the rate of assessment and the gross amount of taxes to be collected beforehand. In the first case, the rate of levy (mill rate) and the rate of assessment are set and the taxing authority accepts the gross amount of tax generated by the combination of the two rates applied to the property subject to tax. In the second case, the gross amount of taxes is determined by budget and each property is liable for the proportionate amount of the gross tax budget that the individual assessment bears to the total assessment of all property. Different provinces specify by legislation which of the two programs is to be used, and, in some cases, both can be utilized. In making comparisons between provinces, the program in use should be known.

The nature of the information contained in assessment rolls varies from province to province, as does its use in the establishment of programs designed to achieve such goals as agricultural land preservation.

In order to understand how these measures based on property taxes are employed in different areas of Canada, it is necessary first to know what are the various means of assessment on which these programs are based.

This paper describes the nature, extent, and use of information contained in assessment rolls in each province of Canada; whenever pertinent, the assessment procedures are related to programs providing incentives to farmers to keep land in agricultural production. This report also presents an account of whether the various provincial assessment rolls are easily accessible to researchers who require detailed data on individual properties.

1.1 Organization

This paper discusses each province in separate sections containing descriptions of the assessment methods and examining any programs in the province that use assessment as a base for providing incentives to preserve agricultural land. To determine the assessment methods and the existence and nature of incentive programs, a survey of each province was conducted. The data presented include details of the information gathered in the assessment process, how the rolls are maintained, the means of determining property value, the accessibility of the information for research activities, and any utilization of these assessment measures for tax incentives applying to farmland. Finally, there is a summary of the extent to which assessment has been adapted for use in agricultural land protection in Canada. Officials from each province have reviewed the pertinent sections in order to

ensure accurate and complete information.

2. BRITISH COLUMBIA

Property assessment in British Columbia is a centralized function under the British Columbia Assessment Authority. The rolls are created and maintained by the Authority staff and by field representatives in each administrative district. The complete rolls are located in Victoria, with local authorities holding copies applicable to their areas. These rolls are available on microfiche, computer tape, and hard-copy computer printout.

The information contained within the B.C. assessment rolls goes beyond the five basic requirements (see Introduction) and records data relating to land-use class and the actual use of each property. Land-use class codes are two-digit numbers indicating various types of residences, commercial establishments, institutions, and industrial and agricultural operations. This is equivalent to the applicable zoning bylaw, if one is in effect. Actual land-use codes are more complicated three-digit codes indicating the type of activity carried out on the property. For example, 160 refers to dairy farms, 040 is a seasonal dwelling, and 234 is a mobile-home park.

The following is a complete list of information contained in the B.C. assessment rolls:

1. Name of owner
2. Address of owner
3. Size of property
4. Location and description of property by various combinations of townships, sections, lots, plan numbers, district lot numbers, or street address

5. Land-use code
6. Actual-use code
7. Equity of owner (financial)
8. Assessment basis, including land assessment and improvements assessments

In 1974, an actual or market-value assessment was developed; this means that the value assigned to properties is based on the latest market evidence available. This is seen as more equitable than other means of arriving at assessed value.

Actual-value assessment for all properties with the exception of farmland was brought in for the 1978 assessment roll. Actual value for classified farms will be applied for the 1980 assessment roll. Where actual-value assessments for residential and commercial properties were increased in 1978, the value increases are being phased in over a four-year period. This proviso can be extended to farmland beginning in 1980.

With respect to actual-value assessment, municipalities and unorganized areas have been given four options:

- Option A - adopt the actual value with phase-in
- Option B - introduce the actual-value assessment at the taxable level without a phase-in proviso
- Option C - base actual value proportionally on the 1979 total farmland assessment
- Option D - implement 100% actual value

There is no requirement for cyclical assessment of property. The assessment rolls are available for public inspection and use; complete copies can be purchased.

Since British Columbia has a limited agricultural land resource, the province has adopted measures that are aimed at the

preservation of good farmland. Agricultural Land Reserves--zones delineating land with good agricultural potential--were introduced in 1973 to protect farmland from being subdivided or used for purposes incompatible with agricultural production. While a property's status in the ALR is recorded as part of the land-use code (see above), the land reserves are not based on the assessment system, but on agricultural land capability according to the Canada Land Inventory.

In 1977, the British Columbia Assessment Authority introduced standards for the classification of land as a farm, thereby establishing eligibility for differential farm taxation. These standards have come into effect for the 1980 assessment roll. To be classified as farmland, the primary agricultural production sold by the owner or lessee within a 12-month period must have a gross value of:

- a) at least \$1,600 on the first 4 hectares, and, in addition,
- b) an amount equal to 5% of the actual value of the land for farm purposes that exceeds 4 hectares.

