

Proposed Federal Tax Changes Forum

Lambton Federation of Agriculture

September 26, 2017
Alvinston, Ontario

 **Bryan Boyle & Associates**
FACILITATING YOUR FUTURE

Table of Contents

	Page
Executive Summary	3
Purpose of Session	5
Current Perceptions	5
Merits for Proposed Taxation Changes	9
Challenges for Proposed Taxation Changes	10
Participants' Suggested Actions	13
Workshop Summary	17

Executive Summary

On September 26, 2017 over 240 interested individuals from the local community met at the Brooke Alvinston Inwood Community Centre in Alvinston for a highly interactive Proposed Federal Tax Changes Forum facilitated by Bryan Boyle.

The purpose of the session was to:

- 1) To inform interested individuals about the details of the proposed federal tax changes affecting small business
- 2) Solicit participants' feedback of merits and challenges relating to the taxation changes
- 3) Identify potential actions to address concerns

Lambton Federation of Agriculture President, Al Langford welcomed all the participants to the event. He thanked everyone for attending and encouraged them to get engaged in the evening's program that the Lambton Federation of Agriculture had organized because of the interest in the local community relating to the proposed federal taxation changes for small business.

Jaclyn Cairns, a tax specialist from BDO in Strathroy, presented the proposed taxation changes for small business. She outlined the impact of the changes under several scenarios and shared some of her own practical experiences and perspectives. Jackie also responded to several questions of clarification from those in attendance.

Participants were asked to share the first one or two words that come to mind when they hear, "the proposed federal government tax reform for small business". Their responses were focused around inequity, excessive taxation, questioning the approach, negative financial implications, intergenerational transfer impact, government inefficiencies, unrealistic expectations, political considerations and emotions felt.

Participants responded to the question, "What merits or positives have you heard mentioned for the proposed federal government tax reform for small business?" They struggled to identify any positives. More money for government programs and services, helping to reduce the government deficit, generating business for financial professionals and more money for rural infrastructure captured most of the positives. None or no positives were the most common responses to this question.

The weaknesses or challenges of the proposed federal government tax reform for small business were much more readily identified by those in attendance. Themes included far-reaching implications, implications on intergenerational transfers, administration and implementation issues, high costs, higher taxation, philosophical questions as well as emotions evoked.

Participants identified many actions that could help address the challenges of the proposed federal government tax reform for small business that they had identified at this forum. The actions were clustered into the following themes: interact with Members of Parliament, interact with political leadership, encourage political change, engage in civil disobedience, change proposed legislation, encourage changes in approach, generate public support, undertake major business actions and enhance business management.

The Lambton Federation of Agriculture's Proposed Federal Tax Changes Forum was a productive event, where the participants were very engaged. The participants learned more details about the impact on their businesses of the proposed changes and offered some valued input by identifying their personal concerns and potential actions to address those concerns.

Proposed Federal Tax Changes Forum

Lambton Federation of Agriculture
Brooke Alvinston Inwood Community Centre, Alvinston, Ontario
September 26, 2017 Facilitated by Bryan Boyle

Purpose of the Session

- 1) To inform interested individuals about the details of the proposed federal tax changes affecting small business
- 2) Solicit participants' feedback of merits and challenges relating to the taxation changes
- 3) Identify potential actions to address concerns

Throughout this report whenever two or more participants (or in the cases of the discussion groups-number of groups) offered the same or very similar comments they are noted with an "x" and the number, e.g. (x3)

Welcome

Lambton Federation of Agriculture President, Al Langford welcomed approximately 240 interested individuals to the event. He thanked everyone for attending and encouraged them to get engaged in the evening's program that the Lambton Federation of Agriculture had organized because of the interest in the local community relating to the proposed federal taxation changes for small business.

Presentation

Jaclyn Cairns, a tax specialist from BDO in Strathroy, presented the proposed taxation changes for small business. She outlined the impact of the changes under several scenarios and shared some of her own practical experiences and perspectives. Jackie also responded to several questions of clarification from those in attendance.

Current Perceptions

Participants were asked to share the first one or two words that come to mind when they hear, "the proposed federal government tax reform for small business".

