

FARM CLASSIFICATION IN BRITISH COLUMBIA



BC ASSESSMENT 





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PURPOSE

The purpose of this brochure is to:

- outline farm classification procedures and requirements; and
- publish and interpret the key statutory and regulatory provisions governing farm classification.

Section 23 of the *Assessment Act* and B.C. Reg. 411/95, the Classification of Land as a Farm Regulation (the “Farm Class Regulation”), set out the requirements that must be met for land to be classified as farm for assessment and tax purposes. Together, section 23 of the *Assessment Act* and the Farm Class Regulation will be

referred to as “Farm Class Legislation”. This brochure is designed so that the Farm Class Legislation provisions are in the left column and BC Assessment’s interpretive comments are in the right column of each page. **In cases where BC Assessment’s interpretation differs from the legislation, the legislation prevails.**

Application Procedures and Key Requirements

The following principles apply to farm classification in British Columbia:

- Farm classification is a voluntary program. Owners of land who want all or part of it classified as farm must apply to the local assessor using the appropriate prescribed application form – the General Application for Farm Classification or the Retired Farmer’s Dwelling Land Application.
- The Farm Class Legislation requires farm applications and any applicable lease to be submitted to BC Assessment by October 31 for the following taxation year. Owners are encouraged to apply by mid-year to give staff time to do a field inspection or request additional information to assess entitlement to farm classification.
- The Farm Class Regulation sets out the information that must be contained in the lease if land is leased to a farmer.
- Only certain land uses qualify for farm classification. The land uses that constitute “qualifying agricultural uses” are listed in the Schedule at the end of the Farm Class Regulation.
- Certain land used for a retired farmer’s dwelling may also qualify for farm class.
- The Farm Class Regulation requires a producing farm to meet minimum gross income requirements, which vary with the size of the farm operation:
 - \$2,500 if the total area of the farm operation is between 0.8 ha (1.98 acres) and 4 ha (10 acres);
 - \$2,500 plus 5% of the actual value of the area in excess of 4 ha (10 acres) if the total area of the farm operation is greater than 4 ha (10 acres); or
 - \$10,000, if the total area of the farm operation is less than 0.8 ha (1.98 acres).
- Once land has been classified as farm, the minimum income requirements required for the farm operation must be met in at least one of two relevant reporting periods and a sale of a qualifying agricultural product must be made in every reporting period.

- Land being developed as a farm but which is not yet generating income may qualify for farm class. A farm development plan is required and must be followed. The Farm Class Regulation requires that plan to be filed by October 31 to be effective for the following year.
- The reporting periods may differ depending on whether the application is made in respect of a new or existing farm, or in the case of developing farms which are commencing production.
- Special provisions in the Farm Class Regulation require the assessor to classify land with no present use as farm if that land is part of a farm parcel and all other requirements, including the income threshold, are first met. The requirements for unused land within the ALR differ from those for unused land outside the ALR.
- Owners must provide information in support of farm classification at the request of the assessor. Proof of sales such as a copy of receipts, sales logs or other information supporting income claimed will be requested by the assessor to confirm that income requirements are being achieved by the farm operation.
- Farm class is granted on an annual basis. If the land no longer meets the requirements in the Farm Class Legislation, the assessor must reclassify the property.
- The assessed value of farm land is regulated and differs from region to region based on factors such as cultivation, irrigation, land use, and soil capability of the land being assessed.

Other Resources: Application Forms and Fact Sheets

The General Application for Farm Classification and the Retired Farmer's Dwelling Land Application, referred to in this brochure, are available at your local BC Assessment office or on the internet at www.bccassessment.ca.

In addition, there are currently five farm-related Fact Sheets available at www.bccassessment.ca. They are entitled:

- 1 Classifying Farm Land;
- 2 Classifying Horse Operations for Farm Purposes;
- 3 Classifying Land Leased to Farmers;
- 4 Classifying Land Used for a Retired Farmer's Dwelling; and
- 5 Farm Property Inspections.

EXCERPT FROM THE ASSESSMENT ACT:

Section 23 Classification of land as a farm

23 (0.1) In this section:

“**owner’s dwelling**” means the dwelling referred to in subsection (3.1) (a) (iii);

“**retire**” means retire from being actively involved in the day-to-day activities on a farm;

“**retired farmer**” means an individual

(a) who, at all times during a prescribed period or periods of time,

(i) occupied, as the individual’s principal residence, a dwelling that was owned by the individual or the individual’s spouse and was located on land that was

(A) owned by the individual or the individual’s spouse,

(B) used for the dwelling, and

(C) classified as a farm, and

(ii) was actively involved in the day-to-day activities on land that was

(A) owned by the individual or the individual’s spouse,

(B) classified as a farm, and

(C) part of the parcel or adjacent to the parcel on which the dwelling was located, and

(b) who has retired.

(1) An owner of land who wants all or part of the land classified as a farm must apply to the assessor using the application form, and following the procedure, prescribed by the assessment authority.

(2) Subject to this Act, the assessor must classify as a farm any land, or any part of a parcel of land, that meets the standards prescribed under subsection (3).

(3) The Lieutenant Governor in Council must prescribe standards for classification of land as a farm.

This section provides definitions of terms relevant to a Retired Farmer’s Dwelling Land Application.

Farm classification is a voluntary program. An owner of land must apply for farm class. Application forms and procedures are regulated by the assessment authority.

Land meeting the requirements set out in the Classification of Land as a Farm Regulation (the “Farm Class Regulation”) will be classified as farm for assessment purposes.

This section authorizes the Farm Class Regulation, reproduced in this brochure. The requirements for land are regulated by the provincial government.

