

Ontario Disability Support Program - Income Support Directives

5.7 - Farm Income

Summary of Legislation

An applicant or recipient who earns income from the operation of a farm may be eligible for income support and increased business asset exemptions as approved by the Director. Earnings exemptions including deductions for child care and disability-related expenses are applied to the net monthly income from the operation of a farm business in order to determine the amount of income support payable to the recipient.

For each month that an ODSP recipient or eligible member of the benefit unit has a net positive income from the operation of a farm business, they are eligible for the \$100 Work-Related Benefit.

Legislative Authority

[Section 12\(3\); 14\(2\) 4; 28\(1\) 7, 8, 9, 10, 11; 38 and 44\(1\) 6.2 of the ODSP Regulation.](#)

Summary of Directive

A person who operates a farm business may be eligible to receive income support under the ODSP.

Where an applicant or recipient operates a farm business, allowable business expenses are deducted from the gross business income of the farm to calculate net income. Earning exemptions, child care deductions and a deduction for disability-related expenses as appropriate, are then applied to the net income to determine chargeable income.

Income deductions and asset levels under ODSP are different for recipients who own/operate a farm as a business, than for employees of a farm.

A recipient who operates a farm is required to submit an annual report verifying farm revenues and expenses as well as other available income.

Recipients and eligible members of the benefit unit who have monthly net positive business income are eligible for the work-related benefit of \$100 each month they generate net positive business income.

Intent of Policy

To allow self-employment from the operation of a farm business as a means of increasing financial independence.

Application of Policy

“Farming” is defined as a business operation where income is derived from activities such as tilling the soil, raising or exhibiting livestock, maintaining horses for racing, raising poultry, fur farming, dairy farming, fruit growing and bee keeping.

For the purposes of the ODSP, a distinction must be made between an applicant/recipient who has an interest in the operation of a farm as a business and an applicant/recipient who is an employee of a farm. This distinction is important in determining how to treat the income received. This directive applies to farmers who operate a farm as a business.

To identify a person, who operates a farm business, an ODSP recipient will provide one of the following documents:

- T2042 Statement of Farming Activities: Submitted to the Canada Revenue Agency and the corresponding Notice of Assessment Form T451. Staff will ensure that the net income reported in both documents coincide. This will confirm approval of “business” income.

Or

- Any other formal document that verifies ownership of the farm business (i.e. business name registration along with invoices, accounts receivable/payable records etc.)

Farm Income

Where an applicant/recipient has an interest in the operation of a farm as a business, the net income from the operation of the farm is used to determine the amount of income support to which a person is entitled. Refer to [Directive 5.4 Treatment of Self-Employment Income](#) for further information on calculating ODSP income support amount. "Net farm income" is defined as the gross farm revenues less approved expenditures.

The earnings exemptions including deductions for child care and disability-related expenses apply to the net monthly farm income.

Note: Any meat or produce grown for consumption by the recipient/benefit unit is not considered when determining net income.

Income from Grants and Subsidies

Money received from grants or subsidies from the [Ministry of Agriculture, Food and Rural Affairs](#) is considered to be business income. However, any money from a grant/subsidy that is used to purchase an approved good/service may be considered a deductible expense.

Income from Renting Out Farmland

A recipient must access all available sources of income to which he/she may be eligible for as a requirement of eligibility. The feasibility of renting out farmland should be discussed with an applicant or recipient who owns a farm but is not cultivating the land. In such instances, 60% of the gross farm rental income is charged. This is to be treated in the same manner as the rental of self-contained living quarters on the farm. Refer to Directive [5.1 Definition and Treatment of Income](#) for instruction on how to treat rental income.

Farm Tax Rebates

Money received from Farm Tax Rebates is considered business income.

Approved Farm Expenses

Approved farm expenses can vary for each farm operation. A "reasonableness" test must be applied to expenses to ensure that they meet the following criteria:

- necessary for the operation of the farm;
- will maintain or increase the likelihood of earning income from the farm; and,
- the item or service is purchased on a "best buy" basis (i.e., the cost is not unusually high or inflated).

