Straight Talk

Property Taxes in Western Canada's Big Six

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This research report is part of the Canada West Foundation's ***Western Cities Project,*** a multi-year research and public consultation initiative focused on identifying the policy challenges facing western Canada's largest cities, and best practices in resolving such policy challenges. Through the Canada West Foundation's emphasis on citizen engagement, the ***Western Cities Project*** promotes public awareness of the growing importance of cities to the economic, social, and cultural lives of western Canadians. The project, which began in 2000, includes the following research components:

- **Urban Water Management**
- **Urban Infrastructure**
- **Urban Finance**
- **Urban Regions**
- **Urban Growth and Affordable Housing**
- **Municipalities in Federalism**
- **Urban Arts and Culture**
- **Urban Aboriginal People**

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Straight Talk was authored by Canada West Foundation Senior Policy Analyst Casey Vander Ploeg. This report is part of a larger series of reports discussing municipal finance issues, and is part of the Foundation's ***Western Cities Project.*** The opinions expressed in this report are those of the author alone and not necessarily those of the Advisory Committee or Canada West Foundation's donors, subscribers, or Board.

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Executive Summary

Property tax debates have raged for years. Critics of the property tax argue that it is insufficient to meet the growing fiscal needs of today's large modern cities, while others argue that property taxes are too high, the tax burden is growing too rapidly, and the tax is increasing the cost of living and the cost of doing business. Given the perennial nature of the property tax debate, Canada West Foundation undertook one of the most comprehensive comparative analysis ever conducted of municipal property taxes in the cities of Vancouver, Edmonton, Calgary, Saskatoon, Regina, and Winnipeg. The study answers four specific questions:

- ***What is the relative burden of municipal property taxes in comparison with other taxes?***

  Property taxes in Canada speak to only a small portion of the total tax bill facing the average Canadian. Across the country, all forms of property tax comprise less than 9¢ out of every tax dollar paid. With roughly half of this amount dedicated to *education,* the *municipal* property tax comprises less than 5¢ out of every tax dollar.

  Western cities are no exception. The general residential and commercial municipal property tax and the business tax (where applicable) comprise an estimated average of only 5.4¢ out of every tax dollar collected by governments in the six cities of Vancouver, Edmonton, Calgary, Saskatoon, Regina, and Winnipeg.

  Further, the relatively small burden posed by the property tax, when compared to the sum total of all other taxes, has fallen dramatically over the last 40 years. In the early 1960s, Canadians paid 14.6¢ out of every tax dollar in property tax. This total represented about 65% of what was paid in combined federal and provincial personal income tax. By 2000, property taxes represented just over 20% of the amount paid in combined personal income tax.

- ***Are current property tax levels high relative to historical levels?***

  No. All taxes in Canada rose from 24.5% of GDP in 1961 to 36.2% in 2000. However, local government taxes (of which 90% come from the property tax) have actually fallen as a percentage of GDP. Local government taxes were 4.16% of GDP in 1961 but only 3.16% in 2000. If local taxes were collected at 4.16% of GDP in 2000 instead of the 3.16%, another $10.6 billion would have been collected in that year alone.

  To be sure, Canadians are paying more property tax both in absolute terms and in real per capita terms than 40 years ago. But recently, real per capita property taxes have begun to fall quite significantly in most large western cities. Even more important, when measured against personal disposable incomes, the amount of municipal property tax collected today in the six big western cities is among the lowest levels seen in the past 40 years. Are property taxes out of control? Hardly. Blaming municipal property taxes as leading to an ever increasing tax burden for the average Canadian is misplaced.

- ***What municipal services do property taxes finance? To what degree are different services covered through property taxes?***

  Across the six big western cities, about 75% of all operating expenditures (excluding utilities) are funded through general revenues. Property taxes comprise, on average, about three-quarters of total general revenues. Across the six cities, policing and emergency response (fire and EMS) consume the single largest share of municipal property taxes paid – about one-third. Policing uses the single largest share of property tax in Vancouver, Edmonton, Calgary, and Saskatoon, and it runs a close second in Regina and Winnipeg. A significant portion of the property tax is also dedicated to supporting infrastructure through transfers to the capital budget or reserve funds. Across the six cities, civic administration, emergency response, policing, and roadways are the most dependent on general funding, and hence, the property tax. Only about half of the costs for public transit and waste and recycling are subsidized through general funding and the property tax.

- ***What are the advantages of the property tax and what are the disadvantages?***

  An immobile and stable tax base, predictable revenues, and visibility, accountability, and transparency are all positive features of the property tax. A big disadvantage is that the property tax base expands slowly, and yields only incremental additions in revenue. To compensate, cities often have to increase the tax rate just to ensure that revenues keep pace with inflation. However, the high visibility of the property tax works against pursuing this option. Thus, revenue growth in cities is often sluggish.

  A low property tax burden that is declining relative to historical levels implies that there is more room today for cities to employ the tax as one means of addressing any under-funding of municipal services as well as coming to grips with a sizeable infrastructure deficit that reached $564 million for the six big western cities in 2003 alone. But, increasing property taxes can have negative effects on those with fixed or low incomes, and it would also reinforce inequities in the current property tax system. The challenge is to address the disadvantages of the property tax while ensuring that the advantages are retained. All of this is a compelling argument for employing a broader range of tax tools rather than relying on the property tax alone.

INTRODUCTION

Ask any Canadian how much tax he or she pays, and the likely answer will be "too much!" Most taxpayers, this one included, often feel that taxes are simply too high. This sentiment is not restricted to the public community, broadly speaking. It can also be found in debates occurring within the more narrow political and economic policy community. The fact is, debates have raged for years over the issue of taxes. But nowhere is this debate more vigorous and enduring than in Canada's municipalities. Whether one lives in a large metropolitan centre, a medium-sized city, a small town, or a rural village, property taxes are often the local issue of the day.

In one corner are those residents, business owners, and other interests who argue that property taxes are too high, the tax burden is growing too rapidly, and the tax is increasing the cost of living and the cost of doing business. In the opposite corner is another group of taxpayers, along with the municipal administrations responsible for delivering local services. They understand that the property tax base does not always grow alongside the broader economy and incremental increases in the property tax rate are sometimes needed to cover the costs of inflation, accommodate population growth, and simply maintain services never mind increasing overall revenues in real terms. Caught in the middle are mayors and city councillors – confronted with the choice of "raising taxes" to maintain services and support infrastructure, or pursuing a "zero-percent" property tax increase policy and finding ways to trim expenditures and even cut local services.

Given the perennial nature of the property tax debate, this study seeks answers to four specific questions. In large part, the questions are designed to uncover whether the municipal property tax debate has been overstated.

- *What is the relative burden of municipal property taxes in comparison with other taxes such as personal income tax, corporate income tax, and sales taxes?*
- *Are current property tax levels high relative to historical levels?*
- *What municipal services do property taxes finance? To what degree are different services covered through property taxes?*
- *What are the relative advantages of the property tax and what are the disadvantages?*

METHODOLOGY

Answering these questions demands a study rich in data. Here, Canada West Foundation researchers employed four strategies. First, a dataset was constructed detailing the taxes collected by the three orders of government in Canada from 1961-2000. In building this dataset, almost 40 years of *National Income and Expenditure Accounts (NIEA)* data published by Statistics Canada were reviewed. (These data are often referred to as the system of *National Accounts* or the *Provincial Economic Accounts.)* With these data, the various taxes collected can be totalled and the relative burden of each tax measured. The various taxes can also be set against a number of control variables such as economic output (GDP) or personal incomes to determine whether taxes have increased in real or relative terms.

The system of *National Accounts* is a consistent and reliable source of tax data, but unfortunately, amounts are not broken out for individual cities and the municipal portion of the property tax is not separated from the education portion. Because our questions speak to the relative *municipal* property tax burden facing citizens in western Canada's six large cities, Canada West Foundation researchers also built city-specific datasets using the *Public Accounts* – annual reports and budgets published by individual governments, and other reports such as those of the bond rating agencies. This effort resulted in five detailed tax datasets for the incorporated cities of Edmonton, Calgary, Saskatoon, Regina, and Winnipeg from 1960-2003. A dataset was also built for Vancouver, but issues of data consistency, comparability, and access limit this dataset to the 1990-2003 period.

To determine the relative property tax burden in the large western cities, property taxes were compared to federal and provincial *Public Accounts* tax data drawn from past budgets and bond rating reports issued by the *Dominion Bond Rating Service (DBRS).* To uncover whether property taxes in the six large western cities have actually increased, a number of control variables were also collected, particularly the incomes generated in the cities. These data were secured from Revenue Canada's *Tax Statistics on Individuals.* In building the city-specific dataset, the financial statements and supporting schedules in some 250 separate municipal annual reports issued by the six cities were explored, along with forty volumes of income tax statistics published by Revenue Canada, and dozens of bond rating reports issued by the DBRS.

Third, each of the cities under review (with the exception of Vancouver) was requested to submit to the Canada West Foundation a dataset highlighting the specific services funded by the property tax in their cities. These datasets allowed researchers to determine the extent to which certain services are funded by the property tax as opposed to other financing such as user fees.

Finally, results of a literature review were pulled together to uncover the primary arguments both for and against the property tax as a means of financing large cities. In addition, financial directors in each of the cities were asked their opinions. A number of these arguments have been put forward in prior Canada West Foundation studies on municipal finance, but in this report they are more carefully assessed, better organized, and more formally framed. This helps in arriving at an overall assessment of the appropriateness of the property tax in funding today's large modern cities.

CHALLENGES and CAVEATS

Collecting and comparing decades of government tax collections is no small assignment. The system of *National Accounts* eases the frustration because these data share a common set of baseline parameters. With these data, there are only two cautions to note. First, the *National Accounts* used for this study represent three separate reporting periods with slightly different methodologies (1961-1980, 1981-1991, and 1992-2000). Slight variances between the three periods are evident with a number of data points. Second, the 1992-2000 period may include some federal and provincial taxes that were not recorded in earlier years. However, the overall impact of these irregularities is not significant, rarely producing more than a 2.0% difference on any data point between the three periods.

More caution is in order regarding the *Public Accounts.* Here, governments are generally more free to employ their own accounting methods. Changes in accounting standards, government operations, and consolidation practices occur frequently, and comparable figures are not always restated for prior years. Furthermore, no two governments deliver an identical set of services. Different accounting and presentation styles, changing accounting practices, inconsistent definitions, significant changes in government operations, and differing service levels make it difficult to arrive at a comparable set of tax numbers between governments and even for a single government or city over an extended period of time.

To control for these difficulties, researchers employed a number of strategies. With regards to the cities, research always started with the most recent Consolidated Financial Statements. Using historical information in the annual reports, efforts turned to building a consistent set of tax data for the most recent period (late 1990s to 2003). As data for earlier years were secured and changes to accounting practices emerged, adjustments were made to ensure consistency. In some instances, this was not always possible, but such instances were generally rare.

For the most part, this study focuses only on those taxes based upon property values such as the general residential and commercial property tax, local improvement levies, and business taxes based on rental values. Other taxes such as revenue-in-lieu of property tax (a type of grant from federal and provincial governments, and large private and public utility companies, whose property is difficult to assess), franchise fees, utility sales taxes and access fees, amusement taxes, and other non-property related taxes are ignored wherever practicable. While revenue-in-lieu of tax can be formally considered "property tax", it is not dependent on the mill rate and cities cannot always control the amounts remitted. However, separating revenue-in-lieu and other types of taxes was not always possible. In this study, the emphasis remains on ensuring data consistency over time and between cities for each separate analysis. This means that the basket of property taxes under review in one analysis may not be the same basket of property taxes included in another analysis. However, each individual analysis remains a valid comparison.

Greater consistency emerges with federal and provincial *Public Accounts* data. Several governments produce ten and even twenty-year running records of past tax collections (e.g., Alberta) and the reports issued by the *Dominion Bond Rating Service (DBRS)* also helped in developing a consistent set of data. Only one specific caution needs to be made – the federal and provincial taxes collected within each specific city had to be estimated. The general rule of thumb was to employ a conservative approach that underestimates the federal and provincial taxes collected in the cities.

Further, some tax and income data points had to be estimated. In developing estimates, researchers typically interpolated the amounts based on a consistent rate of growth or decline in certain variables, or extrapolated the estimates based on an average rate of growth in the last few years. (Readers who desire more depth on these issues can refer to Appendix 1.)

As a final check, all the data charts were sent to the financial departments of each city for verification and comment. It appears that Canada West Foundation's datasets provide a reasonable platform upon which to compare property taxes in western Canada's big cities. At the same time, they remain an imperfect effort, in large part due to data accessibility challenges. *As such, readers are encouraged to avoid ranking or comparing cities with these data.* It may appear that some cities collect more property taxes than others because the amounts include revenue-in-lieu (e.g., Vancouver), they have accounted differently for utility taxes (e.g., Winnipeg) or they simply deliver more municipal services than other cities. As such, the focus needs to remain on *similar trends* shared by the cities. Where useful and reasonable comparisons can be made, we have done so.

SETTING THE STAGE

1. Understanding the "Tax Mix"

Before examining where the property tax fits into the larger Canadian tax picture, it is helpful to take a snapshot of the various taxes in play across the country. *Figure 1* presents a simple taxonomy. Typically, taxes are broken into one of two types – *direct* taxes and *indirect* taxes.

FIGURE 1: Types of Taxes in Canada

FEDERAL and PROVINCIAL Taxes		LOCAL Taxes
DIRECT TAXES		**INDIRECT TAXES**
Income Taxes:		*Municipal General Property Tax:*
Personal Income	(Federal and Provincial)	Residential Property
Corporate Income	(Federal and Provincial)	Commercial and Industrial Property
Dedicated Social Taxes:		*Other General Property Taxes:*
CPP and QPP	(Federal)	Revenue-in-Lieu of Property Tax
Employee Pensions	(Federal and Provincial)	Business Tax (Based on Rental Value)
Employment Insurance	(Federal)	*Dedicated Property Taxes:*
Workers' Compensation	(Provincial)	Education Portion
Health Care Premiums	(Provincial)	Local Improvement Levies
		Frontage Levies
INDIRECT TAXES		Utility Levies
Sales and Excise Taxes:		Library Purposes
General Retail Sales	(Federal and Provincial)	Business Revitalization Zones
Selective Sales/Excise	(Federal and Provincial)	Regional Governments/Services
Customs/Import Duties	(Federal)	Levies for Debentures
Other Indirect Taxes:		*Sales Taxes:*
Other Corporate Taxes	(Federal and Provincial)	Hotel Taxes
Licences and Permits	(Federal and Provincial)	Amusement Taxes
Natural Resource Taxes	(Provincial)	Franchise Fees
Gambling Taxes	(Provincial)	Utility Sales Taxes
Payroll Taxes	(Provincial)	*Other Taxes:*
Miscellaneous	(Federal and Provincial)	Developers' Charges
Property Tax (Education)	(Provincial)	Licences, Fees, Permits

SOURCE: Developed by Canada West Foundation.

Direct taxes are those that are levied directly against personal and corporate incomes, whether that income is generated through employment, the proceeds of investments, property, capital gains, or corporate and business profits. In Canada, only the federal and provincial governments have the ability to levy direct taxes against income, the bulk of which come from the personal and corporate income tax. A second group of direct taxes are dedicated social taxes that are earmarked for specific social program expenditures. These taxes include employee and employer premiums to the Canada and Québec Pension Plans, Employment Insurance, the pension plans of public employees, health care premiums, workers' compensation, etc.

Indirect taxes are not levied against gross personal or corporate incomes. Rather, these taxes must be paid from the disposable income that remains after paying the direct taxes. Indirect taxes can be viewed as including three sub-groups – sales taxes, property taxes, and other taxes. Sales taxes include general retail sales taxes (taxes that apply to a broad basket of goods and services such as the GST), customs and import duties (collected by the federal government on imported goods), and selective sales and excise taxes on specific goods and services (e.g., tobacco, fuel, liquor, hotels, etc.).

A second type of indirect tax is the property tax, used by both provincial and local governments. As far as the municipalities are concerned, the property tax is usually split into three components. First is the general property tax on residential and commercial/industrial land and improvements. The general property tax is split because different effective tax rates apply to residential and business properties. A second grouping is other general property taxes, including revenue-in-lieu of tax and a separate business property tax that is not levied on the assessed value of business properties but on the annual rental value of the property. A third portion of the property tax is dedicated or earmarked for specific purposes, and includes local improvement levies, frontage levies, a separate property tax rate for public libraries, business revitalization zones, regional governments and services, and municipal debentures. Another dedicated portion of the property tax is for education purposes. These property taxes are collected by municipalities but remitted to the province or local school boards to fund education.