Explanation & Comments

(3.1) Despite this Act and any regulations made under this Act except a regulation made under subsection (3.2), the assessor must, on receipt of an application from an owner of land in respect of a taxation year, classify the land as a farm for the taxation year if the following requirements are met:

- (a) when the application is made, the owner
 - (i) is
 - (A) a retired farmer,
 - (B) the spouse of a retired farmer, or
 - (C) a person who was the spouse of a retired farmer at the time of the retired farmer's death,
 - (ii) has reached the prescribed age, and
 - (iii) owns a dwelling on the land and occupies the dwelling as the owner's principal residence;
- (b) if the owner is a person referred to in paragraph (a) (i) (B) or (C), the owner meets the prescribed requirements, if any;
- (c) when the application is made, the land is used for the owner's dwelling;
- (d) when the retired farmer retired,
 - (i) the retired farmer or the retired farmer's spouse owned the owner's dwelling,
 - (ii) the owner occupied the owner's dwelling as the owner's principal residence,
 - (iii) the land was classified as a farm, and
 - (iv) the retired farmer met the prescribed requirements, if any;

This section sets out the requirements for land to be classified as a farm because it is used for a retired farmer's dwelling. Some of the requirements apply to the applicant and others apply to the dwelling and land.

The applicant must be an owner of the land and must be a retired farmer or the spouse of a retired farmer, as those terms are defined.

The prescribed age is 65 as set out in the Farm Class Regulation.

Additional requirements for a spouse are set out in the Farm Class Regulation.

EXCERPT FROM THE ASSESSMENT ACT:

Section 23 (cont.)

- (e) the land is in an agricultural land reserve on October 31 of the year preceding the taxation year in respect of which the application is made;
- (f) the owner's dwelling is located
 - (i) on a parcel of land that, under subsection (2), is classified in whole or in part as a farm for the taxation year in respect of which the application is made, or
 - (ii) on a parcel of land adjacent to a parcel of land
- (A) that is owned by the owner or the owner's spouse, and
- (B) that, under subsection (2), is classified in whole or in part as a farm for the taxation year in respect of which the application is made;
- (g) the application is
 - (i) in the form prescribed by the assessment authority, and
 - (ii) received by the assessor on or before October 31 of the year preceding the taxation year in respect of which the application is made;
- (h) the requirements, if any, prescribed by regulation.
- (3.2) The Lieutenant Governor in Council may make regulations respecting classification of land as a farm under subsection (3.1), including, without limitation, for the purposes of subsections (0.1) and (3.1).
- (3.3) In making regulations under subsection (3.2), the Lieutenant Governor in Council may make different regulations for different classes of persons, classes of land, classes of places or classes of things.
- (4) Land classified as a farm must, while so classified, be valued at its actual value as a farm, without regard to its value for other purposes.

Additional requirements for the retired farmer are set out in the Farm Class Regulation.

The prescribed form is the Retired Farmer's Dwelling Land Application.

Land classified as farm is not assessed at market value, but at its value in farm use only.

- (5) The actual value of improvements on a farm must be determined under section 19.
- (6) If land classified as a farm ceases to meet the standards for that classification merely because the farm is reduced in area as a result of a portion being expropriated for a public purpose, the land continues to be classified as a farm until it no longer meets the standards in some other respect.
- (7) For the purposes of valuing a farm under subsection (4), the assessment authority must prescribe land value schedules for use by assessors in determining the actual value of the land as a farm without regard to its value for other purposes.
- (8) In subsections (9) and (10), "assessed value" means assessed value before exemptions.
- (9) If the assessed value determined under section 19 (13) for any year of land classified as a farm exceeds the assessed value for the preceding year by more than 10%, its assessed value for that year is the total of
 - (a) 110% of the assessed value for the preceding year, and
 - (b) 25% of the difference between the assessed value determined under section 19 (13) for that year and 110% of the assessed value for the preceding year.
- (10) If an obvious error or omission occurred in the preparation of the assessed value in the preceding year, the assessed value under subsection (9) must be determined as though the error or omission had not occurred.

Buildings on farm land which are used to operate the farm are assessed at market value and classified as class 1 – residential. Only land qualifies to be in class 9 – farm.

Land will not become ineligible for farm class solely due to the consequences of expropriation.

This section authorizes the Land Values for Farm Land Regulation, which sets out assessed values per acre for all farm land in the province.

This section authorizes the assessor to phase in increases in assessed value of land in farm class if the increase is more than 10%.

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 1 – Interpretation

1 Definitions

(1) In this regulation:

“**Act**” means the *Assessment Act*;

“**breeding product**” means semen, an ovum or an embryo that is produced as part of livestock raising for sale for use in breeding livestock, other than poultry;

“**December 31**” means December 31 of the year preceding the taxation year for which the assessment roll is completed;

“**earlier reporting period**”, in respect of a person, for a taxation year, means the person’s income tax year ending in the calendar year that is 3 years before the taxation year;

“**farm gate amount**” means the total of the following amounts received by a producer:

- (a) the amount from a sale of a qualifying agricultural product
- (i) in the case of a qualifying agricultural product other than a product referred to in subparagraphs (ii) to (iv), supported by
 - (A) written evidence of the sale price, or
 - (B) in the absence of written evidence, the sale prices of comparable products sold locally,
- (ii) in the case of livestock that has been raised, supported by written evidence of any of the following, as applicable:
 - (A) the live weight price of the livestock, not including the slaughter and cut and wrap costs;
 - (B) the live weight price applied to the weight gained by the livestock while being raised on the producer’s farm operation;
 - (C) the difference between the purchase and sale prices of the livestock,

Income from the production of breeding products as part of a livestock operation is qualifying income for the purposes of farm class.

This is the earlier of the two reporting periods relevant to any given taxation year. For example, for the 2014 taxation year, the earlier reporting period is the producer’s income tax year ending in 2011.

Farm gate amount is the dollar value the producer receives from direct farm sales, the value of qualifying agricultural products that are used for processing, or, in some cases, crop or livestock insurance payments.

Proof of sales such as a copy of receipts, sales logs or other information supporting the income claimed will be requested by the assessor to confirm that income requirements are achieved.