Included in the gross annual value is any unrealized value of primary agricultural production on the land. The actual value of the land for farm purposes is determined as at November 30 of the year immediately preceding the preparation of the assessment roll.

Several other standards are involved in the classification process. Land of less than 8,000 square metres is not classified as a farm unless it can be proven that the owner or occupant earns his livelihood from the primary agricultural production of the land. Where land is being developed as a farm and

is likely to reach the standards for classification as a farm in the near future, the land can be considered a farm; this classification can be revoked if the development plan is not followed or completed. Land that has ceased to be used for primary agricultural production cannot be classified as a farm. However, other types of farming eligible for the Farm Classification Program include commercial fish and fur farms. (For more details about this program contact the British Columbia Assessment Authority.)

Under the Assessment Act, the assessed value of farmland is established by the local assessor and is based on soil type, land capability, and productivity. Schedules are formulated for each district and region in the province, with different assessments applying to the various land uses and capability classes.

Although other land uses are valued on market, the assessed value of classified farmland receives a special-use assessment. This value is derived from market transactions where they represent farm value, but in urban areas where the pressure on the land has pushed the market value beyond what the land can support as a farm, an income or rental approach can be utilized.

The taxation of farmland is under the jurisdiction of three acts: the Municipal Act covers farmland within a municipality; the Taxation Act refers to rural or unorganized areas; the Public Schools Act covers both rural and municipal areas.

Farmland, residences and buildings are subject to a tax under the Public Schools

Act. If land is classified as a farm, then it is exempt for school and hospital purposes amounting to 50% of the assessed value of the land. The assessed value of farmland in 1980 will be 10% of its actual value for farm purposes. The phase-in program affords protection against sudden increases where the current-year calculated assessed value, before exemptions, exceeds by more than 10% the assessed value for the immediately preceding year.

All buildings used in the operation of a farm in a municipality are exempt from general and school taxes up to an assessed value of \$5,000. In rural areas, all farm buildings, including the residence, are fully exempt for general purposes, and buildings are exempt to an assessed value of \$5,000 for school and hospital purposes. All farm machinery and equipment used exclusively in the operation of the farm are exempt from property taxation; all fruit trees are also fully exempt. Table 1 demonstrates how farming receives more tax benefits in rural areas.

The Farm Classification Program contributes to the preservation of agricultural land by removing some of the overhead costs of farming. The taxes on bona fide farmland are substantially lower and, in some cases, totally eliminated, thus providing an appealing financial incentive for farmers and their families. By reducing the total expenses of farming operations, farm viability is increased, and the cost of conversion to non-farm use is higher. Extensive long-term developments like orchard farming and aquiculture are also encouraged. The program imposes few restrictions on the nature of farming activities as long as farms

Table 1: A Comparison of Taxable Assessments for Two Farms in British Columbia

ACTUAL VALUE

Farmland	\$120,000
Farm Buildings	\$ 75,000
Farm Residence	\$ 36,000

STATUTORY RATE

Farmland	10%
Farm Buildings	14.5%
Farm Residence	14.5%

	Farm A in a Municipality			Farm B in a Rural Area		
	Land	Buildings	Residence	Land	Buildings	Residence
Assessed Value	\$12,000	\$10,875	\$5,220	\$12,000	\$10,875	\$5,220
Exemptions for School/Hospital Purposes	\$ 6,000	\$ 5,000	NIL	\$ 6,000	\$ 5,000	NIL
Exemptions for General Purposes	NIL	\$ 5,000	NIL	NIL	\$10,875	\$5,220
Taxable Assessment for School/ Hospital Purposes		\$17,095			\$17,095	
Taxable Assessment for General Purposes		\$23,095			\$12,000	

NOTE: To determine the property tax, you would require the mill rate for each of the above purposes.

No phase-in period is included in the above assumptions.

meet the standards of the Farm Classification Program.

3. ALBERTA

The entire province is divided into a municipality of one form or another. Each municipality uses a distributive form of property taxation and has the responsibility

to ensure that there is an adequate and equitable assessment. The municipality is obliged by law to reassess all property not later than every eight years. Permission to extend the period beyond that time must be approved by the Minister of Municipal Affairs.

The rules and regulations governing the rates and methods of assessment are set by

provincial statute and/or regulation and are applied uniformly throughout the province. The assessment and tax rolls are created, held, and updated by each municipality, though for improvement districts, the rolls are maintained by a division of the Department of Municipal Affairs. The form in which the rolls are held differs in each municipality and ranges from books or cards to computer listings.