Other indirect taxes include non-income related taxes on corporations (e.g., corporate capital taxes, payroll taxes), gambling taxes, and various licenses and permits.

In Canada, the property tax is the single largest source of local government tax revenue, comprising over 90% of all taxes collected by the local sector. The remaining taxes come in the form of a small group of selective sales taxes or franchise fees primarily directed at amusement or entertainment events, hotel accommodations, and utility services (e.g., electrical and natural gas distribution). In the West, Regina, Saskatoon, and Winnipeg collect a small amusement tax, but only Vancouver has access to its own hotel tax, which is earmarked for tourism development. (The *NIEA system* includes developers' charges and various licences and permits as a tax, while the *Public Accounts* typically define them as a user fee. Depending on the data source, franchise fees on utilities can be defined as a tax or a user fee.)

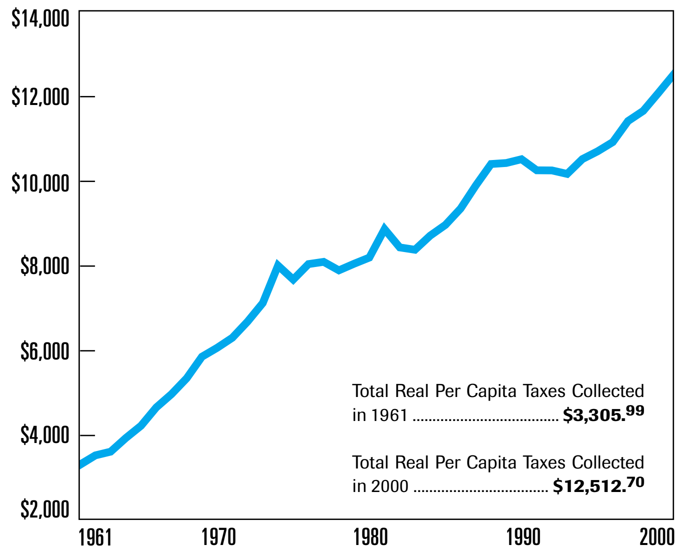
2. How Much Tax Do Canadians Pay?

According to Statistics Canada's system of *National Accounts,* in 2000 individual Canadians paid just under $340 billion in direct and indirect taxes to all three orders of government in Canada. This total tax bill was paid out of a gross personal income of some $840 billion. Thus, the total taxes paid by Canadians in 2000 were about 40% of all income earned in that year. The tax bill rises to $385 billion when considering the $45 billion paid by corporations on a gross profit of $130 billion earned in 2000.

To put the total tax bill of $385 billion in perspective, it represents about $12,500 for each and every Canadian. *Figure 2* compares this per capita tax bill with the taxes paid in previous years. In the chart, all per capita amounts have been indexed for inflation and expressed in constant 2000 dollars. In 1961, Canadians paid just over $3,300 per capita in total taxes. In short, taxes have increased by a factor of four since the early 1960s.

There are numerous reasons for the growth in Canadians' total tax bill. First, we are wealthier today than forty years ago, so it makes sense that more taxes would be paid as wealth increased (real per capita GDP in 2000 constant dollars rose from $13,634 in 1961 to $34,703 by 2000). Second, Canada's social safety net was only in its infancy in the early 1960s. Since then, new social programs were introduced and existing programs were expanded and enriched. To cover the cost, taxes rose. Third, the 1990s also saw governments increase taxes and introduce new ones to eliminate a sizeable government sector fiscal deficit, which had reached $63.928 billion by 1992. Some of these new taxes have been eliminated, but others are still in play as governments now attempt to pay down the public debt or restore funding to programs that were cut to address the fiscal imbalance.

FIGURE 2: Real Per Capita Taxes Collected, 1961-2000
(All Federal, Provincial, and Local Taxes in Real 2000 Dollars)



SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

THE BIG PICTURE

Question #1: The Property Tax Burden

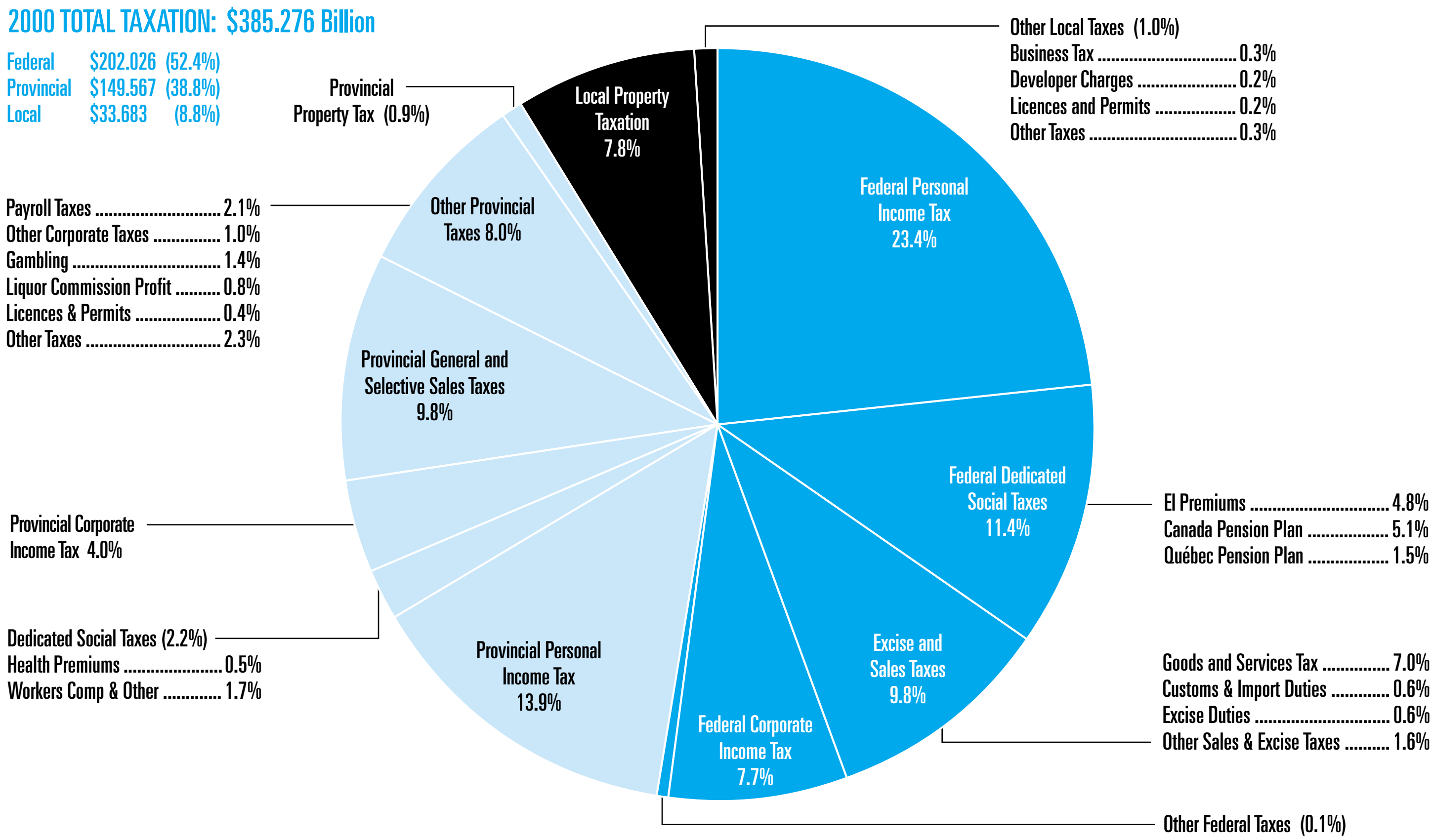
While many Canadians complain about the taxes they pay, one wonders if they understand just how much is being paid through the different types of taxes collected, and further, which order of government is actually responsible for levying those taxes. Given the ongoing debate about property taxes, a key question concerns where that tax fits *relative* to other taxes. In other words, what is the burden posed by property taxes in Canada? To answer the question, one needs to compare the amount of property tax collected to all *other* forms of taxation.

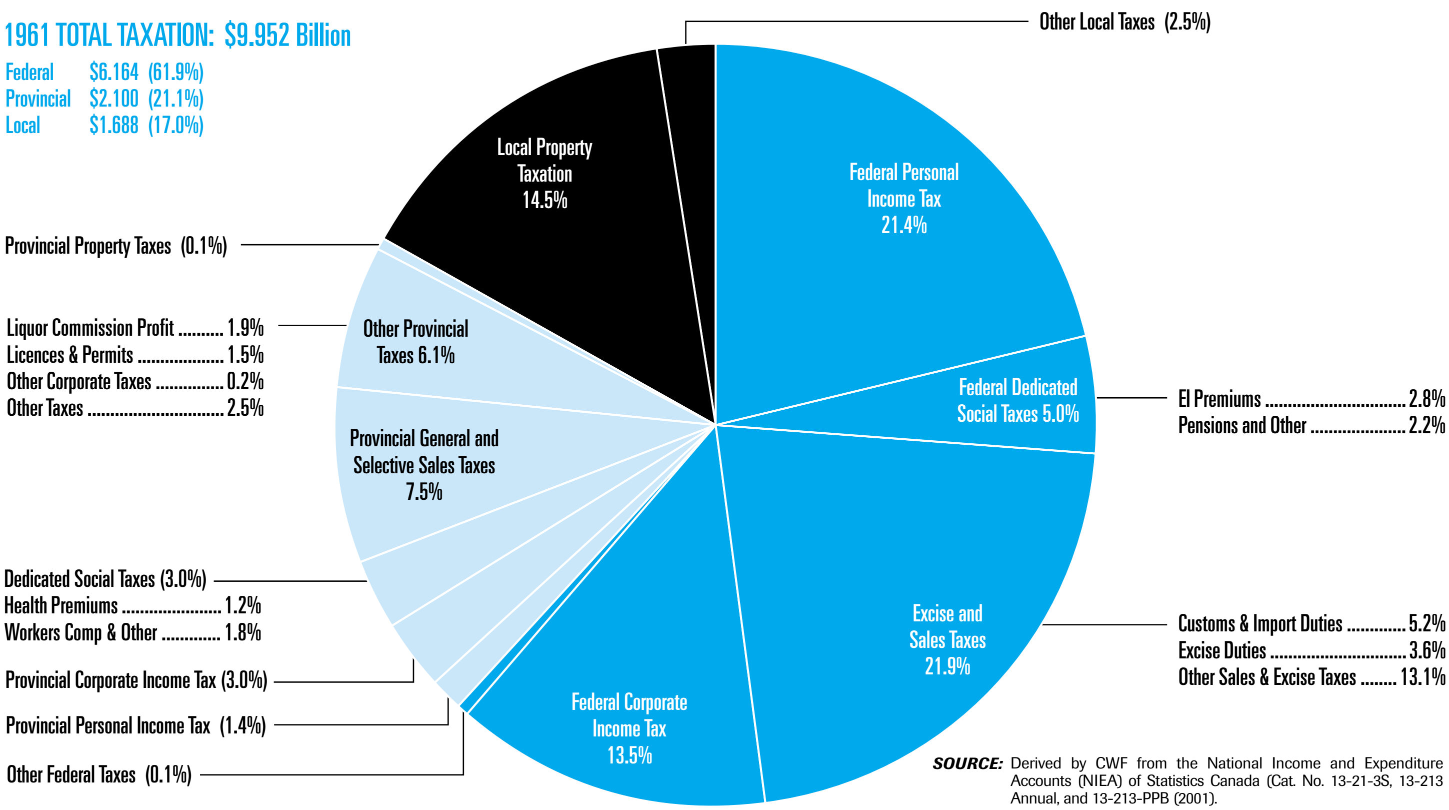
Figure 3 provides this comparison by setting the total property taxes collected across Canada in 1961 and 2000 against all other federal and provincial taxes. In the figure, property taxes include both the municipal portion and the education portion used by local school boards or their respective provincial governments. A number of findings emerge from the data.

- *Property taxes comprise only a relatively small portion of the total tax burden facing Canadians:* Of the $385 billion in taxes collected in 2000, only 8.7% came in the form of property taxes (7.8% attributed to local governments and 0.9% attributed to provincial governments). Assuming that up to half of this 8.7% is actually earmarked for funding education as opposed to local government services, the municipal property tax burden could be as low as 4% or 5% of all taxes paid.

FIGURE 3: Total Taxes Collected in Canada, 2000 and 1961

(All Federal, Provincial, and Local Taxes in Nominal Dollars)





SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

■ *The federal and provincial governments clearly collect the bulk of taxes in Canada:* In 2000, Ottawa was responsible for collecting 52.4% of all taxes in Canada, while the provinces collected another 38.8%. The remaining 8.8% accrued to local governments. Again, a significant portion of the local amount is used for educational purposes as opposed to municipal purposes.

■ *Direct personal taxes collected by the federal and provincial governments constitute the single largest group of taxes:* Over half of the entire tax bill paid by Canadians (50.9%) comes in the form of direct personal taxation. Personal income taxes at the federal and provincial level comprise 37.3% of the total tax amount, while collections for the Canada and Québec Pension Plans, Employment Insurance, health premiums and workers' compensation comprise another 13.6%.

■ *Federal and provincial indirect sales taxes run a distant second to direct personal taxation:* Federal and provincial general retail sales taxes, customs and import duties, and selective sales taxes on fuel, tobacco, liquor, hotels, and other goods and services represent 19.6% of all taxes paid by Canadians. However, the provinces appear to be more dependent on sales taxes than the federal government. (About 25% of all provincial taxes accrue from consumption-based taxation compared to 19% for the federal government).

■ *The remaining taxes are about equally split between corporate income taxes and other tax levies:* Just over 10% of all taxes paid in Canada come from the corporate income tax (7.7% of all taxes are in the form of the federal corporate income tax and another 4.0% accrue to provincial governments). The remaining portion of the total tax bill amounts to just under 10%, with almost all of it being collected by provincial governments. Such taxes include payroll taxes, licences and permits, other corporate taxes, and gambling revenues.

Another interesting feature of *Figure 3* is how the total tax burden facing Canadians has changed over the last 40 years. In particular, four points can be made.

■ *Property taxes comprise a much smaller portion of the total tax pie today than they did in 1961:* One of the most interesting findings is the significantly lower relative burden of the property tax today than forty years ago. In 1961, property taxes accounted for 14.6% of the entire tax bill. In 2000, property taxes were just 8.7% of all taxes paid. Other local taxes, which comprised 2.5% of all taxes in 1961, constituted only 1.0% in 2000.

■ *The provincial personal income tax burden has increased the most relative to other taxes:* In 1961, Canada's provinces collected very little personal income tax, relying more heavily on federal grants in lieu of tax. However, with the introduction of public health care and a variety of other federal and provincially funded social programs, an agreement was struck by which the federal government transferred personal income tax points to the provinces as a means to fund these programs. As a result, provincial income taxes have become a much more significant feature of the Canadian tax system and the overall tax burden facing Canadians. The federal personal income tax burden, relative to all other taxes, has also risen slightly since 1961.

■ *Earmarked federal social taxes have grown substantially:* The amount of federal taxes dedicated to fund social programs has grown significantly since the early 1960s. Much of this reflects the creation of the Canada and Québec Pension Plans in 1965, enhanced Employment Insurance benefits, and recent CPP and QPP premium increases.