In the case of livestock, farm gate amount means the live weight sale price, less any purchase costs and less any slaughter, cut and wrap costs.

Explanation & Comments

- (iii) in the case of a horticultural crop that is purchased and transplanted or moved to the producer's farm operation for further growth, and is subsequently sold, supported by written evidence of the difference between the purchase and sale prices of the crop, or
- (iv) in the case of a breeding product, supported by written evidence of the sale price;
- (b) in the case of a qualifying agricultural product, other than a breeding product, that, because of loss or damage to the product, is not sold, the amount of any indemnity payment, supported by written evidence of the payment;
- (c) the amount of the fee for a horse stud service provided, supported by written evidence of the fee paid;

"farm operation" means land that comprises a farm operation under section 4 (4);

"farmer's dwelling" means a dwelling that is

- (a) located on or adjacent to the farm, and
- (b) occupied by a person who is actively involved in the day-to-day activities of that farm;

"horse rearing" means breeding or raising horses for sale;

"horse stud service" means a stud service provided for a fee by a producer as part of horse rearing;

"income tax year" has the same meaning as "taxation year" in the *Income Tax Act*;

"later reporting period", in respect of a person, for a taxation year, means the person's income tax year ending in the calendar year that is 2 years before the taxation year;

Only the value added through the growth of plants while on the farm is included in the calculation of the farm gate amount.

A farm operation is made up of all or part of a parcel or groups of parcels that are owned or leased and operated as an integrated unit. The income and sales requirements are based on the area of land used for the farm operation.

The only dwelling land eligible for farm class is that land associated with a dwelling occupied by persons actively involved in the ongoing farm operation. There are separate provisions that apply to the dwelling land of a retired farmer or spouse of retired farmer.

Income from horse stud services is qualifying income if the horse stud services are offered as part of a horse rearing operation.

This is the later of the two reporting periods relevant to any given taxation year. For example, for the 2014 taxation year, the later reporting period is the producer's income tax year ending in 2012

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 1 – Interpretation (cont.)

“lease” means a written agreement for the rental of all or part of one or more parcels of land;

“lessee”, if the person renting land under a lease is a partnership, means the partnership;

“livestock” includes poultry;

“livestock raising” means

- (a) breeding or raising domesticated animals
 - (i) for the production of food for human or animal consumption, including, without limitation, eggs or products of dairying,
 - (ii) for wool, hide, feather or fur production,
 - (iii) for use as breeding stock for the purposes listed in subparagraph (i) or (ii), or
 - (iv) for sale for any of the uses described in subparagraph (i), (ii) or (iii), or

(b) horse rearing;

“medicinal plant culture” means the cultivation or management of plant species, containing naturally occurring substances, that are used to restore, maintain or improve health;

“October 31” means October 31 in the year preceding the taxation year for which the assessment roll is prepared;

“packing house” means a facility used for the cleaning, sorting, grading, packing or storage of qualifying agricultural products;

“producer” means a person who

- (a) is the owner or lessee of land, and
- (b) uses the land for a qualifying agricultural use;

“qualifying agricultural product” means a product, including, without limitation, a breeding product, that is a product of a qualifying agricultural use;

Written leases are required. The lease must comply with section 7 of the Farm Class Regulation, and must be submitted to the assessor by October 31 prior to the taxation year for which farm class is sought.

Livestock raising includes dairying, egg and poultry production and horse rearing.

Medicinal crops are limited to those plants which can be legally grown. Crops must be cultivated, not gathered from the wild.

October 31 is a key date. Farm applications, related development plans, and leases must be submitted to BC Assessment by this date. October 31 is also the deadline for the Retired Farmer’s Dwelling Land Application.

Packing houses do not include facilities used to alter qualifying agricultural products using further processing methods.

A producer is the person who is using the land for a qualifying agricultural purpose, whether as owner or lessee.

“**qualifying agricultural use**” means a use of land for agricultural purposes as approved by the assessment authority, following consultation with the minister responsible for the administration of the *Ministry of Agriculture and Food Act*, and that

(a) is an agricultural use set out in section 1 of the Schedule to this regulation, and

(b) is not an excluded use set out in section 2 of the Schedule to this regulation;

“**reporting period**”, in respect of a person, for a taxation year, means the earlier reporting period or the later reporting period of the person for the taxation year.

(2) Despite the definition of “earlier reporting period” in subsection (1), the earlier reporting period, in respect of a person, for the 2013 taxation year is the 12-month period ending October 31, 2010.

(3) Despite the definition of “later reporting period” in subsection (1), the later reporting period, in respect of a person, for the 2013 taxation year is,

(a) if the person is an individual, the 14-month period ending December 31, 2011, and

(b) if the person is a corporation or a partnership, the person’s income tax year ending in 2011.

To receive and maintain farm class, the land must generate income from one or more qualifying agricultural uses, which are identified in the Schedule to the Farm Class Regulation. The Schedule is comprised of two sections. Section 1 lists the agricultural uses which qualify for the purposes of the definition. Section 2 lists the uses which will not qualify land for farm class (i.e., the excluded uses).

The Farm Class Regulation requires farmers to generate the required income in at least one of two reporting periods. The reporting periods coincide with the producer’s income tax year.

Subsections (2) and (3) apply to the 2013 taxation year only.

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm

Application of this regulation

2 Repealed.

3 Application for classification of land as a farm

- (1) An application under section 23(1) of the Act for classification of land as a farm must be delivered to the assessor on or before October 31 in the form prescribed by the assessment authority.

- (2) When ownership changes, the assessor may require the new owner to submit an application.

4 Classification of land as a farm

- (1) Unless this Part provides otherwise, the assessor must classify as farm all or part of a parcel of land used for
 - (a) a qualifying agricultural use,
 - (b) a farmer's dwelling, or
 - (c) the training and boarding of horses when operated in conjunction with horse rearing.