Inequity

- Unfair (x17)
- Extremely unfair
- Unfair to the people that run the country
- Unfair tax reform

Excessive Taxation

- Tax grab (x7)
- Money grab (x7)
- More tax (x2)
- More tax dollars
- Massive tax increase
- Overtaxed
- Tax drain
- Rip-off
- Total rip-off
- Government rip-off
- We already pay too much
- Easy money
- Will cost me money
- Government grab for money for ulterior motives
- Stealing my money
- Robbery
- Confiscation of a citizen's money and equity

Questioning the Approach

- Complex (x3)
- Too complicated (x2)
- Confusing
- Ulterior motives
- Proposed means passed; reform means robbery
- Well-intended ignorance
- Not at all thought out
- Shortsighted
- Unprecedented shortsightedness
- Unjustified
- Undiplomatic
- Too rushed
- Lack of consultation
- Poor timeline with very little warning
- Lack of understanding of implications for farmers and small business
- Minimal overall review of all affected
- More paperwork
- Income opportunity previously overlooked
- Difficult to track
- Revenue generation, not equalization
- Gone too far

- Proposed is the wrong word; Canada Revenue Agency has already implemented the bill
- Legislation is already in place
- Is this criminal intent?
- Is this designed to kill small business?
- Where is the incentive for small business if they are treated like employees?
- How can they backdate it?
- Government will make changes

Negative Financial Implications

- Income loss
- No money left
- Destroying all family farms and small business
- Killing family farms
- Killing small business with tax increases
- Killing the economy
- Business killer
- Death of creative entrepreneurship
- Negatively affecting rural Canada including small town business, farmers and families
- The end of our country as we know it
- How can small business survive?
- Change “small” to “large” business
- Capital gains
- Why is there only one million-dollar capital gains exemption in Canada when in USA capital gains exemption is \$5 million
- I am leaving Ontario with my money as soon as possible because I am able to
- If the government wants a farming industry in Canada, they should back off
- To the ladies... does this do away with the 50-50 sharing we currently utilize?

Intergenerational Transfer Impact

- This will decimate the intergenerational transfer of farms and businesses
- Goodbye to multigenerational business
- What happens to the family farm or small business?
- Death of the family farm
- End of the family farm
- Why do we bother trying to be successful if our kids will eventually suffer?
- Makes it hard for the next generation
- Secondary will, tax-free to children
- How do I retire?
- It does make sense to buy our parents’ farm

Government Inefficiencies

- Federal government needs spending reform before tax reform
- Government should learn to budget and live within it
- Finance federal government programs
- Government is killing family farms and small businesses to fund their wastefulness
- Governments' fault for overspending
- Federal and provincial governments have totally misspent our tax dollars
- Cost money
- Government waste
- Government is broke

Unrealistic/Unreasonable Expectations

- Ludicrous (x2)
- Unjustifiable
- Unrealistic
- Unreasonable
- Unreasonable to think that this should be enacted retroactively
- Unreasonable and illogical
- Poor judgment
- Ill-prepared
- Bad idea
- Garbage
- Punitive

Political Considerations

- This is what Liberalism is
- The government is after the wealth of the baby boomers
- Government control
- Socialism
- Cross off Trudeau and the Liberals
- This might be called a dictator form of government

Emotions Felt

- Confusion (x2)
- Disappointment
- Defeat
- Sickening
- No future
- Discouraged to be in business once again
- No point in trying to make a living; go on welfare
- Why work?

- Bad news
- Self-employed and corporate lives matter
- How does our future look?
- We are being targeted
- Punished
- Yikes
- Not happy
- Stupidity reigns supreme
- Time for a revolution

Merits for Proposed Tax Reform

Participants were asked, “What merits or positives have you heard mentioned for the proposed federal government tax reform for small business?”

- More income for government
- The government has more money to spend on programs and services
- Help reduce the government deficit
- More money to replace rural infrastructure
- More government jobs
- More money for accountants
- More small business tax consultants
- More work for accounting firms
- Only the government benefits
- Government gets more money to pay off debt and care for needy citizens and help them become taxpayers
- None (x10)
- No positives (x4)
- None; photo opportunities for Trudeau
- Nothing is fair
- No benefits
- Not a single positive point
- Maybe people will see how Trudeau really works and we will get Harper back
- No merits for small business at all
- No positive merits for the taxpayer

Challenges

Participants were asked, “What challenges or negatives exist for the proposed federal government tax reform for small business?”

Far-Reaching Implications

- Meeting taxation commitments while maintaining margins
- There's no future for family farms and business
- Meeting compliance issues
- Results will be rising prices of food
- No incentive for self-employment and entrepreneurship
- How can you say one person's contribution is better or higher than their spouse's contribution, i.e. working off-farm and raising children
- More paperwork to track hours for children and spouse
- Previous taxation structures are now gone after spending considerable money to plan our intergenerational transfers
- Previous tax plans are pulled away from us
- Not encouraging new businesses, Canadian investment, self-employment, children to take on the business
- Reduces wealth in the business
- Kills small business
- Punished business owners
- Not sustainable
- Small business and farmers will lose business
- Employees do not take risks like business owners
- Dis-incentivize innovation and investment in agriculture or any small business
- Contrary to provincial agricultural mandate letter to increase agriculture jobs
- This will tax everyone to the limits so there is nothing left for retirement, vacations or your children
- Making retirement impossible; after following the rules for our whole careers, we are being punished
- This government is killing the businesses that create jobs for people to pay taxes
- No credit is being given for the risk of being a business owner
- This government is irresponsible
- You cannot give something to someone without taking it from someone else first
- The purpose of owning a business is to make money; what is the use now?
- Increase of foreign ownership of farms
- Kill the small towns
- Stop creation of small business
- Making a living
- No retirement