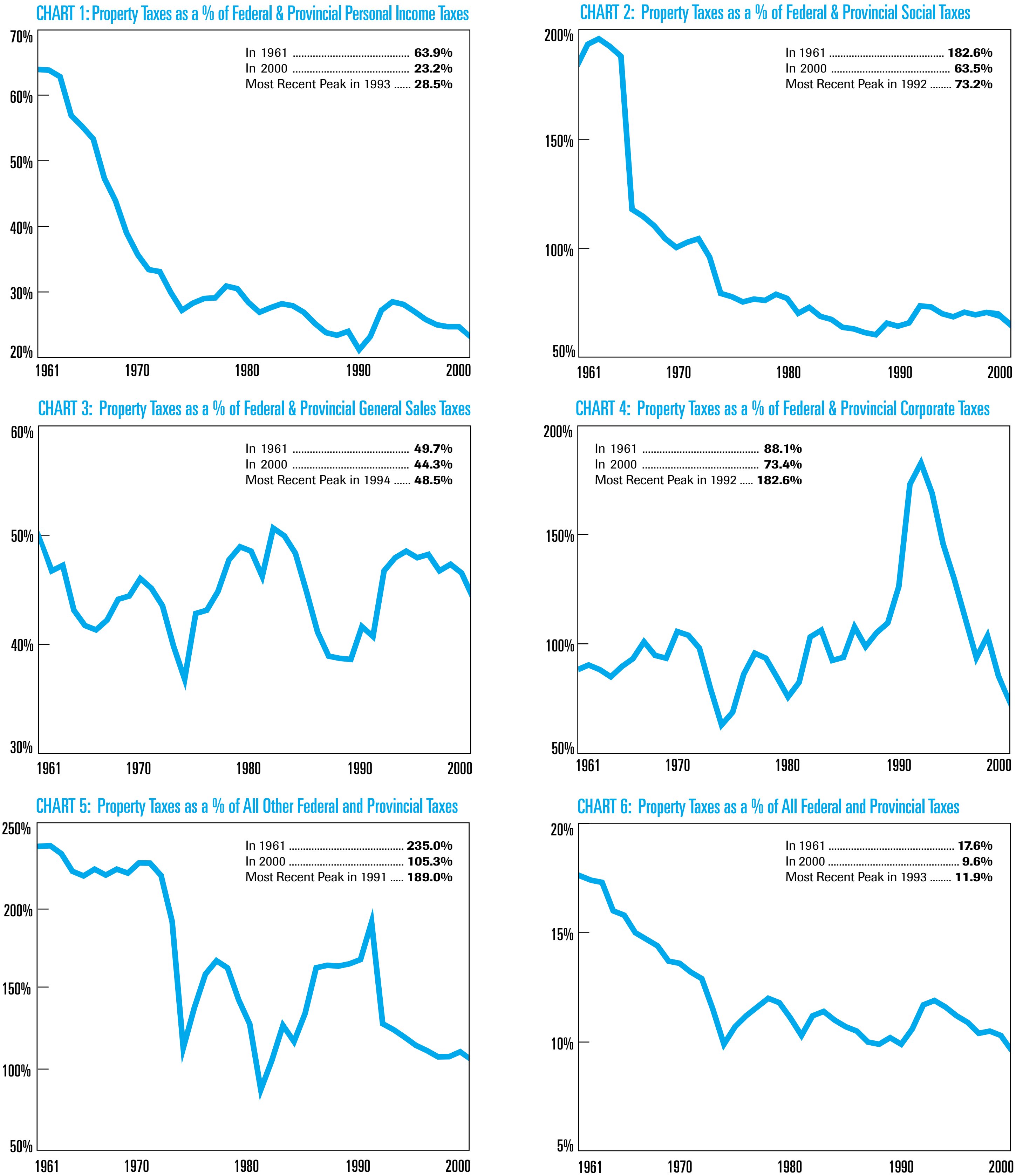
■ *Sales taxes are significantly less important for Ottawa today, and only slightly more important to the provinces:* Even with the introduction of the federal Goods and Services Tax (GST) that replaced the hidden Federal Manufacturer's Sales Tax (FMST) in 1990, sales taxes have become less important in the overall tax mix. In 1961, just under one-third of all taxes collected came in the form of sales and excise taxes. That percentage has since dropped to under one-fifth of all taxes paid.

Figure 4 (which includes *Charts 1 to 6)* provides a detailed look at the relationship of the property tax to five specific federal and provincial taxes over the 1961-2000 period, as well as the total property tax take compared to the combined federal and provincial tax take. Several items can be noted.

■ *Property taxes, expressed as a percent of federal and provincial direct taxes on incomes, have fallen significantly:* Property taxes used to represent about 65% of all federal and provincial personal income taxes collected *(Chart 1).* Today, that ratio has fallen to just over 20%. This finding is echoed by the data in *Chart 2,* which plots the ratio of property tax collections to direct social taxes like CPP, QPP, and EI premiums. With the introduction and expansion of these programs, the ratio fell both quickly and significantly in the early 1960s. Since then, the costs of these programs have continued to grow faster than the property tax, leading to a decline in the ratio for most of the 1970s and 1980s. The ratio, however, did stabilize during the 1990-2000 period.

FIGURE 4: All Property Taxes Collected as a % of Various Federal and Provincial Taxes, 1961-2000

(Note: Scales Differ to Clearly Show the Relationship Between Property Taxes and the Various Federal and Provincial Taxes)



SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

■ *Property taxes, expressed as a percentage of federal and provincial sales and corporate income taxes, have also fallen:* *Charts 3 and 4* demonstrate that property taxes have also fallen when measured against various sales taxes as well as the corporate income tax take. However, the overall change is less dramatic and the ratio has fluctuated wildly from year to year. In large part, this is because corporate income tax and sales taxes are among the most *elastic* of taxes – the revenue produced grows rapidly during times of economic expansion, but quickly contracts during recession, while property taxes are more stable over the business cycle. For example, in the early 1980s and again in the 1990s, property taxes as a percent of sales taxes increased significantly, but largely because sales tax revenues stalled as a result of economic recession *(Chart 3).* The sharp increase in the property tax to corporate income tax ratio in the early 1990s demonstrates the collapse in corporate profits during that recession rather than a sharp rise in property taxes *(Chart 4).*

■ *Property taxes have not risen relative to other federal and provincial taxes:* *Chart 5* plots the property tax against all other federal and provincial taxes (e.g., payroll taxes, gambling, permits). In 1961, property taxes were almost two and half times as large as this group. By 2000, the amount of property tax was roughly equivalent (100%) to the sum total of these federal and provincial taxes.

The overall effect of the shifting tax burden is plotted in *Chart 6.* Here, total property tax revenues of the local government sector (which include some property tax collected for educational purposes) are set against all federal and provincial taxes. In 1961, local property taxes were 17.6% of all federal and provincial tax revenues. That ratio slipped to 9.6% in 2000.

SUMMARY: The data highlighted here show that the ongoing debate over property taxes in Canada really speaks to only a small portion of the total tax bill facing the average Canadian. Further, the burden posed by the property tax, when compared to the sum total of all other taxes, has fallen over the last 40 years. To be sure, the burden posed by the property tax can radically differ between individual Canadians. For example, those who have retired from the workforce, those on fixed incomes, or those with low income may pay very little personal income tax. For them, the property tax can form a significant share of their total tax bill. But the essential point remains – on average, the municipal property tax is only a small part of the total tax burden confronting Canadians.

Question #2: Growth of the Property Tax

A singular focus on the burden posed by the property tax relative to other taxes presents only one aspect of the tax picture in Canada. To be sure, the property tax burden appears to be relatively small and it has also shrunk when compared to other taxes. But all of that is small comfort for taxpayers because most of those other taxes have grown substantially over the years. As such, a small property tax burden does not mean that the tax itself has not increased. To complete the picture, growth in various taxes need to be explored.

Figure 5 presents the actual amounts collected by governments through various taxes in 1961 and 2000, and also presents the real per capita amounts. The last column in the chart presents the average annual growth rate of the real per capita amounts between 1961 to 2000. A number of findings emerge.

■ *Federal and provincial dedicated social taxes (e.g., CPP, QPP, and EI), along with personal income taxes, have the highest average annual growth rates:* Since 1961, total real per capita taxes paid to the federal and provincial governments for things like CPP, QPP, EI, and health care premiums have grown, on average, by about 5.4% per year. Real per capita federal and provincial personal income taxes have grown, on average, by about 4.9% per year. This comes as no surprise given the introduction of new income support programs like the Canada and Québec Pension Plans, and the taxes required to pay for a bevy of federal and provincial programs inaugurated since the 1960s. Provincial personal income taxes have grown, on average, by 11.8% annually, but this is somewhat deceptive – those taxes experienced a massive increase in the early 1960s as tax points were shifted to the provinces, and this ripples throughout the last 40 years by drastically increasing the average annual growth rate.

■ *The average annual growth rate of real per capita corporate income tax collections is somewhat lower. Average annual growth in sales tax collections is about half that of personal income taxes:* Real per capita amounts collected through federal and provincial corporate income taxes have averaged 3.2% annual growth for the last 40 years, while real per capita sales tax revenue has grown, on average, by about 2.5% a year. Other taxes (which accrue primarily to the provinces) have shown steady growth over the period, increasing on average by about 4.4% annually from 1961-2000.

FIGURE 5: Nominal and Real Per Capita Taxes, 1961 and 2000
(All Federal, Provincial, and Local Taxes in Nominal Dollars and Real 2000 Dollars)

		1961 ACTUAL (Billions of Current $)	1961 REAL PER CAPITA	2000 ACTUAL (Billions of Current $)	2000 REAL PER CAPITA	ANNUAL AVERAGE GROWTH (Real Per Capita)
DIRECT TAXES:	Federal Personal Income Tax	$ 2.130	$ 707.57	$ 89.993	$ 2,922.72	3.9%
	Provincial Personal Income Tax	0.141	46.84	53.495	1,737.37	11.8%
	Total Personal Income Tax	**2.271**	**754.41**	**143.488**	**4,660.09**	**4.9%**
	Federal Dedicated Social Taxes	0.499	165.76	44.013	1,429.42	6.7%
	Provincial Dedicated Social Taxes	0.296	98.33	8.429	273.75	3.1%
	Total Dedicated Social Taxes	**0.795**	**264.09**	**52.442**	**1,703.17**	**5.4%**
	Federal Corporate Income Tax	1.345	446.80	29.859	969.74	2.6%
	Provincial Corporate Income Tax	0.304	100.99	15.501	503.43	5.3%
	Total Corporate Taxes	**1.649**	**547.79**	**45.360**	**1,473.17**	**3.2%**
INDIRECT TAXES:	Federal Excise and Sales Taxes	2.175	722.52	37.593	1,220.92	1.6%
	Provincial Sales Taxes	0.747	248.15	37.650	1,222.77	4.4%
	Total Excise and Sales Taxes	**2.922**	**970.67**	**75.243**	**2,443.69**	**2.5%**
	Other Federal Taxes	0.015	4.98	0.568	18.45	42.3%
	Other Provincial Taxes	0.603	200.31	31.057	1,008.64	4.6%
	Other Local Taxes	0.245	81.39	3.813	123.84	1.5%
	All Other Taxes	**0.863**	**286.68**	**35.438**	**1,150.93**	**4.4%**
	Provincial Property Taxes	0.009	2.99	3.435	111.56	14.2%
	Local Property Taxes	1.443	479.36	29.870	970.09	1.9%
	Total Property Taxes	**1.452**	**482.35**	**33.305**	**1,081.65**	**2.1%**
Total FEDERAL Taxes:		6.164	2,047.63	202.026	6,561.25	**3.2%**
Total PROVINCIAL Taxes:		2.100	697.61	149.567	4,857.52	**5.3%**
Total LOCAL Taxes:		1.688	560.75	33.683	1,093.93	**1.8%**
TOTAL TAXES		**$ 9.952**	**$ 3,305.99**	**$ 385.276**	**$ 12,512.70**	**3.5%**

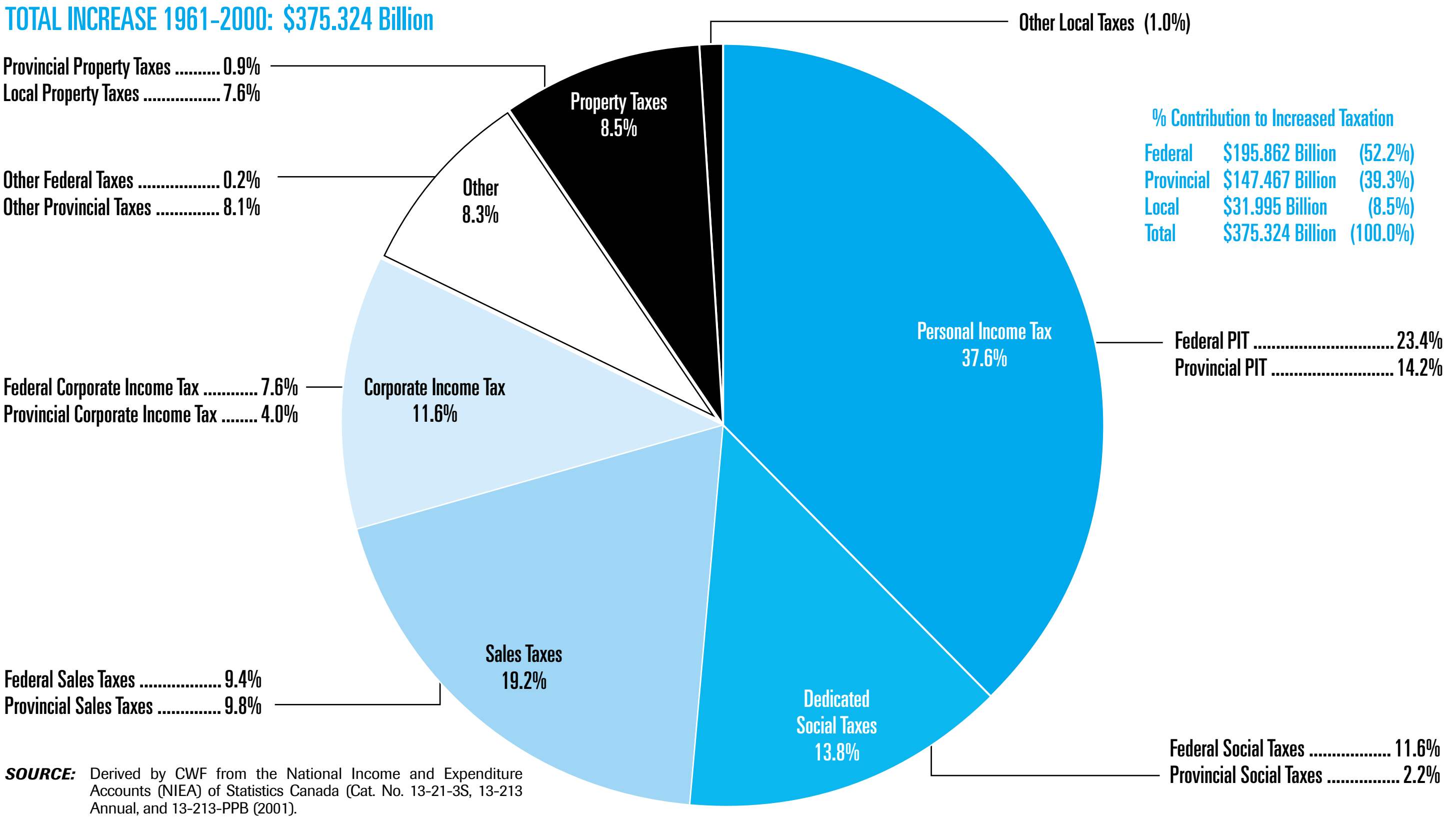
SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

■ *Property tax collections have the lowest average annual growth rate:* From 1961-2000, real per capita property taxes (for both municipal and educational purposes) have grown, on average, by only 2.1% per year. This is less than half the growth rates recorded by federal and provincial direct taxes on incomes. Real per capita property taxes attributed directly to the local sector have grown, on average, by only 1.9% per year. Property taxes attributed provincially have grown by an average of 14.2% per year. The higher average annual growth rate of provincial real per capita property taxes reflects the fact that some provinces began centralizing educational taxes in the early 1990s. These taxes began accruing to the provincial sector, which then granted revenues back to local school boards through a funding formula. Thus, some property taxes were shifted from the local sector to the provincial sector, which affects the average annual growth rate. As such, the focus should remain on total property tax collections, which are more consistent over time.

■ *Total real per capita taxes collected by the local sector demonstrate a significantly lower average annual growth rate than federal and provincial total taxes:* Over the 1961-2000 period, real per capita taxes paid to the provinces show the highest average annual growth rate (5.3%) with federal tax revenues coming second (3.2%). Again, the shift in taxing responsibility between the two sectors is partly responsible for the higher provincial growth rates. Real per capita local tax revenues, however, show a much slower rate of average annual growth at only 1.8% a year.

Focusing on the average annual growth rate of specific taxes helps fill in the picture, but it can also be somewhat deceptive. For example, a tax can record remarkable annual growth, but if it is only a small part of the total tax mix, the overall impact of the tax would be marginal. *Figure 6* provides additional data by calculating the gross increase in taxes paid from 1961 to 2000, and which taxes contributed the most to that increase.