Farm classification is a voluntary process. Applications for farm classification must be submitted in the prescribed form which is available at your local BC Assessment office or at www.bcassessment.ca. To be eligible for farm class, a farm application signed by the owner(s) is required in respect of any land, including additions to existing farm operations. The deadline for applications is October 31. Owners are urged to apply earlier to allow time for inspections.

BC Assessment requires a new farm application every time there is a change in ownership of land previously in farm class.

Depending on the use of the land, all or part of a parcel of land may qualify for farm classification.

Land used for horse boarding and training will not be eligible for farm classification unless the activity is operated in conjunction with the horse rearing operation that qualifies for farm classification. Income from horse boarding and training is not qualifying income for farm class purposes. Qualifying income includes income from the sale of horses and horse stud services provided as part of a horse rearing operation.

Explanation & Comments

- (2) Land will only be classified as a farm where part of a parcel or parcels of land are
- (a) necessary to the farm, and
 - (b) predominantly used for a qualifying agricultural use.
- (2.1) Despite subsections (1) and (2), the assessor must classify land as a farm if the land is used for purposes that contribute to a qualifying agricultural use, including, without limitation, the following purposes:
- (a) drainage;
 - (b) irrigation;
 - (c) a riparian area;
 - (d) a buffer;
 - (e) a headland;
 - (f) a windbreak;
 - (g) seasonal feeding or calving grounds;
 - (h) shelter for livestock;
 - (i) farm outbuildings;
 - (j) access to farm outbuildings or other land that is part of the farm operation.
- (3) Despite subsections (1) and (2), the assessor must classify land as a farm if
- (a) the land is in an agricultural land reserve,
 - (b) the land is part of a parcel, a portion of which is used for a qualifying agricultural use,
 - (c) the portion of the parcel being used for a qualifying agricultural use makes a reasonable contribution to a farm operation and meets the other requirements of this Part, and
 - (d) the land
 - (i) is used only for purposes ancillary to a farmer's dwelling, or
 - (ii) has no present use and is neither specifically zoned nor held for business, commercial or industrial purposes.

There must be a reasonable level of ongoing farming activity to qualify land for farm class.

The assessor must classify land as farm if it is used for purposes that contribute to a qualifying agricultural use.

Within the ALR, land used for purposes ancillary to a farmer's dwelling or land with no present use can qualify for farm classification if part of the parcel is farmed and meets the other requirements of Part 2 of the Farm Class Regulation. This applies whether land is owned or leased by the producer. However, if the unused land is zoned or held for business, commercial or industrial use it will not qualify for farm class.

Explanation & Comments

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm (cont.)

(3.1) Despite subsections (1) and (2), the assessor must classify land as a farm if the land is not in an agricultural land reserve and

(a) the land

- (i) is used only for purposes ancillary to a farmer's dwelling, and
- (ii) is part of a parcel, a portion of which is used for a qualifying agricultural use, and the portion used for a qualifying agricultural use makes a reasonable contribution to a farm operation and meets the other requirements of this Part, or

(b) the land has no present use, is neither specifically zoned nor held for business, commercial or industrial purposes and meets one of the following standards:

(i) the land

- (A) has a highest and best use that is a use not better than that of a farm, and
- (B) is part of a parcel, a portion of which is used for a qualifying agricultural use, and the portion used for a qualifying agricultural use makes a reasonable contribution to a farm operation and meets the other requirements of this Part;

(ii) the land is part of a parcel, a portion of which, comprising 50% or more of the total area of the parcel that is outside the agricultural land reserve, is used for a qualifying agricultural use or is used for purposes that contribute to a qualifying agricultural use within the meaning of subsection (2.1), and that portion is farmed by the owner and meets the other requirements of this Part;

(iii) the land is part of a parcel, a portion of which, comprising 25% or more of the total area of the parcel that is outside the agricultural land reserve, is used for a qualifying agricultural use, and that portion is farmed by the owner and meets the other requirements of this Part.

Outside the ALR, land used for purposes ancillary to a farmer's dwelling can qualify for farm class if part of the parcel is farmed and meets the other requirements of Part 2 of the Farm Class Regulation.

Also, land with no present use outside the ALR can qualify for farm classification if the land is not zoned or held for business, commercial or industrial purposes, part of the parcel is farmed and meets the other requirements of Part 2 of the Farm Class Regulation, AND

- the unused portion of the property is unsuitable for other uses, such as residential or commercial use; or
- the parcel is farmed by the owner and at least 50% of the area of the parcel that is outside the ALR is either in a qualifying agricultural use or contributes to a qualifying agricultural use; or
- the land is farmed by the owner and between 25 and 50% of the area of the parcel that is outside the ALR is in a qualifying agricultural use and the farm operation meets an income threshold of \$10,000.

Explanation & Comments

- (4) A farm operation comprises all or part of a parcel or group of parcels of land
- (a) contiguous or not,
 - (b) owned, or leased in accordance with section 7, and
 - (c) operated as an integrated unit.
- (5) A farm operation comprised of parcels of land within different assessment areas will only be classified as a farm where the assessor is satisfied that each parcel is
- (a) necessary to the farm, and
 - (b) predominantly used for a qualifying agricultural use.

A farm operation can take many forms, ranging from many parcels of land to a small portion of a single parcel. A farm operation can consist of owned and leased parcels of varying sizes but which are all operated as an integrated unit.

This section applies where the farm operation is comprised of parcels of land in different assessment areas.

5 Gross annual value requirements

- (1) For the purposes of this section, the gross annual value for a person's reporting period in respect of a farm operation is the sum of the following amounts, as applicable:
- (a) the farm gate amounts of the qualifying agricultural products produced on the farm operation during that reporting period;
 - (b) the farm gate amounts of the horse stud services provided by means of horses raised on the farm operation during that reporting period;
 - (c) if the reporting period is the later reporting period of the person for a taxation year, the total of the unrealized values for that reporting period under subsection (2) in respect of the qualifying agricultural products to which that subsection relates.