If the item or service is not expected to result in earnings or increase farm income, it should not be approved as an allowable expense.

List of Approved Expenses

The following are the approved farm expenses that can be applied to the gross income of the farm operator, in order to determine the net income:

- **Standard Expense Deduction (\$100):** ODSP recipients reporting income from self-employment (farm operation) are allowed a basic deduction of \$100 per month to cover miscellaneous expenses related to operating the business. It is not necessary to report the specific expenditures and no receipts are required in order to claim the standard expense deduction.

Recipients must claim either the standard \$100 per month expense deduction **or** actual business expenses, whichever is the greater amount. If actual expenses are claimed, specific expenditures must be reported and receipts will be required.

Note: ODSP recipients must generate at least \$100 per month in self-employment income (or over \$1200 per year, as net business income is calculated annually) in order to have a net positive monthly business income and qualify for the work-related benefit. For details regarding eligibility for the work-related benefit, see [Directive 9.18 Work-Related Benefit](#).

- **Farm Supplies:** purchased for use in the operation of the farm including:
 - fertilizers and lime;
 - pesticides, herbicides, insecticides, fungicides;
 - seeds and plants;
 - livestock purchased including cattle, swine, poultry, sheep and lambs;
 - feed, supplements, straw and bedding;
 - veterinary fees, medicine and breeding fees; and,
 - containers, twine and bailing wire.
- **Equipment:** including rental costs of machinery.
- **Repair and Maintenance to Farm or Farm Equipment:** such as machinery, fence repairs, building repairs.
- **Bookkeeping/Legal Fees:** including the costs of bookkeeping fees, legal fees and office supplies.
- **Advertising and Business Cards:** including the cost of flyers, brochures and any costs directly linked to advertising.
- **Licenses and Required Fees for Membership in Trade:** including the costs of vendor licenses, building permits and memberships in trade or commercial associations.

Note: Club memberships for personal or recreational uses are not allowable expenses.

- Delivery, Freight or Express Costs to Deliver or Receive Goods: including the costs incurred to ship items for sale or any handling of goods to generate income for the farm.
- Bank Charges on Farm Accounts: including certifying cheques and service fees, but not bank charges related to "not sufficient funds" (NSF) cheques.
- Personal Vehicles: Where a vehicle is necessary for the operation of a farm, a recipient must maintain a record of travel (i.e., travel log). The travel expense is an allowable expense under the following conditions:
 - if the travel is necessary for the operation of the farm; and,
 - the purpose of the travel is to generate income.

Expenses incurred travelling from home to the farm are not deductible.

For passenger cars, light trucks and vans, expenses can be deducted at a rate of \$0.40 per kilometre or \$0.41 per kilometre in the North and North East Regions.

The travel expense amount is intended to cover the business portion of the cost of gasoline, vehicle maintenance (including payments for car wash), and insurance. No additional vehicle expenses are allowed when personal vehicles are used (e.g., parking, repairs and depreciation may not be deducted separately).

Note: Personal vehicles used in the operation of the farm are considered personal assets.

- **Farm Vehicles:** used exclusively in the operation of the farm must be owned or leased and operated by the person who is the self-employed farmer. He/she must make a declaration confirming the vehicle's use. If these conditions are not met, then the personal vehicle rate applies as an approved farm expense.

Approved vehicle expenses for vehicles that are exclusively used for the farm include:

- license and registration fees;
- fuel costs including gasoline, diesel and oil;
- insurance;
- leasing or loan repayments; and,

- maintenance and repairs.

Appropriate receipts to verify actual costs may be requested. The kilometre rates used for personal vehicles do not apply to farm vehicles. Vehicles that are necessary to the operation of the farm and are used exclusively on the farm (e.g., combine) are considered "tools of the trade".