The information recorded in the rolls follows the basic pattern (see Introduction), except that the name listed is the person assessed and not necessarily the actual

owner. (In the oil fields, the unit operator is more significant than ownership which is usually fragmented between several lease holders.) Property location is basically the Western Grid Survey of meridian, range, township, and section. Subdivision into smaller parcels for commercial, industrial, or residential use is by the lot, block, and plan system. There is a remnant of the river-lot survey used in areas of early settlement, and in oil and gas fields, wells are identified by the Unique Well Identifier. Assessed value is determined by the location and the use of each property and is the fair actual value calculated according to the following:

<u>Type of Land</u>	<u>Assessment Criteria</u>
A. Farmland--in all municipalities	The productive capability of the soil, adjusted for various physical disabilities, type of useable roads and distance to nearest market, compared to the best agricultural soil in the province rated at: \$32 per acre in the north-west quarter of the province, \$40 per acre in the remainder of the province, \$55 per acre for irrigated land and \$16 per acre for native pasture
B. Non-farmland in an urban municipality	65% of sale price in the year preceding the last general assessment
C. Non-farmland in a rural municipality	The percentage of sale price that results from multiplying by 45% the average conversion factor for non-resident improvements for the year preceding the last general assessment
D. Buildings in an urban municipality not reassessed since 1977, and in any rural municipality	45% of 1963 construction or replacement cost, less depreciation
E. Buildings in an urban municipality reassessed in 1977 or later	45% of 1963 construction or replacement cost, less depreciation, and adjusted by conversion factors to raise the assessment to 65% of cost in the year preceding the reassessment
F. Machinery in an urban municipality not reassessed since 1977, and in any rural municipality	22½% of 1963 construction or replacement cost, less depreciation
G. Machinery in an urban municipality reassessed in 1977 or later	22½% of 1963 construction or replacement cost, less depreciation, and adjusted by conversion factors to 32½% of cost in the year preceding the reassessment
H. Pipe in an oil, gas, or service well	75¢ per lineal foot from the Kelly bushing to the casing shoe or to the mid-perforation in the producing zone.

At present, the rolls are not centralized, but there are now proposals to update the assessment manual to a 1977 base and to centralize or coordinate the data from the rolls on computer. One aspect of such proposals is the introduction of a comprehensive land-use coding system. The assessment rolls in Alberta are open to the public and can be used for research purposes; however, the inconvenience caused by the present wide distribution of the rolls in each municipality can create problems for province-wide research.

There are three features of assessment and taxation in Alberta that tend to reduce the share of taxation paid by the agricultural industry. Firstly, although the rate of assessment for agricultural land does not specifically grant any concession to farmland, the rise in the rate of assessment of improvements and the continual increase in the assessment of non-farmland due to continuing inflation have progressively reduced the share of taxes borne by the agricultural industry. Secondly, since 1970, non-corporate owners of farmland on which a residence is located have been relieved of paying the tax on the land levied by the Alberta School Foundation Program. Thirdly, farm buildings are exempt from assessment and taxation. To qualify as farmland and farm buildings, the property must conform to the definition set forth in legislation. Each property is judged on its own merit and its classification is subject to change as the use of the land changes.

Farmland is rated with respect to the productive-capability values of the area (see A above). The highest value is determined by a soil-classification system based on such

physical characteristics and soil conditions as soil group, top-soil depth, texture, and stoniness. A percentage rating for each farm is applied to this value according to how good the property is in relation to the best in the area. For example, if the area's highest value is \$40 per acre and the productive capacity of a property was rated at 50% of the best, the actual assessed value would be \$20 per acre (50% of \$40).

The Department of Municipal Affairs is preparing a new assessment manual and new regulations to be released in the near future. At present, each farm is judged on its own merit, but with the adoption of the new manual and regulations the guidelines should become more standardized.

4. SASKATCHEWAN

Each municipality in Saskatchewan maintains assessment rolls; centralized information on assessed values and property description, not including names and addresses, is available for all but the four largest cities (Saskatoon, Regina, Moose Jaw, and Prince Albert) from the Municipal Assessment Branch, Department of Municipal Affairs. The municipal rolls are recorded on cards or in books and are open for public inspection for a 20-day period annually, though property information can be obtained for research and other purposes on request.