Farmers are required to generate a minimum amount of income from their farm operation in at least one of two reporting periods and to make a sale of some qualifying agricultural product in every reporting period.

The gross annual value of a farm operation includes:

- sales of qualifying agricultural products produced from that farm at farm gate amounts;
- horse stud service fees; and
- the value of certain qualifying agricultural products that are held for sale the following year (unrealized value).

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm (cont.)

- (2) The unrealized value referred to in subsection (1) (c)
- (a) for qualifying agricultural products, other than those produced from livestock raising and breeding products, if the qualifying agricultural products
- (i) are produced on the farm operation during the later reporting period of the person, and
 - (ii) are not sold during that reporting period, but are available and offered for sale or held for sale during the 12-month period following that reporting period,

is the monetary worth of the qualifying agricultural products, as supported by the sale prices of comparable products sold locally, and

- (b) in relation to livestock that
- (i) is raised on the farm operation, during the later reporting period of the person, for food for human or animal consumption, and
 - (ii) is not sold during that reporting period, but is available and offered for sale or held for sale as food during the 12-month period following that reporting period,

is determined by one of the following methods:

- (iii) the increase in value attributable to weight gain of livestock raised for sale;
 - (iv) the estimated value of livestock born and raised for sale based on the current farm gate amount.
- (3) The assessor must not classify any part or parcel of land of a farm operation as a farm for a taxation year unless all of the applicable requirements of subsections (4) to (8) are met with respect to the farm operation.
- (4) To be classified as a farm for a taxation year, the gross annual value in respect of the farm operation for at least one of the person's reporting periods for the taxation year must be at least
- (a) \$2 500 if the total area of the farm operation is between 0.8 ha and 4 ha,

Unrealized value cannot be attributed to breeding products, horse stud service fees, or livestock raised as pets. Unrealized value is applicable to livestock raised for human or animal consumption and to crops.

The minimum gross annual value or income threshold that must be met by the farm operation in one of two reporting periods varies with the size and assessed value of the farm operation. There are three possible income thresholds:

Explanation & Comments

- (b) \$2 500 plus 5% of the actual value of the farm operation for farm purposes in excess of 4 ha, if the total area of the farm operation is greater than 4 ha,
- (c) \$10 000, if the total area of the farm operation is less than 0.8 ha, and

(d) despite paragraph (c) \$2 500, if the total area of the farm operation has been reduced to less than 0.8 ha as a result of expropriation, but only if the farm operation remains in the same ownership.

(5) Despite subsection (4) (c), if land was classified as a farm in 1995, the applicable requirement in respect of the farm operation under subsection (4) is deemed to be met in respect of the farm operation for a reporting period of the owner for a taxation year if

- (a) the total area of the farm operation is less than 0.8 ha,
- (b) the farm operation remains in the same ownership,
- (c) the assessor is satisfied that the owner earns the greater part of its livelihood for the reporting period from either or both of the following:
 - (i) the sale of qualifying agricultural products produced on the farm operation;
 - (ii) fees for horse stud services provided by the owner, by means of horses raised on the farm operation, and
- (d) the farm operation meets the other requirements of this Part.

- \$2,500 if the total area of the farm operation is between 0.8 and 4 ha (between 1.98 and 10 acres);
- \$2,500 plus 5% of the farm land value of the area in excess of 4 ha (10 acres), if the total area of the farm operation is greater than 4 ha (10 acres); or
- \$10,000 if the total area of the farm operation is less than 0.8 ha (1.98 acres).

For example, on a 160-acre property with a regulated farm land value of \$800 per acre, the minimum gross annual value at farm gate amounts is \$8,500 = \$2,500 on the first 10 acres + \$6,000 (\$800 x 150 acres x 5%) on the next 150 acres.

If the area of the farm operation has been reduced to less than 0.8 ha (1.98 acres) as a result of expropriation, the minimum income threshold will be \$2,500 until ownership of the land changes.

This "grandfather" provision ensures that small farms classified for assessment purposes before 1995 will continue to be eligible for farm class under the old requirements as long as the land remains in the same ownership.

Explanation & Comments

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm (cont.)

- (6) Despite subsections (4) and (5) of this section, for land to be classified as a farm under section 4 (3.1) (b) (iii), the gross annual value in respect of the farm operation for at least one of the owner's reporting periods for the taxation year must be at least \$10 000.
- (7) For the purposes of subsections (5) and (6), a farm operation does not include parcels and parts of parcels of land that are leased.
- (8) Despite subsections (4) and (10) of this section, the assessor must classify all or part of a parcel of land of a farm operation as a farm for a taxation year in respect of which an application is submitted by
- (a) a person under section 3 (1) in respect of land not classified as a farm in the year in which the application is made, or
 - (b) a new owner under section 3 (2) in respect of the farm operation, if, in the taxation year in which the application is submitted,
 - (c) the gross annual value in respect of the farm operation is at least the applicable amount set out in subsection (4) (a), (b) or (c) of this section, and
 - (d) production of qualifying agricultural products from the farm operation occurs and a sale of qualifying agricultural products from the farm operation is made.
- (9) For the purposes of subsection (8), the gross annual value is determined on the basis of a taxation year and not on the basis of the person's reporting period.
- (10) For a farm operation to be classified as a farm for a taxation year, the following requirements must be met:
- (a) subject to section 6, qualifying agricultural products from the farm operation must be sold during both of the person's reporting periods for the taxation year;

This provision identifies the increased gross annual value that must be generated from the farm operation (\$10,000) before land with no present use will qualify for farm class under section 4(3.1)(b)(iii) of the Farm Class Regulation.

This provision establishes a special reporting period where an application for farm class is received for land that is not yet classified as farm but does not require further time to develop. The special reporting period applies if the land is under production and the applicable income threshold is met in the taxation year the application is submitted.