FIGURE 6: % Contribution of Various Taxes to the Overall Increase in Taxation, 1961-2000
(All Federal, Provincial, and Local Taxes in Nominal Dollars)



SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

In 1961, Canadians paid $10 billion in taxes to the three orders of government. In 2000, they paid $385 billion. Which taxes were responsible for this $375 billion nominal tax increase?

■ *Clearly, it is direct federal and provincial personal taxes on income that have had the largest impact:* Federal and provincial personal income tax and dedicated social taxes form over half of the $375.3 billion increase in taxes since 1961. Federal and provincial sales taxes were only responsible for about one-fifth of the overall increase, while corporate income taxes were responsible for another one-tenth.

■ *Property taxes have contributed only a small portion of the overall increase in taxation:* Property taxes paid for both municipal and educational purposes contributed only 8.5% of the total increase in taxes since 1961. In other words, for every additional dollar that Canadians have had to pay in tax over the last forty years, less than one dime was put on the table for property tax increases. Again, if half of all property taxes are used for educational purposes, then municipal property taxes account for less than one nickel out of every extra dollar paid in tax since 1961.

To complete the tax picture, it is critical not to ignore how each tax has grown relative to income or the specific tax base out of which the taxes must be paid. *Figure 7* sets the revenue take from various taxes against several control variables.

■ *Total taxes paid to all three orders of government, when compared to GDP, have grown significantly:* Clearly, today's taxpayers are feeling the pinch of a much larger tax bill. In 1961, the total taxes paid to all governments was 24.5% of GDP. Taxes rose steadily past 30% of GDP by the mid-1970s, peaking in 1991 at almost 40% of GDP. Since then, the tax-to-GDP ratio has fallen slightly. In 2000, the tax-to-GDP ratio sat at 36.2% *(Chart 1).*

■ *Federal and provincial personal income taxes and dedicated social taxes reflect this larger pattern:* Because of the significant part played by federal and provincial direct taxation in the overall tax increase in Canada, setting these taxes against growth in personal incomes yields much the same picture as the total tax-to-GDP ratio. Personal income taxes have grown from 7.4% of total personal incomes in 1961 to 17.1% in 2000 *(Chart 2).* Dedicated social taxes have grown from 2.6% of Canadians' personal incomes to over 6.3%, a 142% increase in that particular ratio *(Chart 3).*

FIGURE 7: Taxes Collected as a % of Various Control Variables, 1961-2000

(Note: Scales Differ to Clearly Show the Relationship Between Various Taxes and Their Tax Base)

CHART 1: All Taxes as a % of GDP

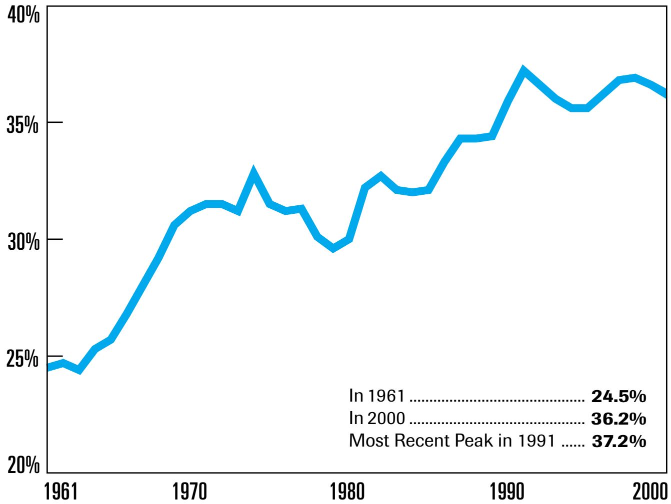


CHART 2: All Personal Income Taxes as a % of Personal Income

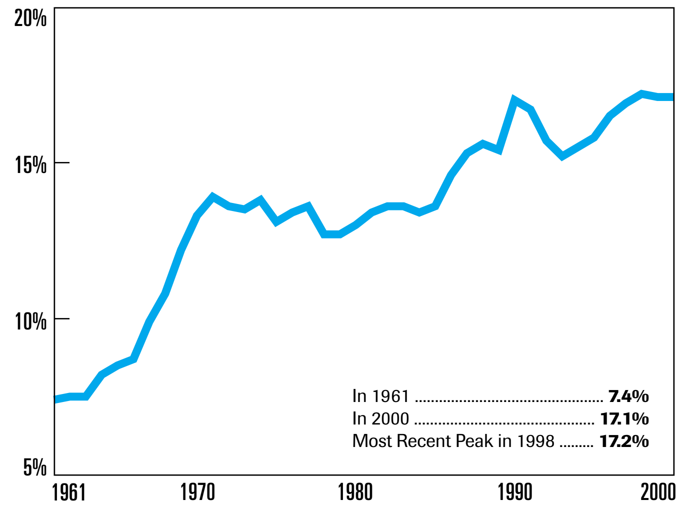


CHART 3: All Dedicated Social Taxes as a % of Personal Income

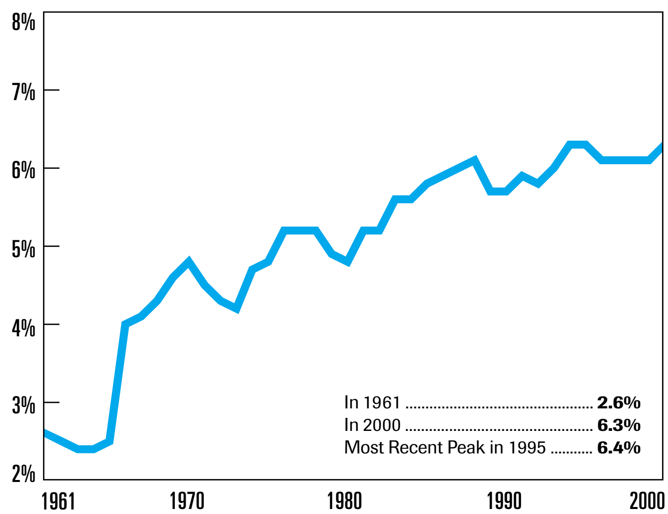


CHART 4: All Sales Taxes as a % of Personal Disposable Income

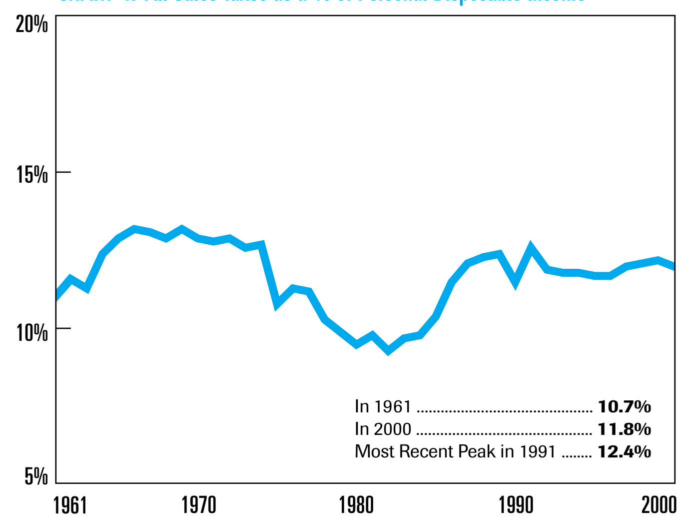


CHART 5: All Corporate Income Taxes as a % of Corporate Profits

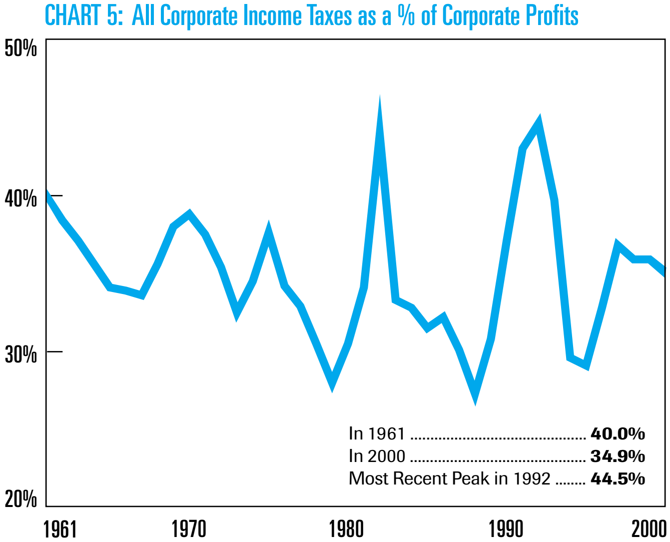
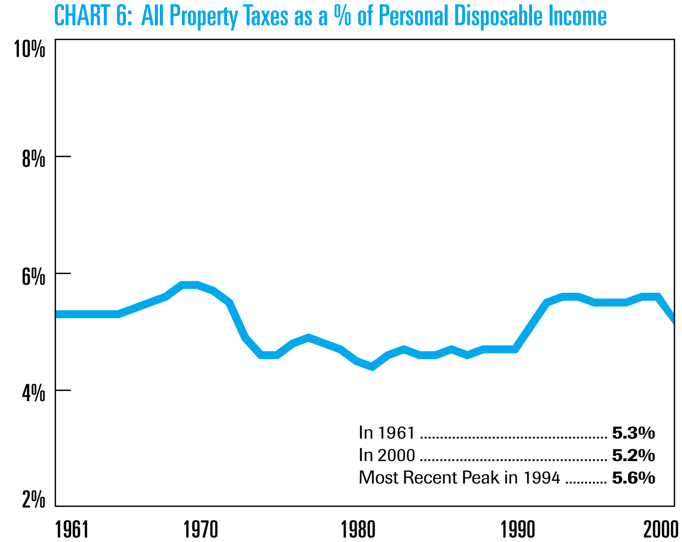


CHART 6: All Property Taxes as a % of Personal Disposable Income



SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

■ *Federal and provincial sales taxes have risen only slightly:* Sales taxes are paid out of Canadians' personal disposable income – the income left after direct taxes are paid. In 1961, total sales taxes amounted to 10.7% of Canadians' personal disposable income. In 2000, all sales taxes paid were just slightly higher at 11.8% of personal disposable income *(Chart 4).*

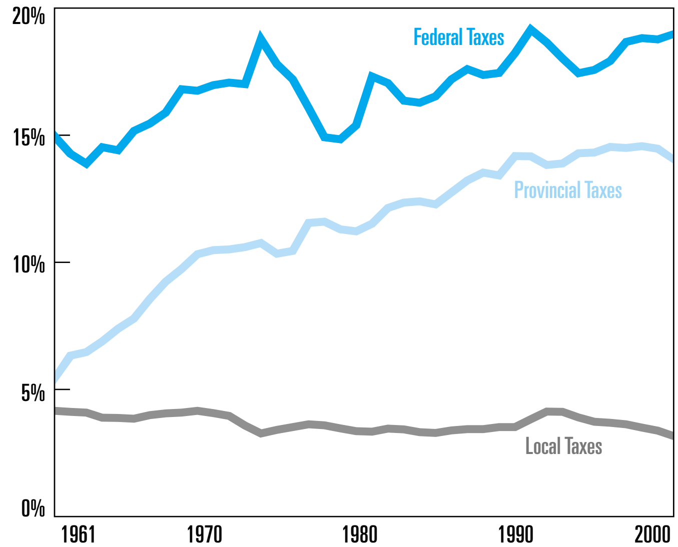
■ *Corporate income taxes have not really increased either:* The amount of corporate income tax paid by corporations in 1961 amounted to 40.0% of all gross corporate profits. In 2000, the ratio of federal and corporate income tax collected to profit was 34.9%. In general, corporate income taxes tend to fluctuate significantly, but not much has changed over the forty year period. Corporate income taxes tend to bounce around 30% to 40% of gross profits, depending on current economic conditions *(Chart 5).*

■ *Property taxes, as a percent of personal disposable income, have shown little growth over the last 40 years:* In 1961, property taxes in Canada were 5.3% of personal disposable income. In 2000, they were 5.2% *(Chart 6).* The highest ratio ever recorded existed in 1970 at 5.8%, and this has never been repeated. The 1990 recession, which saw income growth slide, resulted in a larger property tax bite compared to personal disposable incomes than seen over the 1975 to 1990 period. However, the trend toward the end of the 1990s is a lower ratio once again. In short, over the last 40 years, property taxes have revolved around a very narrow range, never exceeding 6.0% of personal disposable income and seldom falling below 4.5%. Of all taxes paid by Canadians, the property tax has been the most stable and the most predictable.

This is underscored by *Figure 8,* which plots all federal, provincial, and local taxes as a percent of GDP from 1961 to 2000. As already noted, total taxes as a percent of GDP rose from 24.5% in 1961 to 36.2% in 2000. However, local taxes (of which 90% come from property taxes) have been remarkably constant relative to GDP, and since 1990, they have been falling. In 1961, total local tax revenues were 4.16% of GDP. In 2000, the ratio was 3.16%. If local taxes in 2000 were still at the 4.16% level, local governments in Canada would have collected $10.6 billion more in fiscal 2000 alone.

In absolute terms, then, property taxes have certainly grown over the last 40 years. But, they have not grown nearly as fast or as significantly as other forms of taxation, particularly personal income tax and EI and CPP premiums. More important, when compared to GDP or the personal disposable income out of which the tax must be paid, property taxes represent less of a burden to Canadians today than they did 40 years ago.

FIGURE 8: Taxes in Canada as % of GDP, 1961-2000
(All Federal, Provincial, and Local Taxes)



SOURCE: Derived by CWF from the National Income and Expenditure Accounts (NIEA) of Statistics Canada (Cat. No. 13-21-3S, 13-213 Annual, and 13-213-PPB (2001).

In 1961 for example, the gross personal income of Canadians was $30.5 billion. After federal and provincial direct and indirect personal taxation, Canadians were left with $23.6 billion in personal disposable income (77.5% of the original income amount). After paying property taxes, Canadians were left with $22.2 billion in personal disposable income (72.8% of the original amount). In 1961, then, property taxes reduced personal disposable incomes by 4.7%. In 2000, Canadians earned $838.9 billion in gross personal income. After federal and provincial direct and indirect personal taxation, Canadians were left with $532.3 billion in personal disposable income (63.4% of the original income amount). After paying property taxes, Canadians were left with $499.0 billion in personal disposable income (59.5% of the original amount). In 2000, property taxes reduced personal disposable income by 3.9% compared to 4.7% in 1961. This is a 17.0% reduction.

SUMMARY: Have property taxes increased? Not really. In fact, when measured against personal disposable incomes, the amount of property tax paid by Canadians has actually fallen since the early 1960s. Are property taxes out of control? Hardly. There is little to no evidence to support such a conclusion. Canadians are paying no more of their personal disposable income in property tax than they were in the 1960s or early 1970s, during which the tax peaked. If Canadians insist on complaining about an increasing tax burden, the focus needs to shift from the property tax to the real culprits – the direct taxation of personal incomes that accrues entirely to the federal and provincial governments. Putting the blame on the property tax as leading to an ever increasing tax burden for the average Canadian is, frankly, misplaced.

FOCUSING ON THE CITIES

National current and historical trends regarding the relative burden posed by property taxes raise an interesting question – how well do western Canada's six largest cities reflect the pattern evidenced across Canada as a whole? To answer the question, one needs to move beyond *National Accounts* data and turn to the *Public Accounts* produced by the federal, provincial, and individual city governments. The various charts in the city-specific datasets on pages 15 to 26 provide valuable information to help answer the question, and unlike the NIEA data, the focus can also turn to the *municipal* portion of the property tax as opposed to the combined municipal and *education* property tax levy.

Question #1: The Property Tax Burden

The property tax burden in the West's six largest cities (Vancouver, Edmonton, Calgary, Saskatoon, Regina, and Winnipeg) reflects the broader national trends outlined above, with only minor differences.

1) The Picture in 2003:

The first column of charts in the city-specific datasets provides a detailed estimate of the various taxes collected in each city for fiscal year 2003, along with a tax profile for each city.

■ *On average, total municipal property taxes in the six cities in 2003 were 5.8% of all taxes collected:* This amount includes all forms of property taxation, such as the general residential and commercial property tax, revenue-in-lieu, local improvements, business tax, and other earmarked levies (e.g., libraries, business revitalization zones). Across the cities, the general property tax, revenue-in-lieu, and the business tax (where applicable) represent only about 5.4% of all taxes collected. The entire municipal tax burden, which includes all forms of taxation, (e.g., franchise fees, utility levies) averages 6.3% of all taxes collected, exceeding 7.0% in only two instances.