Aside from the basic information (see Introduction), field sheets completed by assessment officers contain such information as details on building structure and soil type, as well as productivity ratings on agricultural properties. Property is located

Table 2: Contents of Old and New Assessment Systems in Saskatchewan

<u>Type</u>	<u>Old</u>	<u>New</u>
Farmland in Rural Areas	<ul style="list-style-type: none"> - fair equity - soil-rating index (soil association) - deduct physical and economic factors reducing the index rating - rates do not fluctuate with market value 	<ul style="list-style-type: none"> - 1961-1970 average adjusted market value - more complex soil rating (additional factors such as climate, soil profile, depth of top soil, and soil texture) - deduct physical limitations reducing productivity and economic factors increasing costs - rates do not fluctuate with present market
Urban Land	<ul style="list-style-type: none"> - weighted-index approach (number of services to land & people--each property valued on point system) - point system 	<ul style="list-style-type: none"> - values per front foot (1971-1973) - population ranges--simplified and updated point system
Buildings	<ul style="list-style-type: none"> - replacement cost (1947 base) - depreciation and obsolescence allowance - 60% of 1947 fair value 	<ul style="list-style-type: none"> - replacement cost (1961-1970 base) - depreciation and obsolescence allowance - 50% of 1965-1966 fair value

by a township, range, and section system. At present, there are two systems (old and new) used to determine property assessments. The new system, for residential, commercial, and rural assessments, is in effect and will be available in written form in the near future. The commercial and industrial sectors are assessed under the old system, since the new system is not yet available. The basis of assessment under each manual is detailed in Table 2.

The Municipal Assessment Branch is

currently in a transition period, working towards a fully-operational computerized system by January 1981. All assessments will include the larger cities and will be completed by computer; the information will be stored for the final assessment rolls and for future research.

Although the Province of Saskatchewan has no special programs or assessment measures for the preservation of agricultural land, there is an interest in establishing new farm-tax assessment methods. However,

the method for assessing farmland does provide criteria that take into account soil and economic factors, thereby lowering farm taxes. Buildings used for farm purposes are also, in general, exempt from taxation.

5. MANITOBA

For assessment purposes, Manitoba is divided into two jurisdictions: the City of Winnipeg Assessment Department and the Provincial Assessment Branch of the Department of Municipal Affairs. The assessment rolls for the City of Winnipeg Assessment Department and for all other municipalities in the Province are created and maintained by the Provincial Assessment Branch. Assessment data is recorded on computer tape and print-outs are available to the public and to researchers at the Provincial Assessment Branch and at the City of Winnipeg.

The basic information (see Introduction) is recorded in the assessment rolls. Properties are located by a township, range, and section system in rural areas and by lot, block, and plan number in urban areas. Assessment is based on a percentage or fraction of current or market value, with reassessment every five years. Included in the establishment of market value for assessment of rural properties are such considerations as locational advantages and disadvantages, soil quality, income-earning potential, and resources found on the property. Another important factor is how a property assessment compares to other assessments within a municipality, thus ensuring an equitable distribution of the tax load. Replacement costs are the basis for

assessing the value of buildings throughout Manitoba. Urban land is assessed on the basis of a sales-comparison approach and on the use of the land (commercial, residential, industrial).

Although Manitoba has no special programs in the assessment process designed to preserve agricultural land, the system does take into account the productive capacity of the soil as well as other agricultural economic factors. In addition, assistance to farmland taxation is provided under the School Foundation Program whereby farm and residential property is taxed at a reduced rate. Further assistance to farmland is provided by the exemption from taxation of farm buildings.

6. ONTARIO

The assessment function is carried out by the Province of Ontario through the Assessment Division within the Ministry of Revenue. The Province is broken down into 31 regions that administer the assessment function. While assessment in Ontario is a regional responsibility, the assessment rolls are held by the individual municipality. The local rolls are in binder form, though the information is also recorded on computer tape, centralized in the Assessment Division of the Ministry of Revenue in Toronto. Each region has access to information pertaining to that area.

Since there is no centralized roll available in book form, researchers are required to visit the individual municipal offices to inspect the rolls. Government agencies with special permission can obtain

centralized computer-based information from the Assessment Division for research purposes. Confidential data such as transaction prices may be protected.

Property location in Ontario is identified on a township, concession, and lot-number system. In addition to the basic information (see Introduction), the assessment rolls contain names and addresses of tenants or any other person responsible for a part of the taxes, residency in or out of the municipality, and the market value of each property. Properties are categorized by use and by whether or not there is a residence on the property. Therefore, one can distinguish farmland (FL) or residential land (RL) from a farm residential unit (FRU) or residence (RES). Other categories include farm forestry (FFE), recreational (REC), and commercial (COM). Market or actual value is the basis of Ontario assessment, but each municipality has its own assessment system and base year. A system of employing a uniform market-value base is being formulated, but has been mired in controversy and seems indefinitely delayed.