This provision clarifies that the special reporting period in subsection (8) is the taxation year (January 1 to December 31) and not the earlier or later "reporting periods" as defined in section 1(1) of the Farm Class Regulation.

Land cannot be classified as farm unless a sale of some qualifying agricultural product is made in every reporting period. Where the farm operation is a horse rearing operation, a horse must be sold in at least one of the two reporting periods. A sale

Explanation & Comments

(b) if the farm operation is used for horse rearing, a horse reared on the farm operation must be sold in at least one of the person's reporting periods for the taxation year.

(11) This section applies despite section 4, but is subject to section 8.

6 Exception to requirement for sale of qualifying agricultural products

The requirement in section 5 (10) (a) is met in respect of a reporting period of a person for the taxation year referred to in that provision if the qualifying agricultural products produced from the farm operation referred to in that provision

- (a) are not sold during that reporting period, but are produced in sufficient quantities that the applicable requirements of section 5 for that taxation year would have been met if the qualifying agricultural products had been sold during that reporting period, and
- (b) are either
 - (i) grains, oilseeds, forage seeds, turf seeds or pulse seeds, and the assessor is satisfied that the grains or seeds will be available for sale within the 12-month period immediately following the end of that reporting period, or
 - (ii) any other qualifying agricultural product that is grown and harvested for processing for sale or to be used in the preparation of manufactured derivatives to be made available for sale within the 12-month period immediately following that reporting period.

of some other qualifying agricultural product in the other reporting period will satisfy the requirements.

This section means that even if land is being used for a qualifying agricultural use, the income and sales requirements must be met before land will be classified as a farm unless the land is being developed for a qualifying agricultural use (i.e., it is a developing farm). There are exceptions to the income and sales requirements for developing farms.

This provision recognizes that in certain circumstances it is sound farm practice to hold crops of this type and market them when prices are higher. These crops are marketed in large quantities, are capable of being stored for long periods, and prices can fluctuate widely over time.

This section also provides flexibility for farms where value-added products are produced and sold. Examples: cottage wineries where grapes are grown on the farm and used to produce wine, or vegetable farms where field crops are processed on the farm for sale.

To qualify, the processed product must be made available for sale within 12 months following the end of the reporting period.

In the calculation of gross annual value, the value of the qualifying agricultural product produced on the farm is relevant and not the retail or wholesale prices of any value-added products such as wine, sausages, jams, etc.

Explanation & Comments

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm (cont.)

6.1 Exceptional circumstances

- (1) In exceptional circumstances, the Lieutenant Governor in Council may waive, by order, any of the sales or production requirements of this Part for the period and on any terms and conditions specified in the order.
- (2) In this section, “exceptional circumstances” includes natural disasters and any other circumstances the Lieutenant Governor in Council is satisfied are of such a severity as to prevent or make impracticable compliance with certain sales or production requirements of this Part.

7 Classification of leased land

- (1) In the case of leased land, a copy of the lease document must be submitted to the assessor on or before October 31 in order for the land to be classified as a farm.
- (2) The lease document must contain the names and signatures of the lessee and lessor, the legal or other well defined description of the land being leased, the commencement date, the signing date, the duration of the lease, the lease area, the intended use of the leased land and the consideration for the lease.
- (3) To be classified as a farm the leased land must
 - (a) make a reasonable contribution to the farm operation, and
 - (b) be 0.8 ha or greater except if
 - (i) the land is in an agricultural land reserve, and
 - (ii) despite section 4 (3), the land is used for a qualifying agricultural use.
- (4) Despite section 5 and subsection (1) of this section, in the case of leases of Crown land issued after October 31, the assessor must classify all or part of the land as a farm if
 - (a) the application form referred to in section 3 is delivered to the assessor on or before December 31, and

The provincial Cabinet is empowered to waive sales or production requirements under exceptional circumstances external to the farm operation.

To qualify or to continue to qualify land as farm, owners must ensure that the assessor always has a copy of the current lease document. The deadline for submitting the lease document is October 31 prior to the tax year for which farm class is sought.

Farm classification will be denied unless a reasonable level of farm activity occurs on a leased parcel.

Leased land that is outside the ALR and less than 0.8 ha (1.98) acres is not eligible for farm class, but several parcels or parts of parcels may be operated together as an integrated farm operation under one lease.

The holder of a Crown lease is considered an “owner” for assessment purposes. The Crown lease holder is authorized to sign the General Application for Farm Classification and will receive assessment and tax notices for the leased land.

Explanation & Comments

- (b) the assessor is satisfied that the farm meets the other requirements of this Part.

8 Classification of land under development as a farm

- (1) The assessor must, for a taxation year, classify all or part of a parcel of land of a farm operation as a farm if the assessor is satisfied that, on or before October 31,
 - (a) the land is being developed for a qualifying agricultural use,
 - (b) the land does not meet the applicable requirements of section 5, and
 - (c) the requirements in subsections (2) to (7) of this section that relate to the applicable qualifying agricultural products are met.
- (2) The requirement for qualifying agricultural products that require less than one year after planting before harvesting occurs is that there is a sufficient area prepared and planted to meet the requirements of this Part on or before October 31 of the following year.
- (3) The requirement for qualifying agricultural products that require one to 6 years after planting before harvesting occurs is that there is a sufficient area prepared and planted to meet the requirements of this Part when harvesting occurs.

To assist farmers, the application deadline is extended to December 31 for leases of Crown land issued after October 31.

Section 8 permits land to be classified as a farm if it is being developed for a qualifying agricultural use but cannot yet meet the income and sales requirements set out in section 5 of the Farm Class Regulation. The key points are:

- the assessor must be satisfied that once production commences, the applicable income and sales requirements will be met;
- the assessor must be satisfied that the other required steps have been taken within the applicable time limit; and
- production must commence within a specific period of time (i.e., farm class will only be granted on a developing farm basis for the period of time it takes to establish the farm operation).

The period of establishment varies with the type of farm operation being developed.

