



To: Richmond City Council
From: Cllr. Rob Howard, Chair
Finance Committee
Re: **TAXATION EQUITY**

Date: November 9, 2007
File: 03-1240-01/2007-Vol
01

The Finance Committee, at its meeting held on Thursday, November 9th, 2007, considered the attached report, and recommends as follows:

Committee Recommendation

- (1) *Whereas Municipalities are front line public service providers facing an undue burden of costs as a result of ageing infrastructure and provision of critical services such as police, fire protection, roads, recreation, parks, water, sewer, garbage and recycling, and a major source of municipal revenue is property tax which is not directly responsive to economic activity; therefore, be it resolved that Municipalities work with senior levels of Government to determine a more equitable manner of cost and revenue sharing, and immediately revisit the tax structure without increasing the overall taxes.*
- (2) *Whereas Municipalities are best equipped and qualified to host events and programs that result in positive economic spin-offs with limited direct financial benefit to the Municipalities, therefore, be it resolved that the Municipalities work with senior levels of Government to determine a share in the direct tax gains (GST/PST/Corporate/Personal taxes) associated with the event in order to provide some funding and incentive for event hosting.*
- (3) *That the above resolutions and the accompanying background paper be immediately submitted to UBCM, FCM, LMLGA and other area associations, the Government of BC, the Government of Canada and appropriate business and community groups across the Province and the country.*
- (4) *That staff be requested to assemble further materials in support of the above resolutions which can be forwarded to these organizations in the future.*

Cllr. Rob Howard, Chair
Finance Committee

Attach.

VARIANCE

Please note that the following was recommended:

- (1) That the following two Draft resolutions be referred to staff so that the resolutions can be fine tuned and that appropriate supporting materials can be assembled and attached to the resolutions, the intent being, that these resolutions will be widely circulated with requests that the various groups and/or Governments, endorse these or similar resolutions:

Resolution No. 1:

- (a) Whereas Municipalities are front line public service providers facing an undue burden of costs as a result of ageing infrastructure and provision of critical services such as police, fire protection, roads, recreation, parks, water, sewer, garbage and recycling, therefore, be it resolved that Municipalities work with senior levels of Government to determine a more equitable manner of cost and revenue sharing.

Resolution No. 2:

- (b) Whereas Municipalities are best equipped and qualified to host events and programs that result in positive economic spin-offs with no direct financial benefit to the Municipalities, therefore, be it resolved that the Municipalities work with senior levels of Government to determine a share in the direct tax gains (GST/PST/Corporate/Personal taxes) associated with the event in order to provide some funding and incentive for event hosting.
- (2) That the above resolutions be submitted to UBCM, FCM, LMLGA and other area associations, all municipalities in BC, the Government of BC, the Government of Canada and appropriate business and community groups across the Province and the country.



2007 UBCM Conference

September 24-28, 2007
Vancouver Convention and Exhibition Centre
Vancouver, BC

**Briefing Paper Submitted by the
City of Richmond on**

Fair Share Tax

For Discussion with

**Hon. Carole Taylor,
Minister of Finance**

**Meeting date
& time:** Tuesday, September 25, 2007
4:40 – 4:55 p.m.

Author: Jerry Chong, Director of
Finance, Business &
Financial Services
Department

**Meeting
Room:** Suite 740
999 Canada Place, Room 1

Background

Canadian municipalities rely on property taxes for more than 90 percent of their revenue and these revenues (unlike federal and provincial governments who rely on income and sales taxes) do not increase with a growing economy.

In past there has been a reduction in transfers from senior governments to municipalities. Today, municipalities do not have revenue-raising tools to allow them to adequately meet their responsibilities.

The ability to raise revenues from residential property taxes is limited because at some point the tax base will not continue to grow as quickly as it has in the past. In addition, the visibility of property taxes makes it difficult to increase. Unlike income taxes, which are withheld at source and sales taxes which are paid as a percentage of each individual purchase, property taxes are paid in lump sums during the year after directly invoicing the tax payer. Therefore, taxpayers are much more aware of the total property taxes they pay each year than total income or sales taxes.