A high degree of similarity exists across the six cities, with no one city differing radically from the others. Residents of Regina, Saskatoon and Calgary appear to pay the least in total property taxes (about 4% to 5% of all taxes) but that is not much lower than either Winnipeg, Edmonton, or Vancouver (about 6% to 7%).

■ *Like the larger national trend, it is the federal government that collects the largest share of taxes in the six cities:* Taxes collected by the federal government account for almost 60% of the entire tax bill averaged across the six cities. The provinces appear to collect, on average, about 34% of all taxes paid. (Federal tax collections are the highest in Vancouver, Edmonton, and Calgary. Provincial tax collections are the highest in Saskatoon, Regina, and Winnipeg.)

At the same time, it is important to remember that these percentages are estimates – actual federal and provincial tax collections could be even higher. First, every federal and provincial tax was apportioned to each city based on the city's share of federal and provincial personal income tax as reported by Revenue Canada. While this method produces a reasonable estimate, it ignores the fact that most corporations are headquartered in the cities (yielding a higher proportion of corporate income tax) and retail sales are likely more robust in the large cities as well (yielding more sales tax revenue). Second, revenue-in-lieu of tax was not removed in this analysis. Here, it accrues entirely to the cities. But, a good portion of revenue-in-lieu is really federal and provincial tax revenue that is sent back to the cities as a grant. In the end, federal and provincial governments may be collecting even more taxes in the six cities than our data show.

2) Historical Trends with the Property Tax Burden:

Charts 1 and 2 in the city-specific datasets highlight the changing burden of property taxation in the cities relative to federal and provincial personal income tax and the education property tax (the only two taxes for which there is hard data).

■ *The data demonstrate that the burden of municipal property taxes has been continually and steadily falling as a result of the growing burden of federal and provincial personal income taxes:* Across the entire decade of the 1960s, municipal property taxes in the cities, measured against federal and provincial personal income tax collected in the cities, fell both dramatically and steadily *(Chart 1).* At the start of the decade, the municipal property taxes paid by citizens in the cities were anywhere from 35% to 45% of their total federal and provincial personal income tax bill. By the early 1970s, that ratio had fallen to about 15% or 20% in most cities. Again, this reflects the broader trend discussed above, and for the same reasons.

But this is not the end of the story. For most cities, the ratio began to climb slightly in the 1970s. During the recession of the early 1980s, the ratio in most cities experienced a small spike upward as incomes (and the taxes paid on those incomes) suffered due to the economic malaise. Following that event, the municipal property tax to personal income tax ratio again began to fall, only to repeat another spike during the 1990 recession. Ever since, the municipal property tax, as a percent of personal income tax, has fallen steadily for most cities.

■ *The relationship of the municipal property tax to the personal income tax since the mid-1990s tells an interesting story:* When recessions hit national, regional, and even provincial economies, it can be expected that property taxes will rise compared to personal income taxes because the two taxes have very different tax bases. Revenues generated from the personal income tax will respond both negatively and immediately to any recession as incomes fall. Property taxes depend on the assessed value of property, a much more recession-proof tax base. In short, it should be expected that municipal property taxes would rise as a percent of income taxes in the early 1990s as the recession began to bite, and property taxes as a percent of income taxes would naturally begin to fall again as incomes grew during the economic recovery that followed.

But again, this is not the end of the story. A close look at *Chart 1* in the city-specific datasets demonstrates that municipal property taxes collected by most cities have continued their decline when measured against the amount of personal income taxes payable – even *following* the economic recovery of the mid-1990s. The drop is most pronounced in Edmonton, Regina, and Winnipeg. In Vancouver, Saskatoon, and Calgary, the ratio of municipal property taxes paid to personal income taxes also fell, but in the last few years it has stabilized.

■ *Taxpayers should realize that in 2003, residents in western Canada's largest cities were paying the lowest level of municipal property tax compared to personal income tax that they have ever paid in the last 40 years:* The upshot of the data in *Chart 1* is that the municipal property tax bill facing urbanites in western Canada's largest cities has never been lower *when compared to the amount of personal income tax they are paying.* Not only has the relative burden of the municipal property tax been declining, it likely has never been lower.

A key issue regarding the property tax burden for many large cities is the competition that exists between municipalities and the education component for room within the property tax system. The *Tax Profile* and *Chart 2* in the city-specific datasets examine the relationship between municipal and education property taxes.

■ *Western Canada's cities clearly have differing experiences when considering the education portion of the property tax:* In western Canada, two particular groups of cities emerge with respect to the education portion of the property tax. The first group is comprised of Vancouver, Edmonton, and Calgary. In these three cities, residents can expect to see less than 40% of their entire property tax bill going toward education. (In these provinces, the education property tax rates are set by the province and collected by the cities, which then remit the amounts to the province.)

The experience of Saskatoon, Regina, and Winnipeg appears to be quite different, particularly considering the higher burden of the education component of the property tax relative to the municipal component. In these three cities, education property taxes tend to comprise over 40% of the total property tax collected. In one case, the education portion exceeds 50%.

■ *Over the last 40 years, comparative growth in municipal and education property taxes have roughly mirrored each other, with neither component pulling drastically ahead of the other in terms of overall growth:* *Chart 2* in the city-specific datasets plots the accumulated annual percentage increase registered by the education and municipal portion of the cities' property tax bill over the last 40 years. Generally speaking, the accumulated average annual growth in the revenues produced by the two taxes have been quite similar. The interesting part of the chart comes in the changing relationship between the two tax components in the last few years.

Again, two groups of cities emerge. The first group is comprised of Vancouver, Edmonton, Saskatoon, and Winnipeg. In these cities, the accumulated annual growth rate of municipal property tax revenues has either slightly outpaced the education component for some time (e.g., Saskatoon and Winnipeg) or it has recently begun to do so (e.g., Vancouver and Edmonton). Calgary and Regina also appear to be similar. In these two cities, the accumulated annual average growth rate of education

VANCOUVER

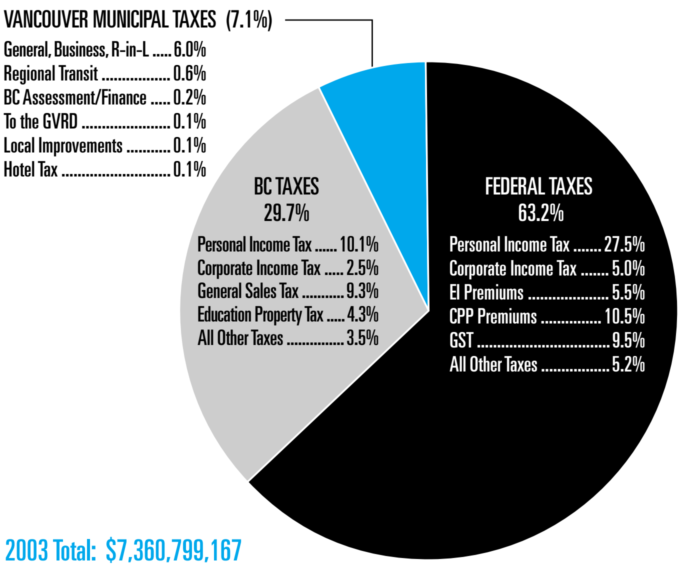
BRITISH COLUMBIA

Estimated Federal Taxes	$4,650,837,567
Estimated Provincial Taxes	$1,871,679,600
Education Property Taxes and Rev-in-Lieu	$317,847,000
Municipal Property Taxes and Rev-in-Lieu	$512,834,000
Other Vancouver Municipal Taxes	$7,601,000
Total Taxes (2003)	$7,360,799,167
Total Per Capita	$12,949.08

SOURCE: For all data on these pages, see Appendix 1.

ESTIMATED TAX BURDEN IN VANCOUVER, 2003

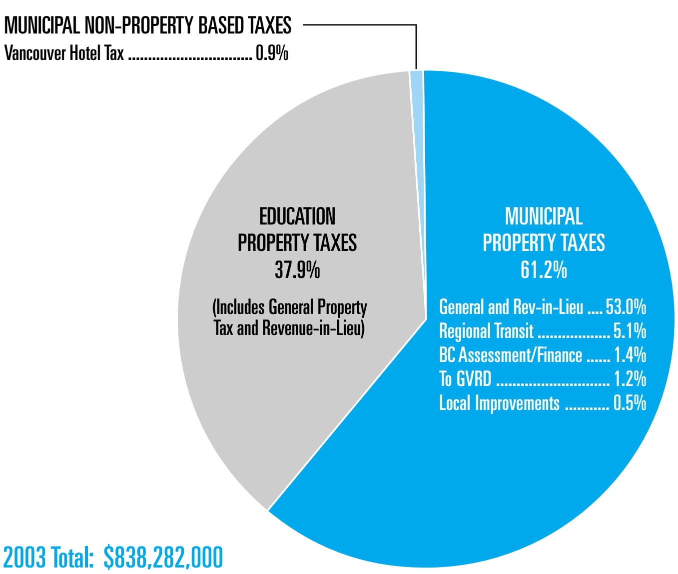
(Federal, Provincial, Municipal Taxes)



2003 Total: $7,360,799,167

VANCOUVER TAX PROFILE, 2003

(As Reported by the City of Vancouver)



2003 Total: $838,282,000

PROPERTY TAX BURDEN AND GROWTH IN VANCOUVER

CHART 1: Municipal Property Taxes as a % of Total Personal Income Taxes

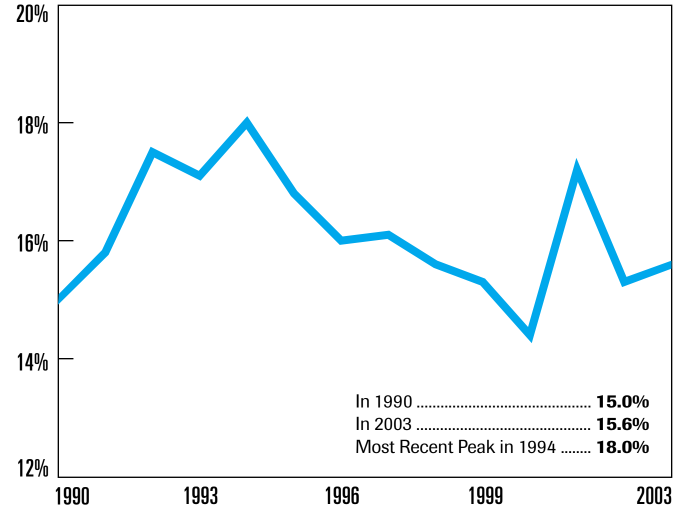


CHART 2: Cumulative % Growth in Municipal vs. Education Property Taxes

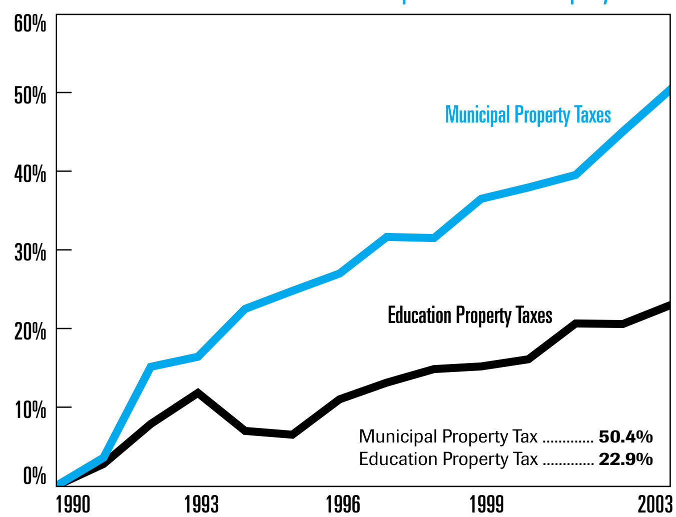


CHART 3: Growth in Real Per Capita Tax Revenues (Real 2003 Dollars)

(Real Per Capita $)	1990	2003	% Change
Federal Personal Income Tax	$ 2,455.32	$ 2,617.95	+ 6.6%
Federal Corporate Income Tax	616.07	901.53	+ 46.3%
Federal EI and CPP Premiums	852.40	1,378.54	+ 61.7%
Federal GST	833.90	856.79	+ 2.7%
Other Federal Taxes	573.28	455.26	– 20.6%
TOTAL FEDERAL TAXES	5,330.97	6,210.07	+ 16.5%
Provincial Personal Income Tax	1,367.64	1,000.82	– 26.8%
Provincial Corporate Income Tax	303.08	249.12	– 17.8%
Provincial General Retail Sales Tax	788.41	915.21	+ 16.1%
Other Provincial Taxes	344.70	343.91	– 0.2%
TOTAL PROVINCIAL TAXES	2,803.83	2,509.06	– 10.5%
VANCOUVER Municipal Property Tax	862.69	902.17	+ 4.6%
PROVINCIAL Education Property Tax	532.41	559.15	+ 5.0%

PROPERTY TAX BURDEN AND GROWTH IN VANCOUVER

CHART 4: Cumulative % Growth in Municipal Property Tax and Assessments

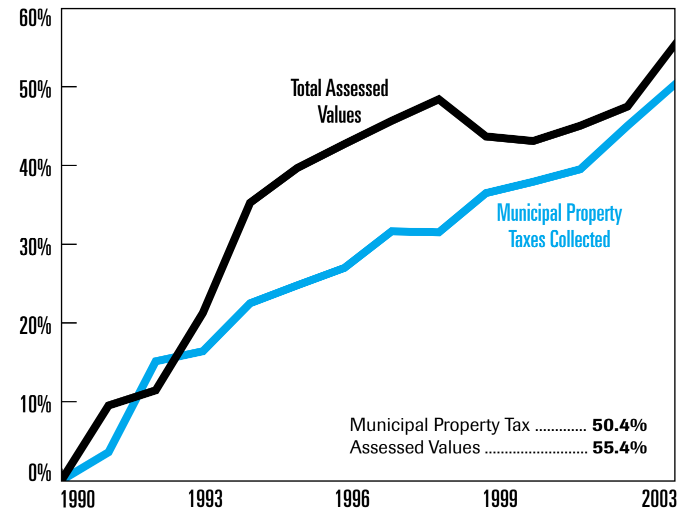


CHART 5: Real Per Capita Municipal Property Tax Collected (Real 2003 Dollars)

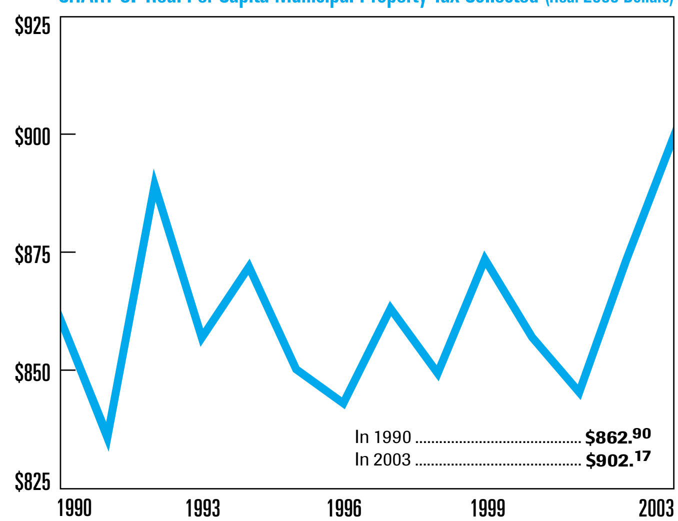
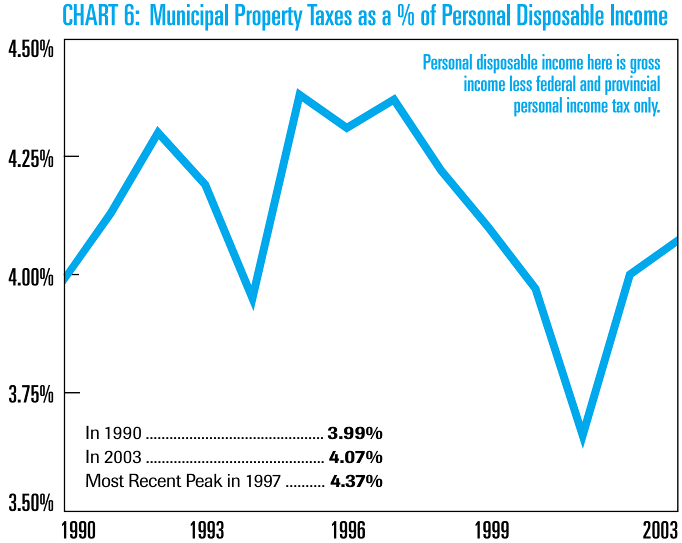