If land is being used to grow annual crops, there must be a sufficient area prepared and planted to meet the income and sales requirements within one year.

Preparation for planting may include irrigation, drainage or other enhancements necessary to successfully grow the crop.

Developing farms such as fruit orchards, berry farms and Christmas tree farms can qualify for farm class for up to 6 years as long as there is a sufficient area prepared and planted to meet the income and sales requirements when harvesting occurs and as long as the crop is managed as set out in the development plan (see the commentary on section 8(7) at right).

Explanation & Comments

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm (cont.)

- (4) The requirements for qualifying agricultural products that require 7 to 12 years after planting before harvesting occurs are as follows:
- (a) there is a sufficient area prepared and planted to meet the requirements of this Part when harvesting occurs;
 - (b) there is a reasonable expectation of profit from farming.
- (5) The requirements for livestock, greenhouse or mushroom operations that require one year to establish before sales occur are as follows:
- (a) the buildings, structures and fencing are completed as required to meet the applicable requirements of section 5 for the farm operation;
 - (b) the required livestock are purchased and present;
 - (c) the farm operation will meet the requirements of this Part on or before October 31 of the following year.
- (6) The requirements for aquaculture operations that require 2 to 5 years to establish before harvesting occurs are as follows:
- (a) the buildings and structures are completed as required to meet the applicable requirements of section 5 for the farm operation;
 - (b) the land is seeded, planted or stocked as required to meet the applicable requirements of section 5 when harvesting occurs;
 - (c) the farm operation will meet the requirements of this Part when harvesting occurs.

A few crops such as hybrid poplar plantations may require up to 12 years to grow before they can be harvested. Given the length of time before production will occur, the assessor must be satisfied that there is a reasonable expectation of profit from the farm operation.

To qualify as a developing farm, sufficient stock must be present on the property, and necessary structures must be completed by October 31 to qualify the land for farm class in the following year. For developing greenhouse or mushroom operations, the necessary buildings and structures must be in place by October 31 to qualify the land for farm class in the following tax year.

Aquaculture operations (finfish and shellfish) have between 2 to 5 years to meet the income requirements when harvesting occurs. These operations must be seeded or stocked and necessary buildings and structures must be present by October 31. Only operations licensed by the Ministry of Fisheries on or before October 31 can qualify.

- (7) It is an additional requirement for qualifying agricultural products described in subsections (2), (3) and (4) of this section that the assessor has approved a development plan and site diagram that
- (a) is submitted with the application under section 3 by the owner or lessee of the land, and
 - (b) includes location and details of the crop to be planted, area, date of planting, expected yield, selling price and date of harvest.
- (8) Despite subsections (2), (3) and (4), the requirement in subsection (2), (3) or (4) (a), as applicable, that a sufficient area of land must be planted on or before October 31 is deemed to be met in respect of the taxation year referred to in subsection (1) if
- (a) the applicable area of land is prepared for planting on or before October 31,
 - (b) the development plan approved under subsection (7) shows that the crop will be planted by June 21 of that taxation year, and
 - (c) the assessor is satisfied that a viable farm will be established in accordance with the requirements for that crop based on sound agricultural practices.

If the land is being developed to grow crops, owners must submit, with their application for farm class, a development plan and site diagram with specific detail about the farm operation.

This section provides flexibility to farm operations where late or spring planting is required. To qualify for farm class the next tax year, the land must be prepared for planting by October 31 and the owner must show, on the development plan, that planting will be done by the following June 21.

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 2 – Classification of Land as a Farm (cont.)

- (9) Despite section 5, the assessor must classify all or part of a parcel of land as a farm,
- (a) for a taxation year immediately following the taxation year in which the production of a qualifying agricultural product first occurs and a sale of a qualifying agricultural product is made, if
 - (i) the land was classified as a farm under subsection (1) of this section for the immediately preceding taxation year, and
 - (ii) the requirements in section 5 (4) and (10) are met in the taxation year in which production first occurs, and
 - (b) for the immediately following taxation year, if
 - (i) the land was classified as a farm under paragraph (a) for the immediately preceding taxation year, and
 - (ii) the requirements in section 5 (4) and (10) are met in the taxation year immediately following the taxation year in which production first occurs.
- (10) For the purposes of subsection (9), the gross annual value is determined on the basis of a taxation year and not on the basis of the person's reporting period.

This provision establishes a special reporting period for developing farms transitioning into production. Once a developing farm commences production, the income and sales requirements must be met in two consecutive reporting periods. The first reporting period is the taxation year production commences (January 1 – December 31). The second reporting period is the immediately following taxation year.

This provision clarifies that the special reporting period in subsection (9) is the taxation year (January 1 to December 31) and not the "reporting period" as defined in section 1(1) of the Farm Class Regulation.

9 Packing house

- (1) This section applies despite other provisions of this Part.
- (2) Land, but not improvements, used for a packing house as part of a farm operation will be classified as a farm if
- (a) any authority having jurisdiction over the use of that land has regulated the use of that land to permit the growing and raising of crops, and

Land used for a packing house as part of a farm operation will be classed as farm if the land is zoned to allow for farming and more than 50% of the qualifying agricultural products packed in the facility are grown or raised on that farm operation.

Packing houses on farm land will be classified as Class 1 – residential.

Packing houses on land that does not meet the criteria for farm class will be classified as Class 5 – light industry or Class 6 – business and other, as appropriate.

Explanation & Comments

- (b) more than 50% of the qualifying agricultural products that are cleaned, sorted, graded, packed or stored in the packing house are grown or raised on that farm operation.
- (3) Repealed.
- (4) Spent.

10 Reporting requirements

- (1) Before or after the completion of any assessment roll the assessor may require the following information:
 - (a) reporting from the owner or lessee to ensure that the farm continues to meet the requirements of this Part;
 - (b) additional information from the owner or lessee, including receipts or copies of lease documentation, in support of farm classification.
- (2) Notice to provide information must be sent by mail or served personally by the assessor.
- (3) The owner or lessee must provide the information to the assessor within 21 days from the receipt of the notice or a longer period as specified in the notice.