Issue

The current arrangement of taxing amongst the 3 levels of government (federal, provincial and municipal) has municipalities receiving the least amount (approximately 5%). However, municipalities are responsible for providing critical public services such as police and fire protection, roads, parks, recreation and culture, water, sewer and garbage/recycling.

In order to provide quality levels of service to the majority of Canada's population and businesses, high-quality infrastructure is vital in achieving growth, productivity and international competitiveness. Cities require constant funding in order to maintain and build infrastructure but are limited due to the source of revenues available.

Based on information provided by the Fraser Institute, the tax burden faced by an average family of 2 individuals is quite significant with the municipal government share being the least. Municipal governments need a greater proportionate share of overall taxes if they are to continue to be considered key providers in economic growth for the future (see attached tables). In fact, Municipalities are also best equipped to host events and programs resulting in positive economic spin-offs. Unfortunately, the financial incentives are not there for the Municipalities as the economic activity primarily drives income and sales taxes to the benefit of the 2 senior levels of government.

Minister Request

We request that the province broaden the taxation powers for municipalities and/or provide more funding to municipalities for infrastructure and service needs. As well, exempting municipalities of PST would go a long way in this regard.

**Table 2: Taxes of the Average Family (with two or more individuals), 2007,
Preliminary Estimates (\$ Cdn)**

	Cash income	Income tax	Sales taxes	Liquor, tobacco, amuse- ment, & other excise taxes	Auto, fuel, & motor vehicle licence taxes	Social security, pension, & medical, & hospital taxes	Property taxes	Import duties	Profits tax	Natural resource levies	Other taxes	Total tax bill
NL	64,693	9,610	5,210	2,203	1,182	4,968	1,404	205	3,157	3,082	1,026	31,967
PE	65,823	9,152	5,722	1,903	1,362	5,657	2,121	215	2,701	9	622	29,405
NS	70,031	11,224	5,491	2,232	1,039	5,508	2,032	264	3,505	595	382	32,271
NB	67,872	10,253	5,447	2,013	1,047	5,790	2,433	241	2,376	236	512	30,329
QC	72,214	11,435	5,766	1,895	863	8,035	2,510	268	3,496	8	429	34,688
ON	90,018	14,522	6,311	2,144	968	8,842	3,321	351	3,730	24	780	41,494
MB	77,604	12,239	5,684	2,563	834	5,794	2,669	278	3,253	178	1,718	35,210
SK	75,807	11,259	4,783	2,318	1,493	5,276	3,248	268	4,077	2,008	989	35,720
AB	109,052	19,029	3,304	3,740	913	7,897	1,806	394	2,563	3,770	1,464	44,881
BC	81,239	11,949	5,752	2,550	897	7,294	2,595	300	3,858	1,376	1,340	36,919
CDA	83,775	13,513	6,069	2,321	975	8,045	2,801	317	3,440	658	853	39,992

Source: The Fraser Institute's Canadian Tax Simulator, 2007.

**Table 6: Breakdown of the Average Family's¹ Tax Bill by Level of Government, 2007,
Preliminary Estimate (\$ Cdn)**

	Federal government	Provincial government ²	Municipal government	Tax bill ³
Newfoundland and Labrador	15,340	12,110	1,435	28,886
Prince Edward Island	16,052	12,399	944	29,396
Nova Scotia	18,226	11,378	2,071	31,676
New Brunswick	16,831	11,850	1,412	30,093
Quebec	17,365	14,805	2,527	34,696
Ontario	24,333	13,871	3,266	41,470
Manitoba	19,107	13,221	2,704	35,032
Saskatchewan	17,760	12,443	3,509	33,712
Alberta	26,881	12,801	1,429	41,111
British Columbia	21,092	12,927	1,525	35,543
Canada	21,665	14,083	2,586	38,334

¹The average family with two or more individuals.

²Excludes natural resource levies.

Source: The Fraser Institute's Canadian Tax Simulator, 2007.