CHART 6: Municipal Property Taxes as a % of Personal Disposable Income



ROLE OF THE PROPERTY TAX IN VANCOUVER (2003 Actual)

CHART 7: Revenue Profile of the Operating Budget

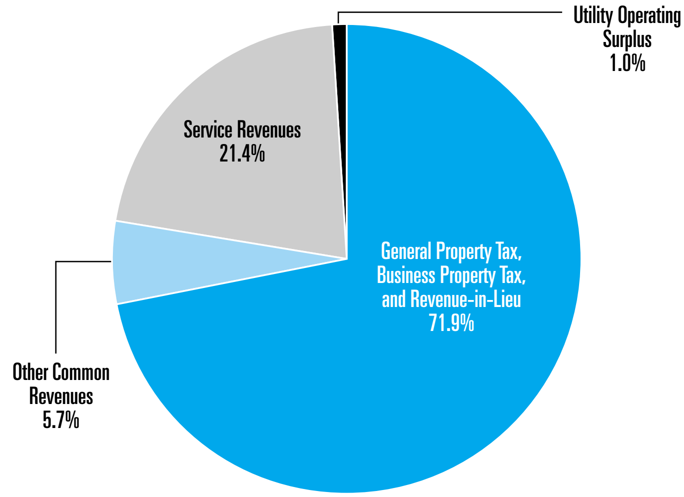


CHART 8: Usage of Vancouver's Property Tax Dollar

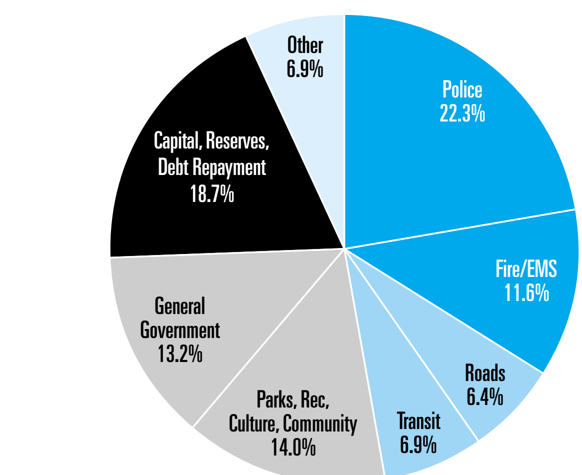
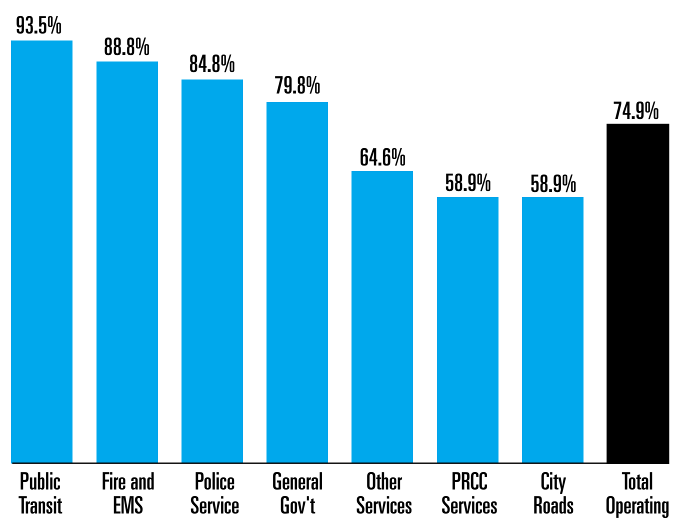


CHART 9: % of Tax-Supported Operating Expenses Dependent on General Funding



EDMONTON

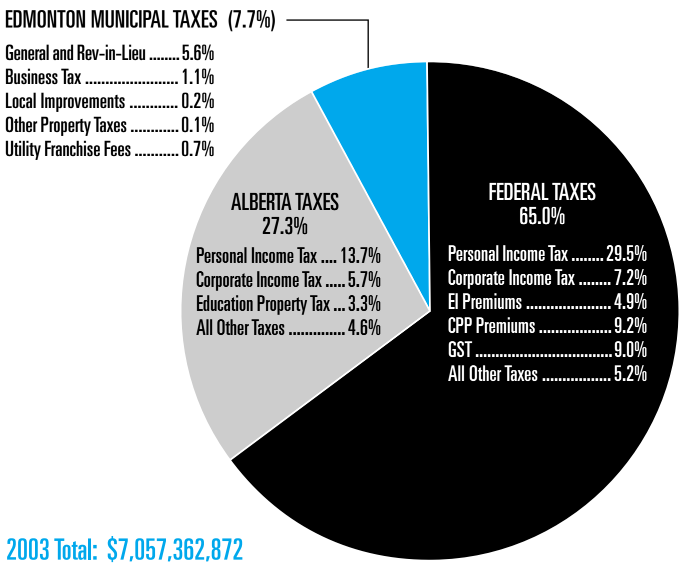
ALBERTA

Estimated Federal Taxes	$4,588,880,472
Estimated Provincial Taxes	$1,696,351,400
Education Property Taxes and Rev-in-Lieu	$230,927,000
Municipal Property Taxes and Rev-in-Lieu	$494,463,000
Other Edmonton Municipal Taxes	$46,741,000
Total Taxes (2003)	$7,057,362,872
Total Per Capita	$10,115.81

SOURCE: For all data on these pages, see Appendix 1.

ESTIMATED TAX BURDEN IN EDMONTON, 2003

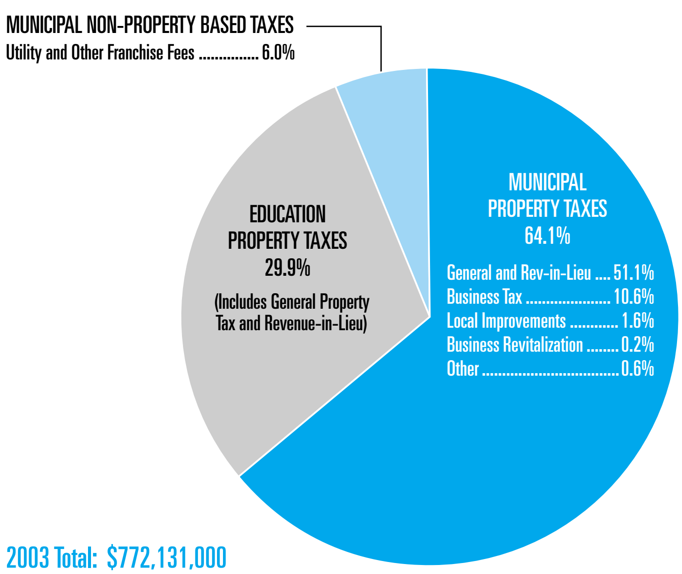
(Federal, Provincial, Municipal Taxes)



2003 Total: $7,057,362,872

EDMONTON TAX PROFILE, 2003

(As Reported by the City of Edmonton)



2003 Total: $772,131,000

PROPERTY TAX BURDEN AND GROWTH IN EDMONTON

CHART 1: Municipal Property Taxes as a % of Total Personal Income Taxes

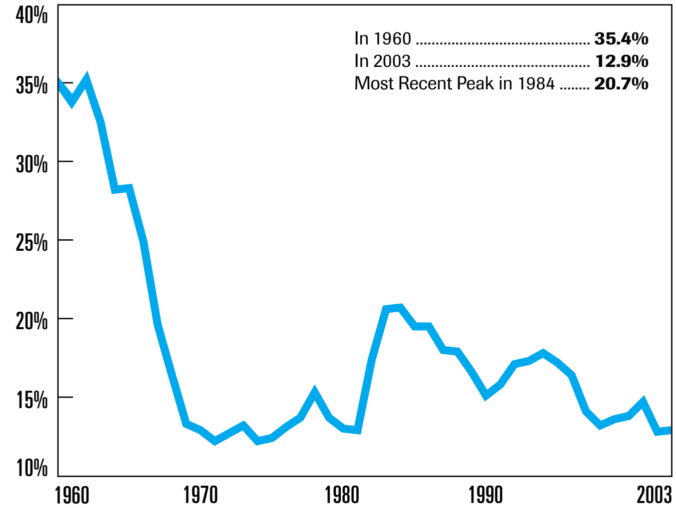


CHART 2: Cumulative % Growth in Municipal vs. Education Property Taxes

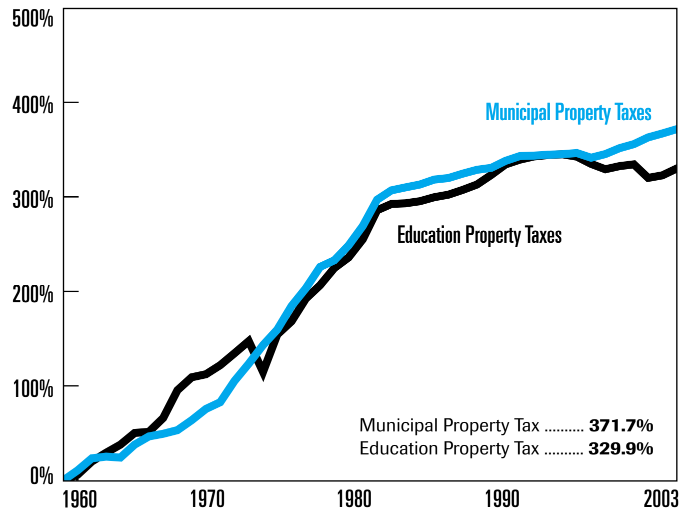


CHART 3: Growth in Real Per Capita Tax Revenues (Real 2003 Dollars)

(Real Per Capita $)	1990	2003	% Change
Federal Personal Income Tax	$ 2,455.32	$ 2,617.95	+ 6.6%
Federal Corporate Income Tax	616.07	901.53	+ 46.3%
Federal EI and CPP Premiums	852.40	1,378.54	+ 61.7%
Federal GST	833.90	856.79	+ 2.7%
Other Federal Taxes	573.28	455.26	– 20.6%
TOTAL FEDERAL TAXES	5,330.97	6,210.07	+ 16.5%
Provincial Personal Income Tax	1,386.40	1,532.79	+ 10.6%
Provincial Corporate Income Tax	382.68	640.20	+ 67.3%
Provincial General Retail Sales Tax	0.00	0.00	0.0%
Other Provincial Taxes	373.39	517.80	+ 38.7%
TOTAL PROVINCIAL TAXES	2,142.47	2,690.79	+ 25.6%
EDMONTON Municipal Property Tax	711.55	665.01	– 6.5%
PROVINCIAL Education Property Tax	506.15	331.00	– 34.6%

PROPERTY TAX BURDEN AND GROWTH IN EDMONTON

CHART 4: Cumulative % Growth in Municipal Property Tax and Assessments

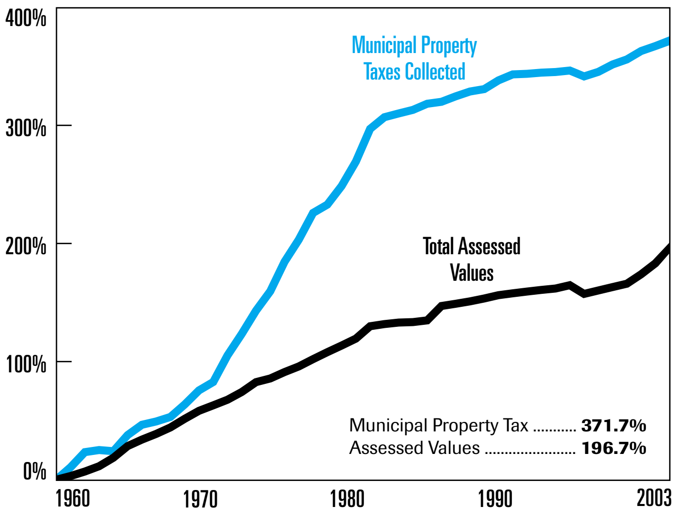


CHART 5: Real Per Capita Municipal Property Tax Collected (Real 2003 Dollars)

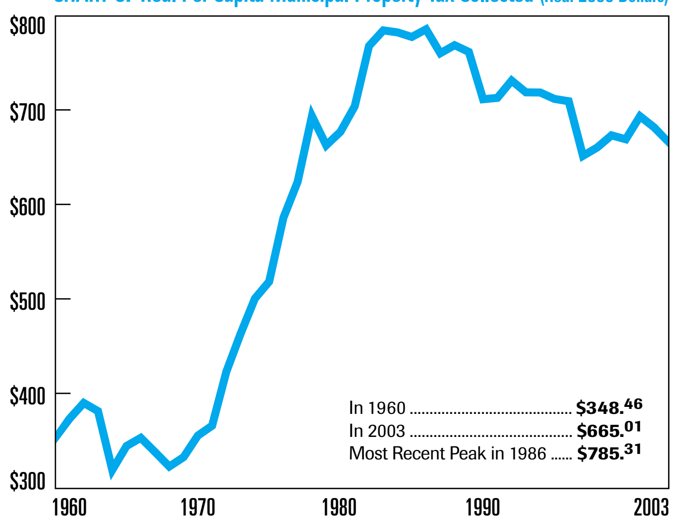
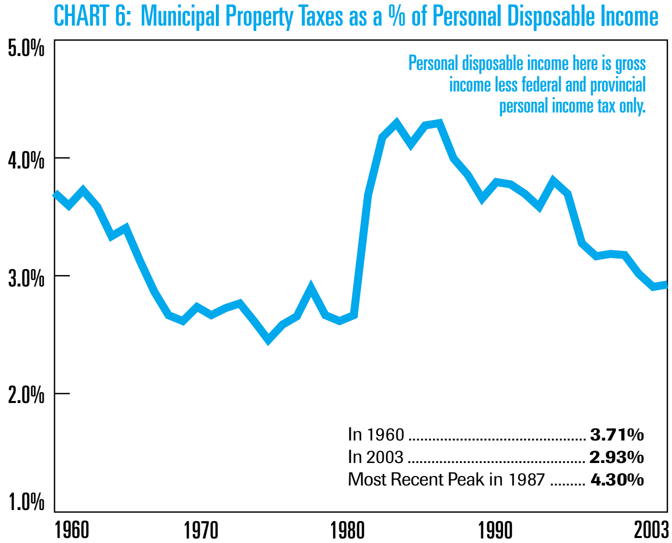


CHART 6: Municipal Property Taxes as a % of Personal Disposable Income



ROLE OF THE PROPERTY TAX IN EDMONTON (2004 Budget)

CHART 7: Revenue Profile of the Operating Budget

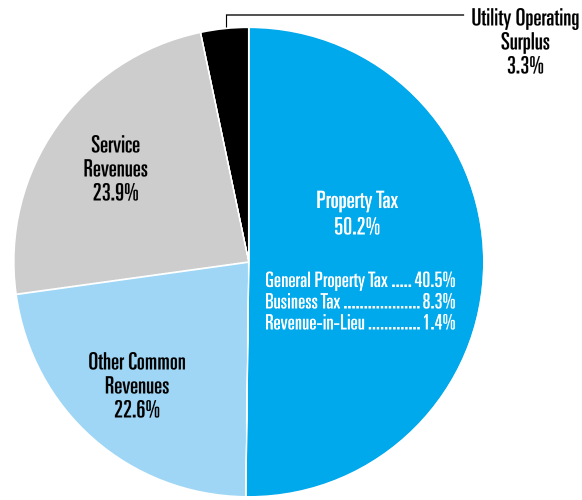


CHART 8: Usage of Edmonton's Property Tax Dollar

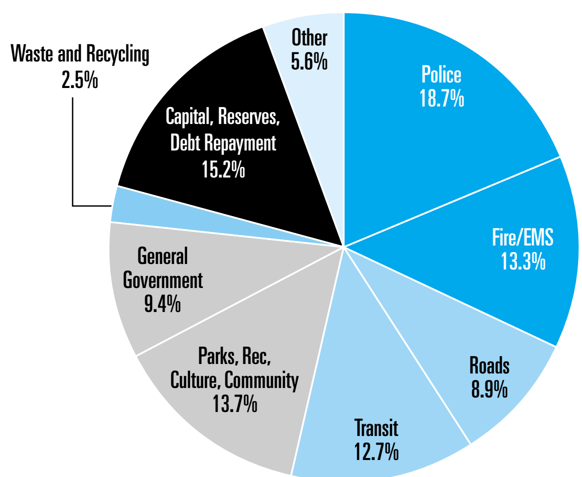
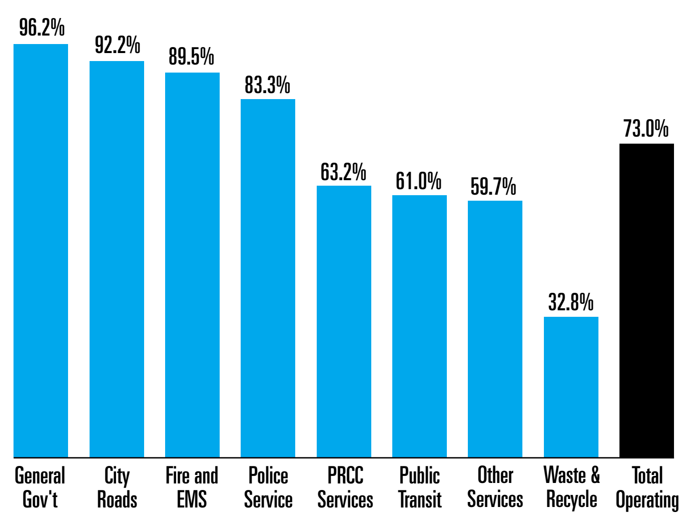