Since the Province of Ontario assumed the assessment function, all of the farmland in the Province has been graded and classified. Mineral soils were graded with reference to soil texture, topography, stoniness, drainage, flooding, erosion, and depth to bedrock. Similarly, many of the major organic deposits have been graded and classified with reference to the soil decomposition, wood content, depth, reaction, and substratum texture. For mineral soils, climatic conditions have been recognized by breaking the Province into seven distinct climatic zones. Much of the above data has

been computerized.

At present, farmlands in Ontario are assessed with reference to their market value for farming purposes. Historically this concept has been referred to as productivity value. Since assuming the assessment function, reassessment has occurred in some seven districts and counties. In these areas, farmland has been assessed within a range of \$200-\$400 for Class 1 land. In the areas where reassessment has not occurred, the existing assessments are basically \$40 an acre for Class 1 farmland.

In the Province of Ontario, a Farm Tax-Reduction Program, under the Agriculture and Food Act, was established to encourage farmers to keep their land in agriculture by issuing them rebate cheques covering 25% of the municipal taxes. The program originated in 1970 under the joint responsibility of the Ministry of Agriculture and Food and the Ministry of Treasury, Economics and Intergovernmental Affairs. For the first three years of the program, only those owners whose farm property was less than 11 acres had to produce at least \$2,000 in agricultural products per year in order to make application for payment. Owners with farm properties of 11 acres or more automatically received a cheque with no requirement to confirm that \$2,000 of farm products were produced. If the owners did not wish to participate in the program, the cheques were returned. In 1973, participants were required to apply in order to be involved in the Farm Tax-Reduction Program. The assistance was at this point changed to 50% of the municipal taxes--including all municipal and school taxes--on a farm property meeting the following

qualifications:

- a) the landowner resides in Ontario;
- b) the landowner owns a property assessed as a farm for that particular year;
- c) the land is being used as part of a farm operation that produces farm products valued at not less than \$2,000 in a normal productive year;
- d) at least 50% of the municipal taxes have been paid for that year;
- e) the landowner is prepared to certify that he meets all of the above requirements.

(1977 Farm Tax-Reduction Program)

Farm designations are granted, in the opinion of the assessor, to those properties or portions of properties (leased areas) on which there is a bona fide agricultural activity being carried out. In order to qualify for the Farm Tax-Reduction Program, the property must be coded farm by the assessor.

The Farm Tax-Reduction Program requires that the owner commit the farm to agricultural use for a period of ten years. If the property is reassessed during this period as having been developed for residential, commercial or industrial use, the total assistance for up to ten years must be repaid, with 8% per annum interest. The intent of the recovery aspect is to penalize developers for taking large tracts of land out of agricultural production. The agreement is renewable annually with the same ten-year requirement.

The Farm Tax-Incentive Program provides direct financial assistance for individuals involved in agriculture. The tax incentive produces a substantial saving in operational expenses on the farm, while the penalty for breaking the agreement is sufficient to discourage land-use conversion. Because the

Table 3: Summary of Payments by the Ontario Farm Tax-Reduction Program

<u>Program Year</u>	<u>No. of Rebates</u>	<u>Total Payments</u>	<u>Rebate Average</u>
		\$	\$
1970	224,064	15,880,769	70.87
1971	227,628	15,870,382	69.72
1972	230,677	17,928,900	77.72
1973	158,250	28,110,000	177.63
1974	161,800	30,057,000	185.76
1975	163,000	35,490,000	217.73
1976	166,100	42,616,000	256.56
1977	167,000 (Est'd)	47,100,000 (Est'd)	282.00 (Est'd)
1978	157,000 (Est'd)	48,400,000 (Est'd)	308.30 (Est'd)

NOTES: 1) Rebates for 1970-72 based on 25% of eligible farm taxes.
 2) Rebates for 1973-78 based on 50% of eligible farm taxes.
 3) Applications still being received for 1977 and 1978 programs.

SOURCE: Ontario Ministry of Treasury, Economics and Intergovernmental Affairs, Subsidies Branch, June 5, 1979.

program is voluntary, only those who do not foresee conversion possibilities will commit themselves. In this context, the program can be seen primarily as a financial incentive rather than as a direct means of protecting agricultural land.

As Table 3 demonstrates, the number of rebates and total payments per program year are an indication of the program's growing popularity. The decrease in the number of rebates from 1972 to 1973 is due to the change in application methods, while the increase in the value of the rebates arises from the extension of the assistance from 25% to 50%.

7. QUEBEC

The accessibility of assessment rolls for land-use planning research in Quebec varies between municipalities. There are approximately 1,600 municipalities, each with its own roll and system of assessment. The rolls are kept in different forms that range from manual files to computer tapes, depending on the planning sophistication and the financial resources of the municipality. There is no centralized roll for the whole province. In theory, the rolls are available to taxpayers only, but, in practice, they can be obtained for research upon application to the municipal officials responsible.

