

Don Cayo: Carbon tax offsets are by no means evenly distributed

BY DON CAYO, VANCOUVER SUN FEBRUARY 17, 2016



According to the provincial budget released this week by B.C. Finance Minister Michael de Jong, in the fiscal year just ending, carbon tax revenue totalled \$1.216 billion, up \$18 million from the year before.

Photograph by: CHAD HIPOLITO, THE CANADIAN PRESS

B.C.'s carbon tax revenues continue to creep higher and, true to its word, the provincial government has implemented other measures — mostly tax cuts and some subsidies — to compensate taxpayers for the extra cost of burning fossil fuels.

But, according to figures in Tuesday's budget, in recent years the benefit of these measures has been spread anything but evenly.

The budget shows a steady progression in the cost to the treasury of breaks introduced over the past several years for most individuals and businesses, but they remain in the same ballpark as the year before — some up slightly and a few down a bit.

Meanwhile, the film industry has been making out like bandits.

This analysis presupposes, perhaps naively, that Finance Minister Mike de Jong isn't stretching his nose when he credits the carbon tax for funding every subsidy and tax cut that has kicked in since the inception of the tax and the promise of revenue neutrality in 2008.

As the government tells it, in the fiscal year just ending, carbon tax revenue totalled \$1.216 billion, up \$18 million from the year before. And the break given to individuals totalled \$579 million, up \$14 million, mostly thanks to the personal income tax cuts of 2008.

Which sounds great, until you cast your eye to the bottom of the budget chart and note the value of the breaks for business was \$1.73 billion, up \$206 million from the year before. And \$148 million of this

went to the film industry through a \$106-million-a-year film incentive program and the \$385-million-a-year production services tax credit.

The numbers look a little less stunning in the budget's forecasts for the next three years — “only” \$90 million a year for the first of these subsidy programs, plus \$310 million for the second. But these are guesses, quite possibly wild ones.

Film subsidies shot up last year because film production increased dramatically, and this was due largely to the Canadian dollar's drop. The real numbers for the next three years will, despite the forecast in the budget, be decided by international money fluctuations, not by a bean-counter's calculations in Victoria.

Of course, it is possible that this is all spin, that film subsidies have nothing to do with the carbon tax, that our government is so set on giving billions of dollars of taxpayers' money to mostly-foreign fat cats that it would have done so anyway, even without the carbon tax and the revenue-neutral pledge. But if so, what are these numbers doing in a table purporting to show how the B.C. Liberals are “giving back” to those of us who pony up for the carbon tax?

I have publicly supported the carbon tax and I'd like to continue to do so. But the principle of revenue neutrality is key to winning my support. And revenue neutrality, to me, means across-the-board tax relief that benefits everybody, not special perks for special interests.

This principle is sorely eroded by the film subsidies and similar handouts to other special interests that are passed off as compensation for the carbon tax — things like grants to northern and rural homeowners (\$83 million last year), children's fitness and arts credits (\$8 million), or school tax credits for industries (\$24 million) or farms (\$2 million).

Taken together, these kinds of narrowly targeted perks — which, in my view, are as likely to be inspired by crass politics as by careful policy analysis — add up to more than a third of the carbon tax “benefits”. This makes a mockery of the government's pretence that it is giving back to the public and the province's business community more than it collects in carbon tax.

If the government continues this trend to reward the few at the expense of the many, even the tax's supporters — me, for one — will start finding it difficult to defend.

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