



Blog



Our Team



Menu

BLOG

Moodys Gartner musings

The Liberals want to wipe out the family farm!?

Published on 9 September, 2017 by Greg Gartner CA, QC

I don't write as many blogs as other members of my firm, however, today my concern rose enough to put fingers to keyboard. On the September 7, 2017 edition of the [CBC Alberta @Noon show](#) (the portion that you'll be interested in starts at about 39:25 and ends at about 42:45), Liberal advisor Michael Wolfson, a University of Ottawa economist, admitted to some of the consequences that the private corporation tax proposals may have for family farms. By way of explanation, it was Mr. Wolfson's 2015 [paper](#) – eventually published in the Canadian Tax Journal – that formed part of the Liberal's 2015 election platform and is part of the basis for the Liberal's controversial private corporation tax proposals. As recently as August 9, 2017, Finance Minister Bill Morneau tweeted an op-ed in the Globe and Mail composed by Mr. Wolfson entitled "[The sky is falling on small business – or is it?](#)" – accompanied by the laudatory statement: "[Great insights by Michael Wolfson](#)".

During the call in portion of [Alberta@Noon](#), a listener [Nial] phoned in to comment [and my apologies for the paraphrasing]:

"farmers work their whole life to pass down their land; kids work on the farm for little wages knowing they will receive that land eventually, and these changes will potentially increase tax on a disposition of land to children, the family farm will be "destroyed". This will result in more large scale agri-farming (Big-Ag) at the cost of the family farm."

I could have not addressed the concern about the private corporation tax proposals and its impact to family farms more eloquently myself. And to condense – putting words in Mr. Wolfson's mouth – his short

response to this key question was: *"Who cares – it is likely a good thing"*. He did admit *"that this not an area I have delved into"*. But ultimately, he stated the family farm is likely obsolete; that there are more effective ways to organize how Canadians grow our food. That family farms are "inefficient". Speaking like a true economist, he implied that we as a country should only be looking at the lowest cost and greatest efficiencies for food production. Period. One can easily surmise that he envisions a much expanded role by communal organizations, pension funds and government agencies growing our nation's food. I won't stoop to debate with Mr. Wolfson but I will point out that the operating efficiencies of the average Prairie farmer or rancher are likely the best in the world factoring in our climate and input costs.

Mr. Wolfson's comments triggered the small part of me that is a conspiracy theorist. There is nothing in the proposed income tax changes that will affect the preferential taxation of communal organizations or public corporations and (non-taxable) pension funds. They will have a larger competitive tax advantage to family farms corporations (not to mention larger and cheaper sources of capital), and able to use this position to continually outbid ordinary farmers and ranchers for land, quota and other scarce and finite farming inputs. Talk about the government handing over the ammunition to these entities to put a bullet straight into the heart of the family farm.

The above begs the question as to whether or not Mr. Wolfson is qualified to advise on agricultural policy. A review of Mr. Wolfson's resume states that he is an economist and computer scientist. From his University of Ottawa bio:

His [Mr. Wolfson's] numerous articles have addressed topics such as assessing the inter-generational equity of Canada's pension and health care systems, the design of an appropriate system of health statistics, modeling disease determinants and treatments, income inequality and polarization trends, and income and income inequality as determinants of population health.

Quick perusals of his scholarly works indicate that he has published nothing, nor is considered an expert on agri-food policy, taxation (other than statistical analysis) or succession planning. Yet this is an example of the "experts" the Finance Minister is not only listening to **but congratulating** in developing the most draconian changes to agricultural tax policy that have appeared in my 25 year career (let us not even speak of the revisions to the taxation of deferred grain tickets proposed in the last Budget as well).

These proposed income tax changes will negatively affect the after-tax returns for Canadian family farms (lessening their available cash flow and debt service abilities), and will exponentially increase the tax cost to pass a family farm corporation to the next generation (if you want to

ensure a reasonable retirement for the parent and not just give it to the children). Renting farmland through a corporation – even to a sibling or relative – will be taxed at confiscatory rates of 70%+ if the passive asset / income proposals get passed into law as discussed in the consultation paper. The multi-generational farm will be dead in its present form, as the tax costs to sell to a child or other relative will be exponentially more than selling to an unrelated neighbor, a communal organization or a pension fund.

It will take more than just mere tweaks to the private corporation tax proposals to not adversely affect the family farm. Especially when a key Liberal policy advisor – who does not appear qualified to advise on taxation policy that will have a draconian effect on agriculture and agriculture policy – appears to admit as such.



Knowledge Portal

Foreign Account Tax Compliance Act (FATCA)
Renouncing Your US Citizenship
Purchasing & Selling US Real Estate
US/Australia Tax Considerations
Increasing Your Bench Strength
It's About You

Areas of Interest



News



Publications



Careers



Subscribe

Search



Search

Keywords

Go

© 2017 Moodys Gartner Tax Law LLP

[Privacy Policy](#) | [Trademark Notice](#) | [Contact Us](#)



MGTL App



LinkedIn



Twitter