Since the basis and method of assessment varies between municipalities, it is apparent that the collection of basic information and of any additional data is the responsibility of the individual municipality. Properties are generally located by county, lot, and subdivision plan, though there is also a

map-coordinates system that resembles a military grid in use in some areas.

The Province of Quebec is taking measures to conserve agricultural land. Bill 90, An Act to Preserve Agricultural Land, was assented to in December 1978. The act establishes agricultural zones and provides a substantial package of assistance that encourages farmers to farm their land. Property-tax incentives are not part of the present package.

A tax-incentive program has been adopted by Quebec, under the Real Estate Assessment Act of 1971, and is referred to as the Partial Reimbursement of Municipal and School Taxes on Property Program. Real estate taxes on farm property and the buildings used for its operation cannot exceed 1% of the assessed value. A ceiling assessed value of \$150 per acre is established for these properties. If an individual is involved in agricultural production as specified in the Farm Producers Act,* he qualifies for a 40% reimbursement of both real estate and school taxes. The related application forms are automatically sent to the producer by the Department of Agriculture, but to be eligible for the program, the producer must return the forms with receipted tax accounts.

If an agricultural producer wishes to be recognized as such and is interested in the program, he must submit the appropriate

*The Farm Producer's Act defines an agricultural producer as a person engaged in productive farming, with exception of those in self-sufficiency operations, forest exploitations, or with production of an annual value of less than \$1,000. An agricultural producer can also be an employee involved in such production.

information to be studied. Should the decision be unsatisfactory, an appeal can be made to the Marketing Board. The owner or occupant of a farm, other than an agricultural producer, with at least 10 acres and with a sale of agricultural products valued between \$500 and \$1,000, could also be eligible for a reimbursement of 35% of school taxes.

The farm reimbursement measures used in Quebec provide financial incentives to farmers by reducing the real estate and school taxes on farm property and its related buildings, thereby improving farm viability. Since there is no penalty for land-use conversion, the program commits land to agriculture only for the current tax year.

8. NEW BRUNSWICK

In New Brunswick, the assessment rolls are held in Fredericton by the Department of Municipal Affairs Assessment Branch, as well as by each municipality. All of the assessment information is mounted on computer. The rolls in New Brunswick are open to the public and so are available for research. Arrangements can be made to gain access to the assessment computer tapes.

In addition to the basic information required by all assessment rolls (see Introduction), New Brunswick has a ten-class property description for land-use information (see Table 4). Properties are located by municipality, lot number, and map reference on the Land Registry Information System maps, using a parcel index number, city-map numbers, or assessment-map numbers that refer to either an improvised grant plan or an

original grant plan as overlaid on topographic map sheets. Property identification is by metes and bounds. Assessment is based on real and true values (market value), and each property is periodically inspected on a regular basis. A peculiar aspect of assessment in New Brunswick is that women not supported by a spouse and having an income under \$7,500 receive exemption of up to \$6,000 of assessed value.

Recently, the province has adopted new assessment methods geared to the preservation of agricultural land. The Farmland Identification Program was developed to "encourage the preservation of agricultural land for agricultural use, and ... to help maintain a viable and vigorous agricultural industry in the province." (New Brunswick Information Service, Release No. 7, September 26, 1978). Land registered as farmland is excluded from the standard \$1.50 of provincial real property tax per \$100 of assessment. Since the program is directed at the land and its use, and not at the landowner, the stipulations for eligible land are as follows:

- a) land used for the production of agricultural products,
- b) land capable of being used for agricultural production in the year of application,
- c) land which is being cultivated from time to time or managed for the production of food for humans or livestock.

(Real Property Tax Act, Regulation 78)

To be identified as farmland for the program, the owner must declare that the land will be kept in agriculture and available for future farming while registered. The program is on a voluntary basis and benefits the

landowner who does not have to occupy the farmland. The amount of land to be registered must be at least 2 hectares in order to qualify. Until deregistered, the land will remain in the program.

Land ceasing to meet the above stipulations will be removed from the program. If the registrar is not informed of the change, the land may be deregistered and the owner responsible for repayment of tax rollbacks and a penalty accumulated over a maximum of ten years. Farmland that has been sold remains registered until a land-use change occurs. In the case of a land-use change contrary to the program regulations, the current landowner is liable for the payment of back-taxes plus penalty. There is

also an appeal board that can be approached within 60 days of the decision of the registrar. There are no special tax exemptions for farm buildings or residences due to the land-oriented nature of the program. In the case of municipalities, the landowner is still responsible for municipal taxes that are based on the same assessment as the provincial deferred tax. This program is not related to municipal taxes.