CHART 9: % of Tax-Supported Operating Expenses Dependent on General Funding



CALGARY

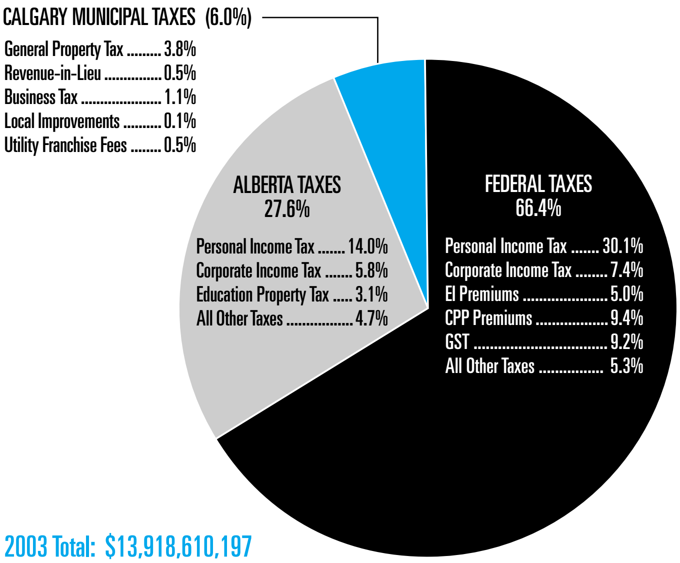
ALBERTA

Estimated Federal Taxes	$9,244,332,997
Estimated Provincial Taxes	$3,417,312,200
Education Property Taxes and Rev-in-Lieu	$428,064,000
Municipal Property Taxes and Rev-in-Lieu	$760,416,000
Other Calgary Municipal Taxes	$68,485,000
Total Taxes (2003)	$13,918,610,197
Total Per Capita	$15,090.95

SOURCE: For all data on these pages, see Appendix 1.

ESTIMATED TAX BURDEN IN CALGARY, 2003

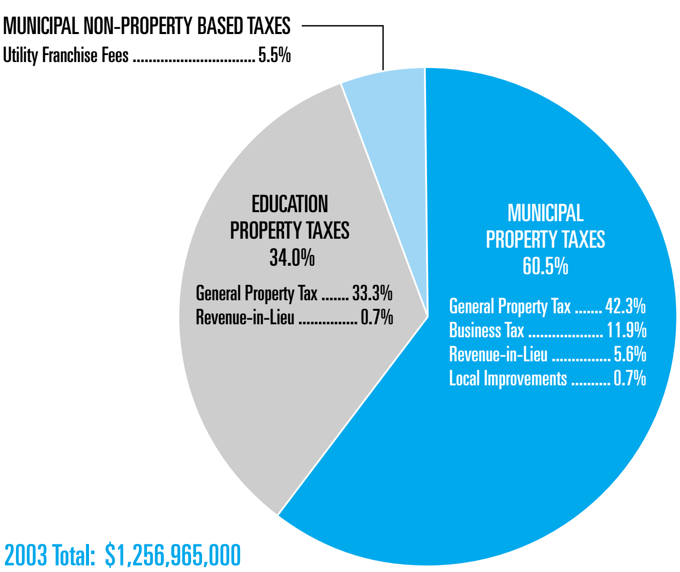
(Federal, Provincial, Municipal Taxes)



2003 Total: $13,918,610,197

CALGARY TAX PROFILE, 2003

(As Reported by the City of Calgary)



2003 Total: $1,256,965,000

PROPERTY TAX BURDEN AND GROWTH IN CALGARY

CHART 1: Municipal Property Taxes as a % of Total Personal Income Taxes

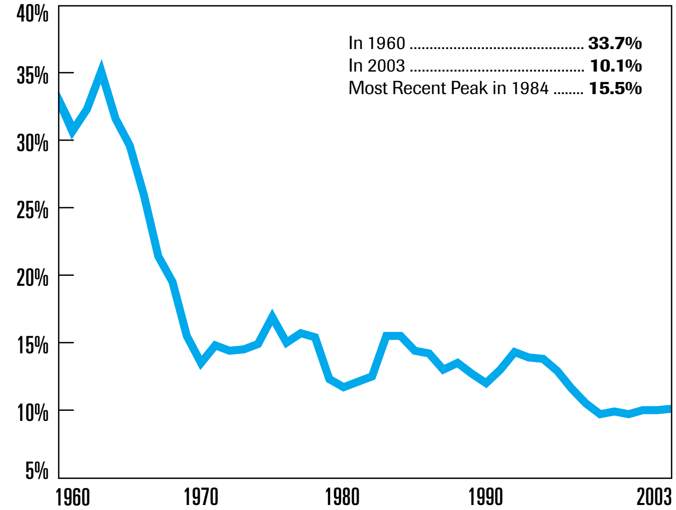


CHART 2: Cumulative % Growth in Municipal vs. Education Property Taxes

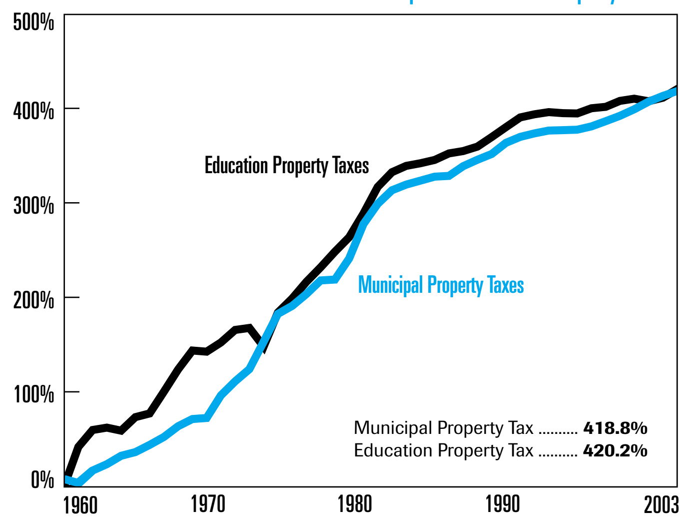


CHART 3: Growth in Real Per Capita Tax Revenues (Real 2003 Dollars)

(Real Per Capita $)	1990	2003	% Change
Federal Personal Income Tax	$ 2,455.32	$ 2,617.95	+ 6.6%
Federal Corporate Income Tax	616.07	901.53	+ 46.3%
Federal EI and CPP Premiums	852.40	1,378.54	+ 61.7%
Federal GST	833.90	856.79	+ 2.7%
Other Federal Taxes	573.28	455.26	– 20.6%
TOTAL FEDERAL TAXES	5,330.97	6,210.07	+ 16.5%
Provincial Personal Income Tax	1,386.40	1,532.79	+ 10.6%
Provincial Corporate Income Tax	382.68	640.20	+ 67.3%
Provincial General Retail Sales Tax	0.00	0.00	0.0%
Other Provincial Taxes	373.39	517.80	+ 38.7%
TOTAL PROVINCIAL TAXES	2,142.47	2,690.79	+ 25.6%
CALGARY Municipal Property Tax	727.00	747.62	+ 2.8%
PROVINCIAL Education Property Tax	531.28	464.12	– 12.6%

PROPERTY TAX BURDEN AND GROWTH IN CALGARY

CHART 4: Cumulative % Growth in Municipal Property Tax and Assessments

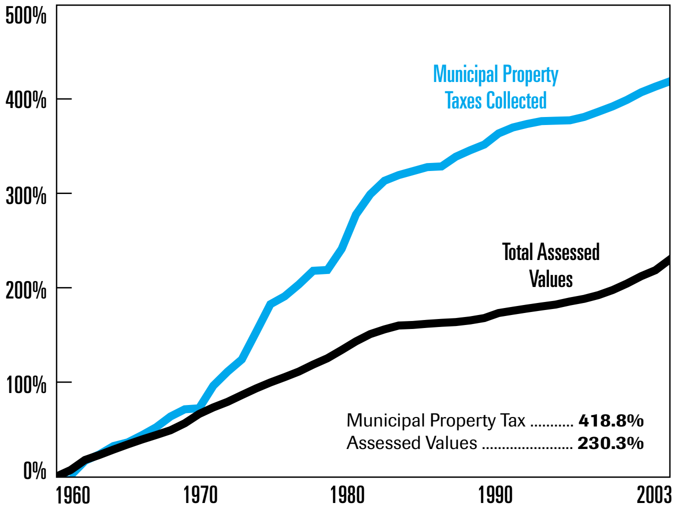


CHART 5: Real Per Capita Municipal Property Tax Collected (Real 2003 Dollars)

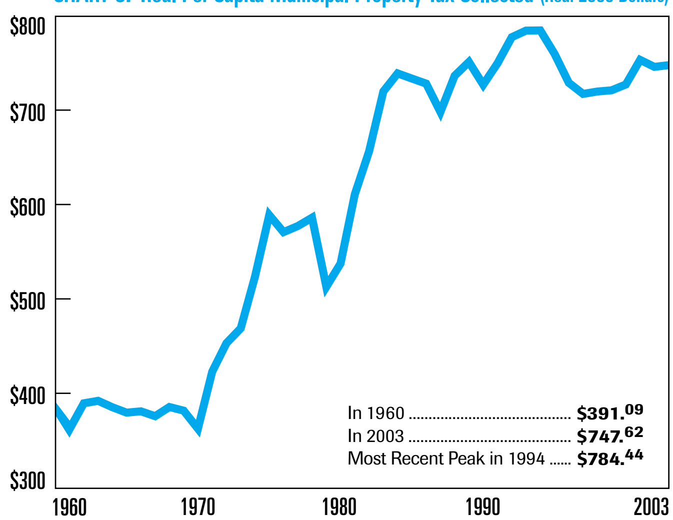
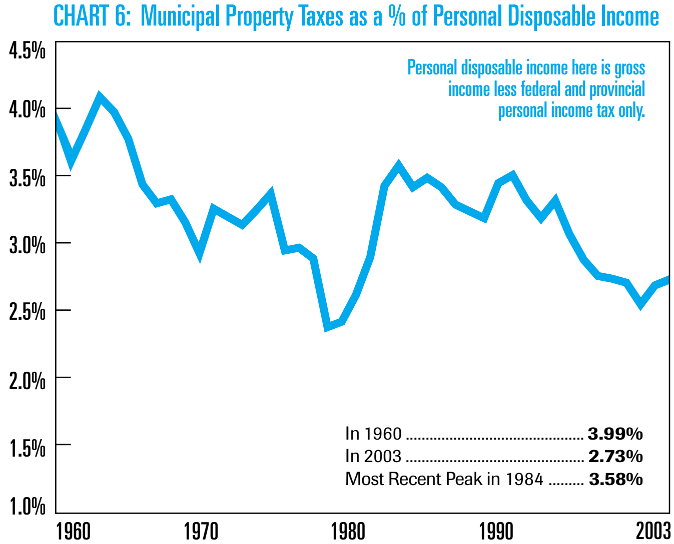


CHART 6: Municipal Property Taxes as a % of Personal Disposable Income



ROLE OF THE PROPERTY TAX IN CALGARY (2004 Budget)

CHART 7: Revenue Profile of the Operating Budget

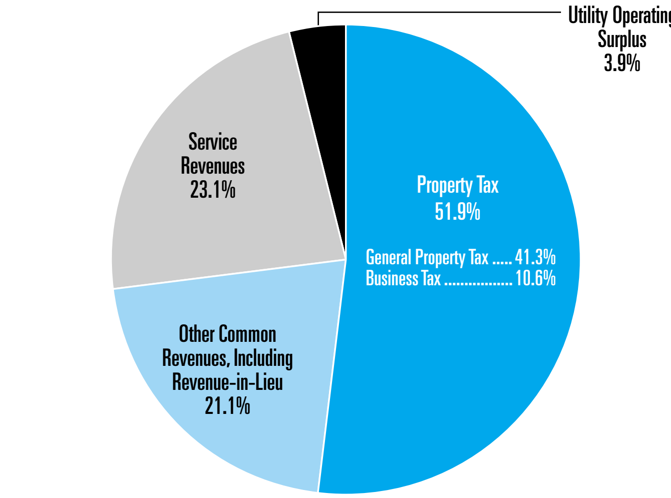


CHART 8: Usage of Calgary's Property Tax Dollar

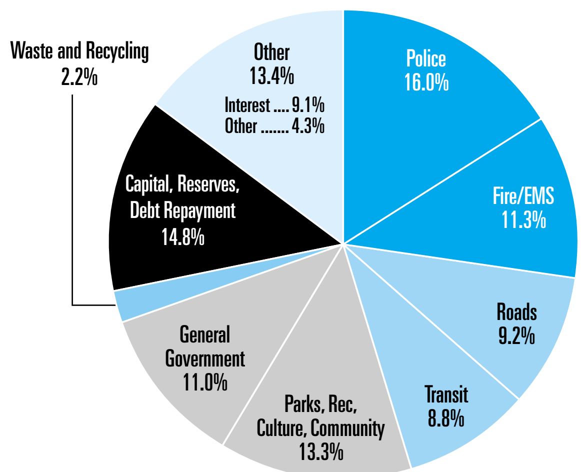
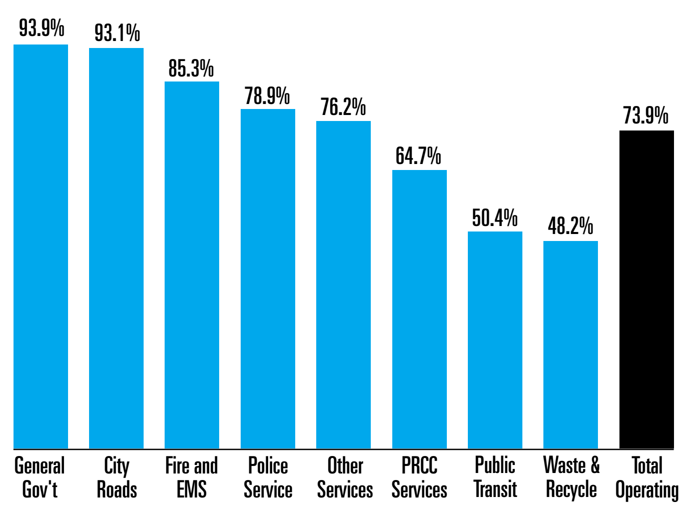


CHART 9: % of Tax-Supported Operating Expenses Dependent on General Funding



SASKATOON

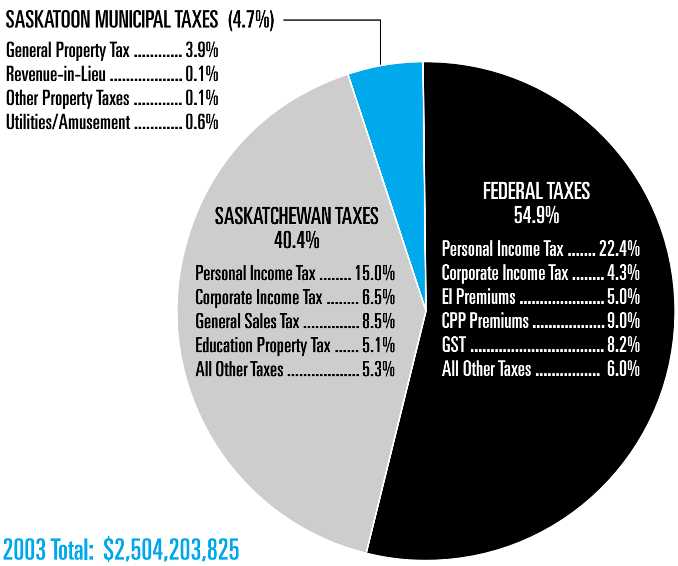
SASKATCHEWAN

Estimated Federal Taxes	$1,375,695,825
Estimated Provincial Taxes	$884,100,000
Education Property Taxes and Rev-in-Lieu	$126,410,000
Municipal Property Taxes and Rev-in-Lieu	$101,434,000
Other Saskatoon Municipal Taxes	$16,564,000
Total Taxes (2003)	$2,504,203,825
Total Per Capita	$12,197.78

SOURCE: For all data on these pages, see Appendix 1.