- No incentive to grow and improve
- There is no benefit to starting a business
- No reason to have your own business
- Farmers pensions have been stolen
- Money to reinvest in the small business will not be there anymore
- Adds to the pressure of increased minimum wage
- This tax takes the work incentive away
- Cannot reinvest in business
- No future for the next generation
- Discourages anyone from wanting to farm
- Puts immense debt on to new farmers that are working into the family farm ownership
- Small business that had planned on retirement funds will be severely impacted
- There will be no future for business owners in this country
- Proposed legislation will drive professionals to the United States and other countries with preferential tax treatments
- Death of farming
- Loss of revenue
- Huge impact on the economy
- Retirement abilities
- Retirement planning
- How are you able to establish a pension?
- Seriously hurts our retirement
- Focus is off agriculture production and on business planning and survival
- Kills rural communities by draining wealth
- Not every business owner is wealthy
- Dries up the price of food
- Eliminating small business
- For a government who upholds women, this tax legislation stigmatizes and puts down the work farm wives put into the business
- Loss of private ownership of land

Implication on Intergenerational Transfers

- Does away with all our succession plans
- Can't pay children who work on the farm part-time
- If property owner in Toronto can make tax-free gain on principal residence, why should generational farms pay tax on the land?
- Intergenerational transfer tax is unreasonable
- How are we supposed to keep the family farm in the family?
- Impossible to transfer the family farm to the next generation
- Cannot transfer to the next generation effectively as we already have demographic issues

- Transfer to the next generation is much harder
- Why can the third-party buy cheaper?
- If forced to sell the farm to outsiders, there goes the family farm as we know it
- Succession planning will become more complicated and expensive
- How do we transfer the business to the children?
- How are we going to pass on the family farm?
- How do they expect to feasibly transfer business between generations?
- Not able to keep the farm for the family
- How to transfer the family business to the next generation
- Unfair transfer of farm when there are non-farming siblings
- Sounds impossible to plan transfers
- Younger generation may not consider coming home to farm
- Discourages the next generation from going into farming

Administration and Implementation Issues

- Complicated system
- Complex and ambiguous
- Keeping track of hours worked
- How to pass a reasonableness test may be a Canada Revenue Agency nightmare
- Challenge to interpret reasonableness
- How will we determine reasonableness?
- Bookkeepers' nightmare
- Complex bookkeeping
- Legislation has been enacted to quickly; how can we effectively plan
- Documentation
- Complications in execution
- Extra administration and paperwork
- Increase paperwork particularly if you're incorporated; need for detailed minutes
- Less money for farmer and the regular economy

High Costs

- High accounting costs (x3)
- High costs
- More bookkeeping expense
- Accounting nightmare

Higher Taxation

- Too much tax
- Higher taxation
- Higher tax bracket
- Three times the tax to sell to the next generation

- The family farm will be killed by taxes
- Business owners are being robbed

Philosophical Questions

- The challenge is how can we keep it from happening?
- Does the government need more money to give to the nonproductive members of society?
- If employee equals employer, why be an employer?
- How can we make a future?
- If we continue to invest eventually are we going to be punished for trying to be successful?
- Why would we start a business?
- Why does the government want to penalize hard-working, risk-taking entrepreneurs of success through hard work?
- Why excessively tax farmers who feed you?

Emotions Evoked

- Fear of the unknown
- Dealing with complexity in the unknown
- Feelings of frustration; quit and go on welfare
- Impossible to retire
- Feel helpless
- Fears

Participants' Suggested Actions

Participants identified many actions that could help address the challenges of the proposed federal government tax reform for small business that they had identified.

1. Interact with Members of Parliament

- Contact MP (x6)
- Access the Ontario Federation of Agriculture website and send a letter to MP (x4)
- Write my MP to educate them (x2)
- Sign and send petition (x2)
- Call as many Liberal MPs as possible at their constituency offices (x2)
- Call or e-mail our MP or the Liberal MPs close to our riding
- Send out a letter to the MP to reconsider tax reform
- Send a personal farm impact story to your MP sharing how this will affect your farm
- Write/e-mail/tweet MP's of the Liberal party as well as the MP in our area
- Encourage MPs to rethink what you are doing to taxpayers with these bad policies

