

## Barbara Yaffe: Find transit money somewhere else

### No more taxes: Politicians need to sharpen their pencils and find the extra cash within existing revenues

BY BARBARA YAFFE, VANCOUVER SUN COLUMNIST APRIL 1, 2015



The mayors now say they need another \$250 million in tax for transit.

**Photograph by:** Ric Ernst, PNG

The mayors now say they need another \$250 million in tax for transit. If we vote No, what then?

Even while confronting a \$5-billion budget deficit, Alberta Premier Jim Prentice has rejected introduction of a provincial sales tax.

And Manitoba Premier Greg Selinger nearly lost his job last month because he boosted his province's sales tax in 2013 to eight per cent.

Now, in B.C., voters in Metro Vancouver appear to be rejecting a 0.5-per-cent PST hike for transit improvements regarded by most people as crucial. What's going on?

Sales taxes are high profile, smacking taxpayers in the kisser each time they make a purchase.

And in non-HST jurisdictions, like B.C. and Manitoba, companies pay PST on their business inputs, putting them at a competitive disadvantage with companies in HST provinces. Any increase to B.C.'s PST will worsen this problem. It will also increase construction costs for new housing in the region.

Sales taxes are always trouble. Recall, Canada had several political crises after the Mulroney government introduced the GST. Ontario MP Sheila Copps resigned her seat in 1996 over a campaign statement she had made about a Liberal pledge to kill it.

Consumers were thrilled when Stephen Harper later reduced the despised levy by two percentage points.

Of course, there are other taxes that could be hiked besides the PST.

There's property tax and the property transfer tax, tax on fuel, carbon, medical services, vehicles, imports, alcohol and tobacco. In some instances, we even pay a tax on tax.

That's a whole lot of tax.

Indeed, Canadians last year paid a total tax equivalent to 41.8 per cent of average family income — down somewhat from a decade ago, but up from 33.5 per cent in 1961, according to Fraser Institute research.

And remember, taxes reflect spending over which most people have little control.

Add in housing, food and clothing costs — consuming another 36 per cent of income — and nearly 80 per cent of a family's income is spoken for. Probably more than that in Vancouver, due to high housing costs.

Over time, a larger share of income has been gobbled by taxation because governments are providing more services — in response to public demand.

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Christy Clark opined in February, “mayors ... have always had the ability to raise money for transit through increasing property taxes, and that would be one of the options available to them.”

But it's not that simple. Such a solution almost certainly would prompt a tsunami of public fury. Especially since many — with homes that have crept past the \$1.1 million mark — are about to lose some or all of their homeowner's grant.

In any event, the mayors have stated with conviction, property tax increases for transit are not on.

It is a fact, Vancouver homeowners and businesses pay less per \$1,000 of tax assessment than their counterparts in many other cities; \$3.68 per \$1,000 of assessed residential property, compared to \$6.10 in Calgary, or \$7.23 in Toronto.

But those figures don't reflect the fact assessed property values tend to be greater in Vancouver.

Also, property taxes in this city are being hiked every year: 2.08 per cent in 2010; 1.88 per cent in 2011; 2.84 per cent in 2012; 1.36 per cent in 2013; 1.62 per cent in 2014; and a proposed 2.4 per cent this year. And the increases all get compounded.

Further, any move to hike property taxes when the Property Transfer Tax remains ridiculously overinflated, is unthinkable.

But all is not lost. Governments collect billions in revenue and have a degree of flexibility in their spending. For example, B.C. lately has reduced its annual rate of spending increases for health care.

B.C. is spending a total of \$46 billion this year. Vancouver, just one of 23 municipalities in the Lower Mainland, will spend \$1.2 billion.

Armed with sharpened pencils, politicians should be able to identify within existing revenues the \$250 million a year for Metro Vancouver's transportation infrastructure — if it's as crucial as they claim.

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