



FARM CONSERVATION AND TAX INFORMATION

What options are available to keep your farm in agriculture over the longer term? Do you want to contribute to a sustainable future for farming in the Kawarthas?

A farm transfer or succession plan can lay a framework for a smooth transition in farm ownership that provides for the needs of all family members. It can help reduce income, property and other taxes. This factsheet provides some ideas and information on tax incentives that may help you to plan for the future of your farm. When making a plan, be sure to consult professional advisors in order that you can best achieve your goals.

Long-Term Options for Farmers

Farmers have a variety of options to consider for the future of their farms, including:

- **Good Stewardship:** Careful land management is important in sustaining agricultural productivity, long-term profitability, good neighbour relations, and attractive and healthy communities. Different soils, crops and livestock require diverse practices. Consider best management practices by talking with neighbours, OMAFRA and agricultural organizations, among others. Preparing your own Environmental Farm and Nutrient Management Plans can help you to access cost-share assistance and save money. Learning about sustainable practices and certification may provide long-term advantages to your bottom line and a future sale price.
- **Agricultural Agreements:** Agricultural agreements can permanently protect farmland from non-farm development and significantly reduce taxes in those areas where there are development pressures. If registered on the land's deed, an agreement can provide either a tax receipt or payment. This would be based on the difference between the value of the land for agriculture and the value of the land for its "highest and best use", which may be residential or commercial development.
- **Natural Land Transfers:** Part of a farm property may be unnecessary to the farm operation, such as a natural stream or woodlot. In some cases (and depending on local severance requirements), these lands could be transferred to or otherwise protected by a conservation charity in exchange for a tax benefit or payment.
- **Gradual Transfers:** The transfer of management responsibility and ownership of farm assets gradually can provide a planned transition for the agricultural operation from one generation to the next.

Other factors listed on the next page may be useful to consider in developing a long-term plan for your farm:

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- Planning may require a team effort, including family, financial, farm management, tax and legal expertise;
- Maintaining some level of cash (and cash equivalents) can help pay taxes and medical expenses without selling land or farm equipment;
- Life insurance can be used to fund asset purchases, establish trusts, provide for non-farming children, pay taxes or cover other expenses;
- Asset gifts over several years can help transfer the farm business and reduce taxes;
- If family members will not be involved in the future operation of the farm, consider recruiting and mentoring a younger farmer for eventual management of the farm.

Conservation Tax Benefits

Several tax options and benefits are available to support farm conservation transfers:

- **Agricultural Agreement Tax Reductions:** The donation of an agricultural agreement can provide an income tax receipt usable against income. This can reduce or eliminate income taxes for a period of years, plus other tax benefits.
- **Ecological Gift Tax Reductions:** If ecologically important features on a farm are protected by a donation of a conservation agreement or severed and given to a conservation charity, then a tax receipt plus a capital gains tax exemption may apply. This can also reduce transfer, probate or other taxes, thus assisting the next generation to afford purchasing the farm.
- **Farm Transfers Reduce Capital Gains:** Qualified transfers of farms to children can defer capital gains and free up resources to ensure a smooth transition. The life-time capital gains exemption for farmers has also been increased to \$750,000.

Other options and benefits may be available. With careful planning, farmers can take advantage of conservation options that protect land without unduly restricting agricultural operations. These options can be integrated into a plan for the farm's future in order to ensure that financial, management and other goals can be fully achieved.

Kawartha Heritage Conservancy

The Kawartha Heritage Conservancy is a local charity with a mandate to conserve the natural and cultural heritage and distinctive landscapes of the Kawartha bioregion. In the last 30 years, Peterborough County and the City of Kawartha Lakes have seen a loss of nearly a thousand farms and over 120,000 acres of active farmland. As part of our heritage, the Conservancy encourages and supports the development of sustainable farming and farmers. We want to help ensure the future of local agriculture by working with local farmers and partners, participating in various agricultural forums, and conducting research. For more information about farm options, please contact us:

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