- Rent for Farm Premises: includes rent, or mortgage payments (principal and interest) and property taxes for the farm property. No portion of residential rent may be deducted from farm earnings. Residential shelter costs are provided for under the shelter allowance and are not included as a farm expense.
- Utility Costs for the Farm: includes heating, water and hydro expenses for the farm where it is operated separately from the principal residence.
- Telephone Expenses: The difference between residential and commercial telephone rates for a business line can be deducted as a farm expense. If the farm is operated at a different address, the entire telephone expense for the farm may be deducted.
- Farm Insurance: A recipient is allowed to deduct the cost of insurance for fire, theft, liability, buildings, crops and livestock as a farm expense. If the farm is located on the recipient's principal property, only the difference between the home and farm insurance is deductible.
- In-kind or Bartered Items: A cash value must be given to any sales transactions involving in-kind or bartered items or an exchange of goods or services (where no money is exchanged). A cash value must be established and included as farm income. In addition, the recipient can assess a corresponding farm expense against the bartered or in-kind item.
- Subcontracting: subcontractor costs are an approved farm expense (effective June 2016) and can be deducted when calculating net farm income; however, employee wages are not an approved expense (refer to "List of Non-Approved Business Expenses" below for treatment of employee wages).

In the majority of cases, a subcontractor can be distinguished from an employee based on how payments made by the payor to the worker are considered by Canada Revenue Agency (CRA).

If the business owner provides the worker with a T-4 income slip, deducts Canada Pension Plan contributions, Employment Insurance premiums, or

income tax from the worker's pay, and pays the employer's portion of the contributions and premiums to CRA, then the worker is an employee.

If the worker reports the income he/she receives from the payor as business income to CRA, then the worker is self-employed and considered a subcontractor.

There must be a written contract indicating the nature of the work, the period of time the contract covers, the amount the contractor will be paid and how the payments will be made.

Payments made by a recipient to members of the benefit unit are not an approved business expense.

- **Disability Accommodation Expenses:** In addition to the earnings exemption deductions of \$300 for disability-related expenses, a recipient may be allowed to deduct payments made to an employee who is required due to disability-related needs and in order to operate the business. In other words, "but for" the services of this other person, the recipient could not possibly carry out the objectives of the business because of the nature of the disability.

Example: A blind chicken farmer requires a driver to get him from his home to a location where he would carry out the objective of his business, namely, selling his eggs. In this instance, the salary or wage paid to the driver would be deducted as a necessary business expense to facilitate the earning of self-employed income.

- **Maintenance of Land:** including costs incurred for clearing, levelling or improving land, provided the land is being cultivated or will be as a result of the improvement. Costs incurred for a land drainage system, including tile drainage, may also be considered farm expenses.

Non- Approved Farm Expenses

The following expenses may be incurred by the farm operator, but are not allowed as a farm expense for the purposes of determining net farm income:

- **Personal Draws/Owner's Withdrawals:** "Personal Draws" or "Owner's Withdrawals" are withdrawn by the farm owner from the farm. A personal draw is not an allowable farm expense and should be included as earned income.

- **Wages to Employees:** Wages paid to employees of the farm are not approved expenses. Related payroll expenses (e.g., income tax, Employment Insurance (EI), Canada Pension Plan (CPP), Workplace Safety and Insurance Benefits (WSIB) are also not approved expenses.

The recipient may deem this expense as necessary; however, it is not an approved expense. Employee wages cannot be used to reduce the recipient's net business income for the purposes of determining ODSP income support amount. If the recipient claims wages and related expenses, it should not be allowed as a farm expense. Note: this does not include payments made to an individual who is hired due to disability-related needs.

Note: Payments to subcontractors as outlined above can be considered an approved business expense if they meet the criteria outlined in the previous section on Custom Work and Subcontracting.