The farm tax-assessment methods in New Brunswick were developed to protect agricultural land. The penalty for removing land from farming activities and the tax-reduction incentive help to discourage land-use conversion.

Table 4: Real Property Assessment Information in New Brunswick

Type Codes

- 0 - Apartment
- 1 - Residential Improved and Mobile Homes
- 2 - Commercial Improved and Mobile Homes and Trailers used for Commercial Purposes
- 3 - Industrial Improved
- 4 - Combination 1, 2, 3, above
- 5 - Farm Improved
- 6 - Farm Unimproved
- 7 - Other Improved
- 8 - Other Unimproved
- 9 - Vacation and Mobile Homes used for Summer Homes

9. NOVA SCOTIA

The Assessment Division of the Department of Municipal Affairs is responsible for assessment in Nova Scotia. The rolls are held by each municipality as well as by the 15 regional assessment offices in the province. Information and amendments are stored on property cards that are annually transferred to the rolls. All of the 15 regional assessment rolls are on computer and are available on microfiche with readers installed in each office. Although the assessment rolls are readily available only to ratepayers, researchers can also make arrangements to obtain access to the rolls in the regional offices and in Halifax.

All properties are classified as residential, commercial, resource, or any combination of these. The resource component is subdivided into three categories:

- 1) Farm,
- 2) Forestry,
- 3) Charitable (up to 3 acres taxable at commercial rate), on special application only.

Assessment is based on actual cash value (market value). There is no requirement for reassessment of properties, and at present, the base year is January 1976, with reassessment expected for 1981. Following the 1981 reassessment, the Department of Municipal Affairs will be aiming for reassessment every three years.

To counter the escalating effect of the market-value tax system on farm property, which could promote the loss of agricultural land, Nova Scotia introduced a tax-reduction program for agricultural properties in 1978. Property is first assessed by market value.

At the same time, the assessor determines whether the land is agricultural and should be included in the program. There is recourse to appeal if the landowner disagrees with either the assessment or the determination of eligibility for the program.

Under the program, the province pays \$1.00 per acre per annum to the municipality where the agricultural land is located. The landowner is exempt from paying tax on farmland, regardless of its assessed value. If the owner removes the land from agriculture, he must pay a charge of 20% of the assessed market value of the land at the time of change. For example, if a landowner has a 100 acre farm in the program and uses 4 acres for purposes other than agriculture, he must pay 20% of the market value on that 4 acres only. If the land is sold, the new property owner must pay the penalty if he converts the land to another use. The farm buildings and residences are assessed at the residential rate and not at a commercial value.

It is important to note that in Nova Scotia the tax-reduction program is aimed at the land, not at the landowner. The municipality is reimbursed for lost revenues, but only at a flat rate of \$1.00 per acre. While the reimbursement may amount to either more or less than what would be received under the true assessed market-value rate for any given property or area, it is thought that the municipality's revenues are about the same under the program.

The following table shows the quantity of land involved in this program in 1978.

Table 5: Nova Scotia Tax-Reduction Program, 1978

Agricultural Land	Acres	Assessed Value Exempted
Rural	676,175	
Urban	5,680	
Total	681,855	\$13,712,000

SOURCE: Nova Scotia Assessment Roll, 1978.

10. PRINCE EDWARD ISLAND

Because of its size, Prince Edward Island is able to have one centralized assessment system, administered by the Land Valuation and Assessment Division of the Department of Finance. The rolls are in two parts:

- 1) a computer-tape system with basic information (see Introduction), including transactions,
- 2) a detailed card-index system that contains the above data as well as information on the best use of a property and on comparable property sales and characteristics (five-digit codes).

All information, with the exception of land and building transaction prices, is readily available to researchers by authorization from the owner or from the Minister. The data source is useful as a base for detailed research.

Properties in P.E.I. are located by municipality, district, and lot number. Land-use information is collected and land capability is recorded. Assessed value is based on a combination of three approaches that are used at the discretion of the assessor: 1) comparison with similar properties; 2) maximum income level to be earned from the property; 3) depreciated cost. The different methods are used to derive an equitable assessed value for

taxation purposes. There is an annual assessment with reappraisal every three years.

A program to modify the existing property assessment and taxation methods provides incentives for farmers to keep land in agricultural production. A bona fide farmer is defined as someone who:

- 1) spends more than 50% of his time working on the farm, and
- 2) obtains at least 50% of his gross income from farming activities.

(Real Property Assessment Act, P.E.I., 1971)

A farm enterprise, for the purposes of this program, means:

- a) a farm operation where a bona fide farmer has owned and operated at least a 20 acre area of farm property either for more than ten years, or from which gross sales for the previous calendar year were in excess of \$2,500, or
- b) a poultry, hog, greenhouse or market-garden enterprise, owned and operated by a bona fide farmer either for more than ten years or from which gross sales for the previous calendar year were in excess of \$10,000.