11 Repealed

Repealed.

This section enables an assessor to request updated lease, development, income or production information to ensure that the farm is continuing to meet the requirements of the Farm Class Regulation.

Owners and lessees are required to submit information in support of farm classification as requested in writing by the assessor.

Failure to provide the requested information such as sales receipts or other supporting documents to the assessor will result in the removal of the land from farm class and a reclassification of the land to other property classes.

CLASSIFICATION OF LAND AS A FARM REGULATION: B.C. REG. 411/95

Part 3 – Retired Farmers – Land Used for a Dwelling

12 Regulations under section 23 (3.2) of the Act

- (1) For the purposes of paragraph (a) of the definition of “retired farmer” in section 23 (0.1) of the Act, the prescribed period or periods of time are a period or periods, whether or not consecutive, that total at least 20 years.
- (2) For the purposes of section 23 (3.1) (a) (ii) of the Act, the prescribed age is 65 years.
- (3) For the purposes of section 23 (3.1) (b) of the Act, it is a requirement that the owner was the spouse of the retired farmer when the retired farmer retired.
- (4) For the purposes of section 23 (3.1) (d) (iv) of the Act, it is a requirement that, when the retired farmer retired, the retired farmer was actively involved in the day-to-day activities on land
 - (a) that was classified under section 23 (2) of the Act as a farm for the taxation year in which the retired farmer retired, and
 - (b) that is all or part of
 - (i) the parcel that includes the land to which the owner’s application relates, or
 - (ii) a parcel that is adjacent to the parcel that includes the land to which the owner’s application relates.
- (5) For the purposes of section 23 (3.1) (h) of the Act, it is a requirement that an application has not been made by the spouse of the owner under section 23 (3.1) of the Act for the same taxation year in respect of land other than the land to which the owner’s application relates.

Land in the ALR that is used for a retired farmer’s dwelling can be classified as farm under section 23 (3.1) of the Assessment Act if the owner of that land applies using the prescribed form and all the conditions are met. Several of the conditions are set out in section 23 of the Act. Section 23 also contemplates that other conditions will be contained in a regulation. Part 3 of the Farm Class Regulation contains these additional requirements.

For further information on having retired farmer’s dwelling land classified as a farm, please see the Fact Sheet, “Classifying Land Used for a Retired Farmer’s Dwelling” at www.bcassessment.ca.

13 Repealed.

SCHEDULE

Qualifying Agricultural Uses

Agricultural uses

- 1 The following are agricultural uses for the purposes of paragraph (a) of the definition of “qualifying agricultural use” in section 1 (1) of this regulation:
 - (a) apiculture;
 - (b) aquaculture;
 - (c) Christmas tree culture (plantation and cultured native stand);
 - (d) management of the following trees, for the production of sap or syrup:
 - (i) trees botanically known as *Betula* species and commonly known as birch, or
 - (ii) trees botanically known as *Acer* species and commonly known as maple;
 - (e) floriculture;
 - (f) forage production;
 - (g) forest seedling and seed production;
 - (h) fruit and vegetable production;
 - (i) grain and oilseed production;
 - (j) herb production;
 - (k) horticulture;
 - (l) intense cultivation of plantations of
 - (i) trees botanically known as *Populus* species and commonly known as poplar, or
 - (ii) trees botanically known as *Salix* species and commonly known as willow;

This Schedule is a list of agricultural activities that may qualify land for farm class.

Cultured native stand Christmas trees must be managed similar to Christmas tree plantations. Production must be planned so that trees are harvested on an ongoing basis once production occurs. Cultural practices include spacing, stump culture, weed control, fertilization, overstory removal and shearing.

Land used to manage maple and birch trees for the production of sap or syrup is a qualifying agricultural use.

Only fast growing cottonwood/ poplar/aspens and willow cultivated in plantations will qualify as long as they mature within 12 years. Native stands do not qualify for farm class.

Explanation & Comments

SCHEDULE

Qualifying Agricultural Uses (cont.)

- (m) livestock raising;
- (n) medicinal plant culture;
- (o) raising insects for biological pest control;
- (p) raising crops for food for human or animal consumption;
- (q) seed production;
- (r) turf production.

Excluded uses

- 2 The following are excluded uses for the purposes of paragraph (b) of the definition of “qualifying agricultural use” in section 1 (l) of this regulation:
- (a) the production of manufactured derivatives from agricultural raw materials;
 - (b) the production of qualifying agricultural products for domestic consumption on the farm;
 - (c) the production of agricultural by-products other than breeding products;
 - (d) agricultural services other than horse stud services;
 - (e) the breeding and raising of pets other than horses.
 - (f) the production of any substance set out in item 1 [opium poppy], 2 [coca] or 17 [cannabis] of the Schedule to the *Narcotic Control Regulations under the Controlled Drugs and Substances Act* (Canada), other than the production of industrial hemp in accordance with the Industrial Hemp Regulations under that Act.

Livestock raising includes dairying, egg and poultry production and horse rearing. However, only licensed dairy operations will qualify. The sale of unpasteurized dairy products is illegal and does not qualify.

Sales of manufactured products such as wine, sausages, fruit leathers, jams, etc., do not qualify.

The value of products consumed on the farm does not qualify.

Sales of manure and other by-products do not qualify. There is an exception to the rule for land used for the production of breeding products as part of a livestock operation (e.g., income from sales of livestock semen, ova and embryos).

Income from services such as horse boarding and training does not qualify. There is an exception for land used to provide horse stud services as part of a horse rearing operation.

Breeding and raising of pets, except horses, is not a qualifying agricultural use.

Production of controlled substances such as medical marijuana is not a qualifying agriculture use.

Explanation & Comments





For more information on BC Assessment visit our website at
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