- Contact local MP; where are they tonight?
- Please provide contact information for MPs
- Conduct a one-day telephone blitz to MPs
- Everyone tweet the MPs
- Personally talk to your MP, sharing the negative impact for small business
- Urge your MP not to support the new tax measures
- Contact Peter Fragiskatos and Kate Young, Liberal members in London
- Send delegates through the local MP to speak at Parliament
- Need to push back but how to do that since the legislation is already passed?
- Encourage other businesses to contact MPs
- Call your Canadian Federation of Independent Business representative

2. Interact with Political Leadership

- Forward Bryan's report of this meeting to Prime Minister Trudeau, Agriculture Minister McAulay and Finance Minister Morneau
- Share concerns with Minister of Finance Morneau
- Write the Finance Minister and the Prime Minister
- Be very vocal to our government
- Encourage Trudeau to spend a year farming instead of spending and giving away our hard-earned dollars elsewhere. This should apply to every Canadian including elected officials
- Investigate how to impeach Trudeau
- Trudeau and Morneau both have their own money cleaned up and protected, which is illegal and completely unfair. They should be jailed for their irresponsibility
- Trudeau and Morneau need to listen to the accountants and stop this legislation
- I wish Trudeau and Morneau would answer the questions

3. Encourage Political Change

- Share our concerns with local card carrying Liberal supporters
- Convince Liberals they will lose the next election
- Hold government responsible for their bad deals and admit they made a mistake
- We need a new government that is for the people, not for their own interests and pensions and giving their buddies big government contracts
- Convince Liberals they will lose the next election
- Do not vote Liberal ever
- Vote Progressive Conservative

4. Engage in Civil Disobedience

- Protest on Parliament Hill (x2)
- Public demonstration in Ottawa
- Time to visit Ottawa

- March on Ottawa
- Take the tractors to Ottawa and close the 401
- Put 40,000 angry farmers on Parliament Hill in Ottawa
- Farmer should come together, drive and park their equipment at Queens Park in protest
- Protest
- Block the 402
- Tax revolt
- Burn an effigy of Justin
- If the government continues to ram this legislation through, OFA should recommend to all its members that they withhold all taxes from the government. What do we have to lose? We will not pay 93% tax and they cannot throw us all in jail. I recommend all other business organizations do likewise.
- Public demonstrations for attention
- Do like we did in 1967
- No farmers pay their taxes... we all go to jail
- All small business owners, farmers, doctors, lawyers, accountants etc. team together and don't pay any taxes until these proposals are stopped
- Do not pay any taxes or installments
- Do not submit income tax returns
- Protest Liberal MPs' offices
- Do what farmers in France would do
- Riot like the French
- Start a nationwide petition

5. Change Proposed Legislation

- Exempt farmers from this tax change proposal (x2)
- Exempt farmers and low revenue small business from this legislation or farms and community's small business will disappear
- Create a tax break for family farms or suffer the consequences
- Shelf the new tax program
- Make farmers exempt from this unfair tax grab
- Make farmers exempt from these bad tax proposals
- Agriculture should be exempt from these new rules
- Forward proposal to exempt family farm corporations from legislation
- We need exemptions to save the family farm
- Write into the legislation that agriculture is exempt
- Reverse their decision

6. Encourage Changes in Approach

- Business investment needs to be rewarded with tax breaks
- Ensure equal tax whether selling to a third party or a family member
- Delay implementation on agriculture and consult to build case studies and define true implications that are sector specific
- Take more time to resolve this important farm issue
- Tax marijuana users instead
- Tax MPs' retirement pensions at 93%
- Contact Lambton Federation of Agriculture and the Sarnia Lambton Chamber of Commerce

7. Generate Public Support

- Use social media to increase public awareness (x3)
- Have Canadian Federation of Agriculture and Ontario Federation of Agriculture coordinate interviews of farmers re: impacts of legislation through real life stories
- Engage social media to inform real numbers to voters
- Create a public mantra... "Save Our Farms"
- All farmers are born farmers
- Make public aware that if no one becomes a farmer, we will lose this industry too
- Contact business interest groups and listen
- Educate on the negative impact to business ownership and risk taking
- Communicate with peers
- Make the public in Greater Toronto Area aware that without business there are no jobs since these are the people the government listens to
- Keep informing the general public how this will affect them as well in the long run
- Read and promote the message in September 19 Ontario Farmer article (Page 12B)

8. Undertake Major Business Actions

- Lay off staff
- Close the business
- Quit your business
- Move your business to Mexico
- Move to Mexico
- Stop farming and line up at the food bank

9. Enhance Business Management

- Hire a chartered accountant
- Implement a process for management meetings for partnerships and corporations on a regular basis with detailed minutes being maintained

Summary of the Forum

The Lambton Federation of Agriculture's Proposed Federal Tax Changes Forum was a productive event, where the participants were very engaged. The participants learned more details about the impact on their businesses of the proposed changes and offered some valued input by identifying their personal concerns and potential actions to address those concerns.