- **Wages to Members of the Family Unit:** Wages paid to the recipient, spouse and dependent children, who are members of the benefit unit, are not approved expenses. Related payroll expenses (e.g., income tax, EI, CPP, and WSIB are also not approved expenses. The recipient may deem this expense as necessary; however, it is not an approved expense. If the recipient claims wages and related expenses, it should not be allowed as a farm expense.

Note: Wages paid to dependent children are not an approved farm expense, but if paid, are not charged as income for the purpose of calculating ODSP income support.

- **Farm Losses:** A farm may lose money in a given calendar year, particularly in the early stages of operation. In this case, the chargeable farm income is \$0. Losses may not be carried forward (i.e., to offset earnings in future periods).
- **Depreciation (also known as Capital Cost Allowance):** Depreciation on farm assets and vehicles is not an approved expense. Depreciation is a deduction allowed by the Canada Revenue Agency to reflect the fact that assets are depleted in the course of earning profits and must eventually be replaced.

For the purposes of determining the amount of income support to be provided, asset purchases and sales are reported and treated on a cash basis; that is, the cost is recognized when it is first incurred.

- **Municipal Property Taxes:** municipal property taxes are not an allowable expense unless the business is carried out in premises other than the recipient's principle residence.
- **Entertainment and Gifts:** expenditures on entertainment (e.g., meals) and gifts are not eligible deductions.

"Tools of the Trade" and Assets

"Tools of the trade" are exempt as assets under certain circumstances. Machinery, equipment and other items required to derive an income from farming will be considered "tools of the trade" and are therefore exempt. For example, milking machines used by a dairy farmer would be considered tools of the trade and are therefore exempt as assets. However, an old milking machine owned by a chicken farmer, and not used on a day to day basis to derive an income would not be considered a tool of the trade. Rather, it would be considered an asset and subject to the applicable limitations for business assets.

Giving Up the Farm

If an applicant/recipient states that he or she will no longer be operating the farm as a business, the assets directly relating to the farm such as inventory, or farm equipment, and items that are considered "tools of the trade", should be liquidated.

In determining eligibility of an applicant for income support, the following should be considered:

- what the person received for the assets disposed of;
- whether or not any assets such as cash received, exceed the allowable limits; and,
- if the farm is rented out, whether an appropriate amount of revenue is generated.

Once an applicant/recipient states that he/she will no longer be operating the farm as a business, a grace period of six months shall be granted to arrange for the liquidation of assets. The assets directly relating to the farm will not be considered when determining the person's budgetary requirements during this six-month period. After six months, if the assets directly relating to the farm are not liquidated, they shall be considered an asset of the individual.

Annual Reporting Requirement

A recipient who owns/operates a farm is required to submit an annual report verifying farm revenues and expenses as well as other available income (e.g., rental income). A recipient must follow the record-keeping standards as set out under [Directive 5.4 Treatment of Self-Employment Income](#). For verification purposes, ODSP staff shall request a copy of the recipient's most recent Revenue Canada Statement of Farming Activities.

Employment and Training Start-Up Benefit and Child Care Expenses

Eligibility for the Employment and Training Start-Up Benefit (ESUB) and up front coverage of child care expenses applies to a recipient starting his/her own farm business to help defray the expenses of starting a business. Refer to [Directive 9.1 Employment and Training Start-Up Benefit \(ESUB\) and Up Front Child Care Costs](#).

Hyperlinks Associated with this Policy Directive

Related Directives:

[3.1 Consolidated Verification Information Requirements](#)

[4.1 Definition and Treatment of Assets](#)

[5.1 Definition and Treatment of Income](#)

[5.4 Treatment of Self-Employment Income](#)

[5.10 Loans](#)

[9.1 Employment and Training Start-Up Benefit \(ESUB\) and Up Front Child Care Costs](#)

[9.18 Work-Related Benefit](#)

Other Related Sites:

[Canada Revenue Agency](#)

[Ministry of Agriculture, Food and Rural Affairs](#)