(Real Property Assessment Act, P.E.I., 1971)

Farm property refers not only to the land used for agricultural practices, but also to the buildings involved in its operation.

Farm property is assessed by an agricultural-capability value that is based

on the location of the farmland and the agricultural capability of the land. The factors considered when determining the agricultural-capability rating are shown in Table 6. The taxes on the difference between the market value and the farm assessment are deferred until all or any part of the farm is sold or used for practices other than bona fide farming. If this occurs, the deferred tax for the preceding five years, with interest, is payable by the purchaser. When

a section of the landowner's property is involved in agriculture, only this part is assessed by this method.

Prince Edward Island has developed a tax-reduction system that provides financial incentives to farmers and encourages agricultural activities on potentially good farmland. The steep penalty clause regarding tax rollbacks in the case of land-use change discourages farmers in the program from

Table 6: Economic Factors in the P.E.I. Agricultural Area Capability Rating

Factors	Ratings				
	Excellent 10-9	Good 8-7	Fair 6-5	Poor 4-3	Very Poor 2-1
1. Markets for typical crop	Excellent	Good	Fair	Poor	Very Poor
2. Capability rating of soils	95%-100%	90%-95%	85%-90%	70%-85%	Below 70%
3. Percentage of abandoned farmland	None	Very few	40%	60%	80%
4. Crop hazards, frost, erosion	None	Very slight	Slight	Serious	Very Serious
5. Rentability and Saleability	Very Readily	Readily	Slight Delay	Slow	Not Rentable or Saleable
6. Type of area in which to farm, live, and make a living	Excellent	Good	Fair	Poor	Very Poor
7. Type of operator attracted & present	Excellent	Good	Fair	Poor	Very Poor
8. Stability, dependability, and level of net income	Excellent	Good	Fair	Poor	Very Poor
9. Number of economic units	All	5 out of 6	Half	2 out of 6	1 out of many
10. Average size of farms, enterprise	Well above average	Above average	Average	Below average	Small

Add ratings 1-5 and multiply by 2 for Arable Land

Add all 10 ratings for Farm Location Rating

converting the land to other uses.

11. NEWFOUNDLAND

In Newfoundland, the clerks in each of the 32 municipalities hold copies of the assessment rolls. A centralized copy is kept at the Assessment Division of the Department of Municipal Affairs and Housing in St. John's. The rolls, containing the basic information only (see Introduction), are maintained in books, one per municipality. The assessment rolls are available for inspection both in the municipalities and in St. John's.

Properties are identified by their location relative to public thoroughfares; this is equivalent to a street address, with lot and plan numbers used when available. Assessment is based on an actual or market value with reassessment every five years. Considerations in determining actual value are location, present land use, cost of replacement of buildings, and rental and sale values.

The only existing legislation relative to assessment or taxation that could be used to preserve agricultural land is contained in section 96 of the Local Government Act. This section provides that where farmlands are not in general benefiting from municipal services taxes can be wholly or partially exempt.

While only about one percent of the land in Newfoundland is suitable for agricultural purposes, a farm tax-incentive program is still being studied.

12. SUMMARY

This paper is designed to provide a province-by-province survey of the various assessment systems in Canada and document instances where assessment has been used to encourage keeping land in agricultural production. A wide variety of assessment systems with differing degrees of complexity are in use. Since this paper only offers a survey of the various property-tax systems, no attempt has been made to examine the internal complexities of each system, though sufficient detail has been provided to indicate how each province approaches tax assessment. In general, the same sorts of data are required and collected in each province in order to levy taxes.

From the number of provinces with special programs that employ the property-tax structure as a means of assisting and encouraging agriculture, it is clear that there is widespread concern with the viability of the farming industry. Some provinces have taken measures to keep good farmland in agricultural production; these measures range from simply taking farming conditions into account when arriving at an assessed value for a farm to setting aside specific areas as designated agricultural lands, with encouragement to farming through tax reduction. Voluntary contractual agreements that maintain the agricultural resource in exchange for tax rebates have also been used. However, the effects of the various programs can only be regarded as marginal, especially in areas where the profits from non-agricultural development are far greater than the tax-assisted returns from farming.

It is hoped that this overview has demonstrated how the various provinces assess land and how taxation systems can be used to achieve specific goals. How well such systems work and what effects they have is a question that could be better answered by the

individual provinces and other researchers. This paper should also assist land-oriented research by identifying the nature and accessibility of assessment rolls as data sources.

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