ESTIMATED TAX BURDEN IN SASKATOON, 2003

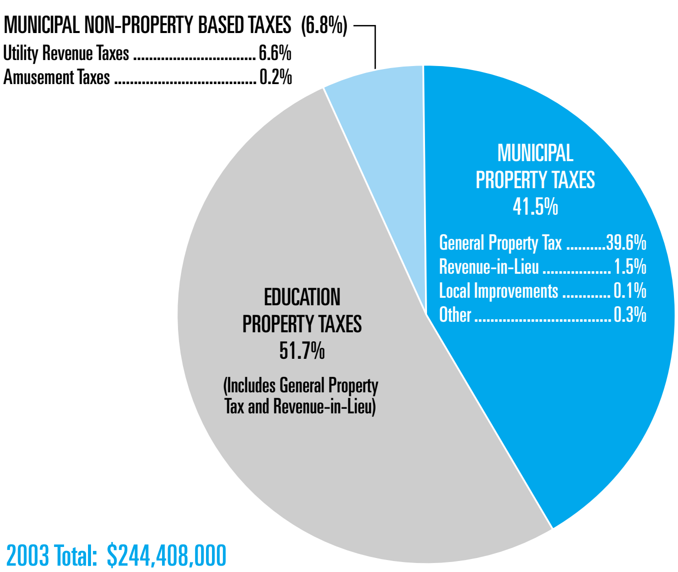
(Federal, Provincial, Municipal Taxes)



2003 Total: $2,504,203,825

SASKATOON TAX PROFILE, 2003

(As Reported by the City of Saskatoon)



2003 Total: $244,408,000

PROPERTY TAX BURDEN AND GROWTH IN SASKATOON

CHART 1: Municipal Property Taxes as a % of Total Personal Income Taxes

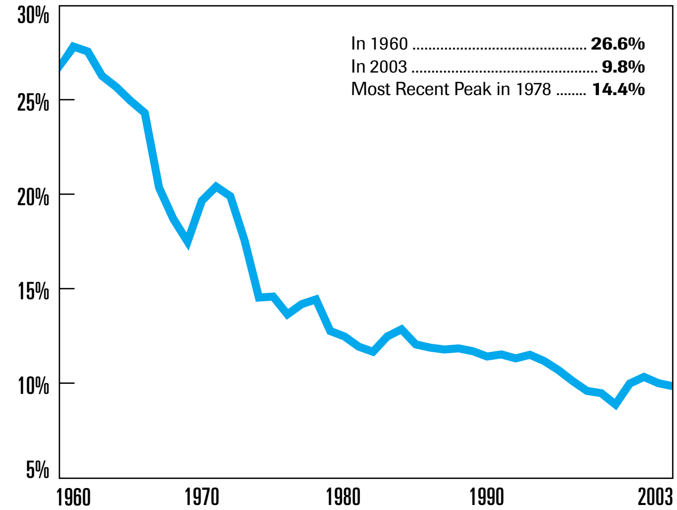


CHART 2: Cumulative % Growth in Municipal vs. Education Property Taxes

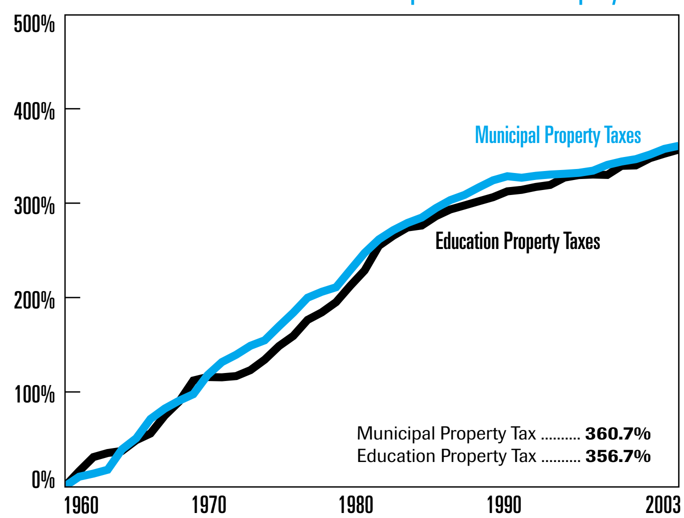


CHART 3: Growth in Real Per Capita Tax Revenues (Real 2003 Dollars)

(Real Per Capita $)	1990	2003	% Change
Federal Personal Income Tax	$ 2,455.32	$ 2,617.95	+ 6.6%
Federal Corporate Income Tax	616.07	901.53	+ 46.3%
Federal EI and CPP Premiums	852.40	1,378.54	+ 61.7%
Federal GST	833.90	856.79	+ 2.7%
Other Federal Taxes	573.28	455.26	– 20.6%
TOTAL FEDERAL TAXES	5,330.97	6,210.07	+ 16.5%
Provincial Personal Income Tax	1,199.80	1,437.41	+ 19.8%
Provincial Corporate Income Tax	304.29	619.19	+ 103.5%
Provincial General Retail Sales Tax	668.63	818.22	+ 22.4%
Other Provincial Taxes	397.71	510.63	+ 28.4%
TOTAL PROVINCIAL TAXES	2,570.43	3,385.45	+ 31.7%
SASKATOON Municipal Property Tax	493.59	473.21	– 4.1%
PROVINCIAL Education Property Tax	563.29	615.73	+ 9.3%

PROPERTY TAX BURDEN AND GROWTH IN SASKATOON

CHART 4: Cumulative % Growth in Municipal Property Tax and Assessments

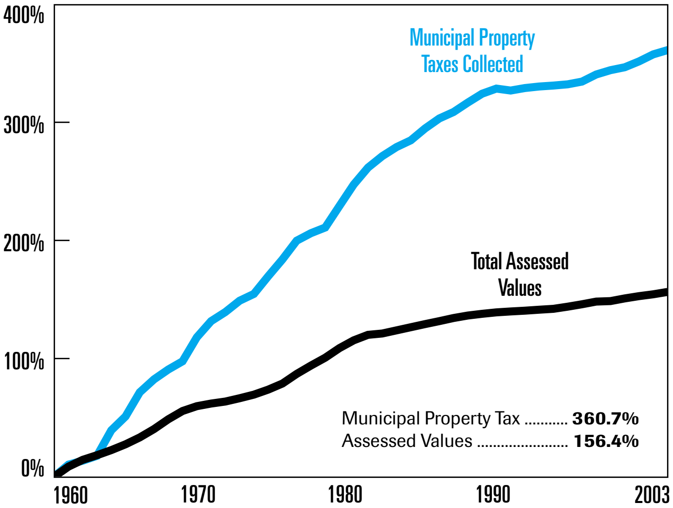


CHART 5: Real Per Capita Municipal Property Tax Collected (Real 2003 Dollars)

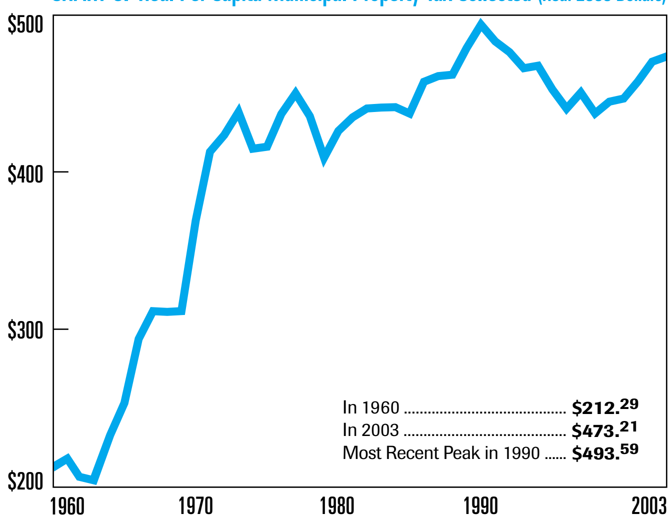
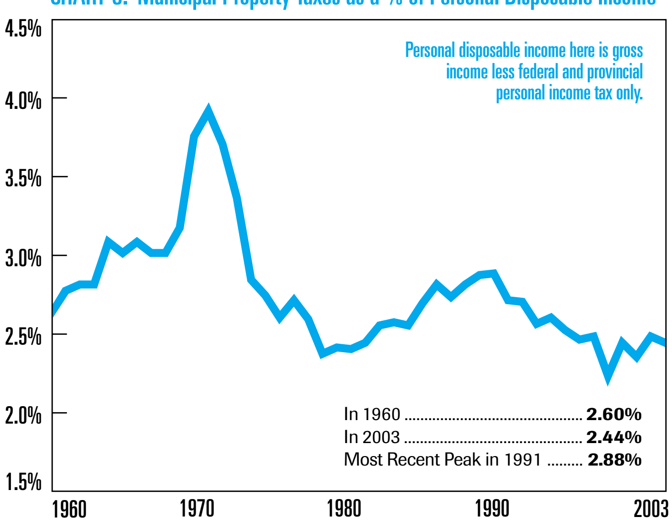


CHART 6: Municipal Property Taxes as a % of Personal Disposable Income



ROLE OF THE PROPERTY TAX IN SASKATOON (2003 Budget)

CHART 7: Revenue Profile of the Operating Budget

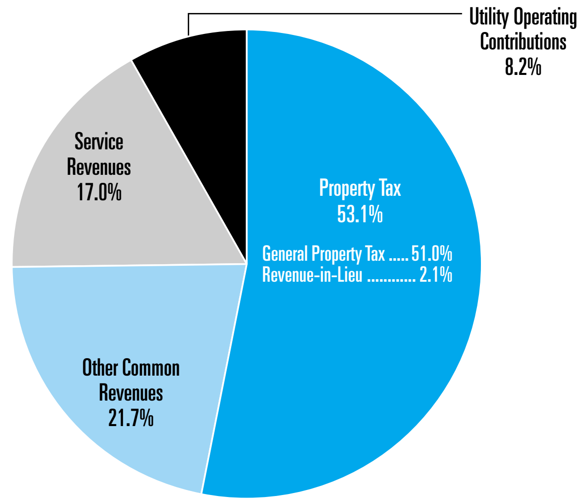


CHART 8: Usage of Saskatoon's Property Tax Dollar

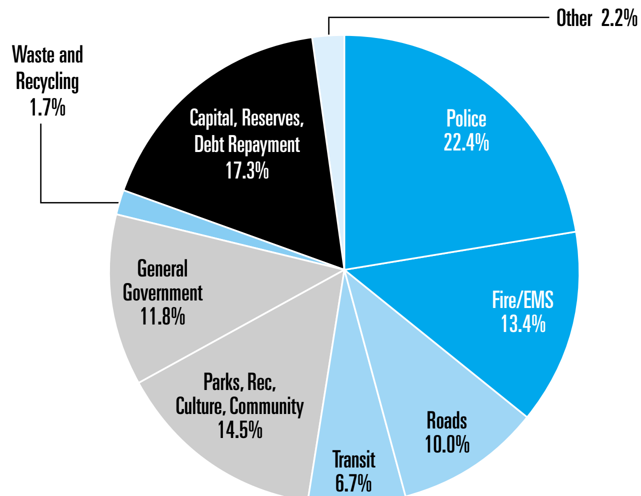
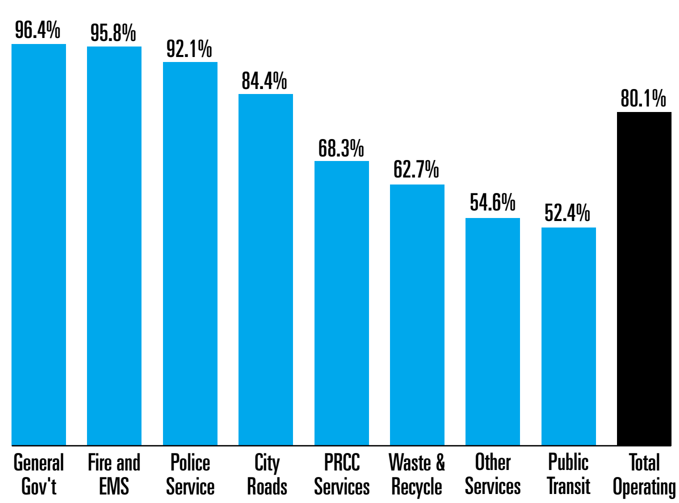


CHART 9: % of Tax-Supported Operating Expenses Dependent on General Funding



REGINA

SASKATCHEWAN

Estimated Federal Taxes	$1,266,164,234
Estimated Provincial Taxes	$813,708,800
Education Property Taxes and Rev-in-Lieu	$110,501,000
Municipal Property Taxes and Rev-in-Lieu	$115,757,000
Other Regina Municipal Taxes	$30,720,000
Total Taxes (2003)	$2,336,851,034
Total Per Capita	$12,292.75

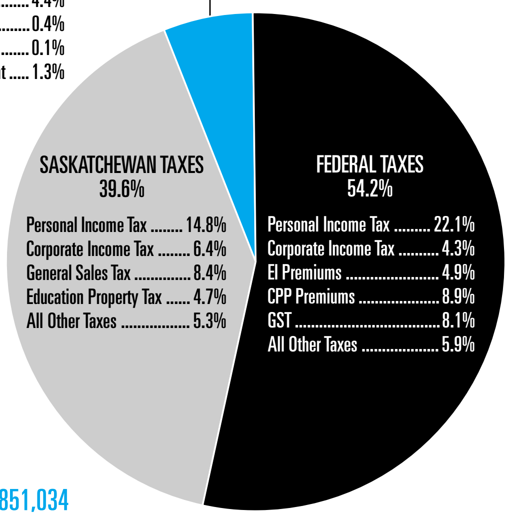
SOURCE: For all data on these pages, see Appendix 1.

ESTIMATED TAX BURDEN IN REGINA, 2003

(Federal, Provincial, Municipal Taxes)

REGINA MUNICIPAL TAXES (6.2%)

General Property Tax 4.4%
Revenue-in-Lieu 0.4%
Other Property Taxes 0.1%
Utility Revenues/Amusement 1.3%



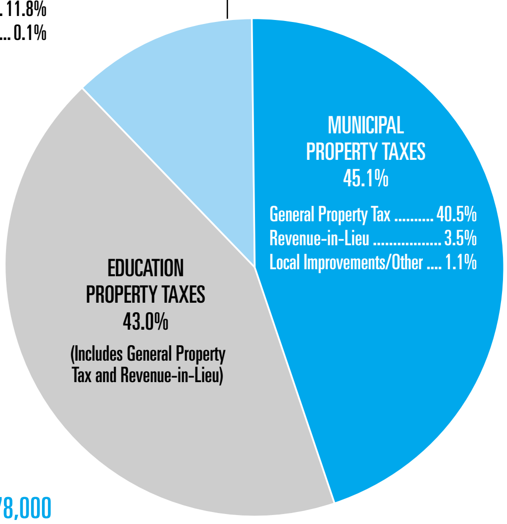
2003 Total: $2,336,851,034

REGINA TAX PROFILE, 2003

(As Reported by the City and Regina's Two School Boards)

MUNICIPAL NON-PROPERTY BASED TAXES (11.9%)

Utility Franchise Fees 11.8%
Amusement Tax 0.1%



2003 Total: $256,978,000

PROPERTY TAX BURDEN AND GROWTH IN REGINA

CHART 1: Municipal Property Taxes as a % of Total Personal Income Taxes

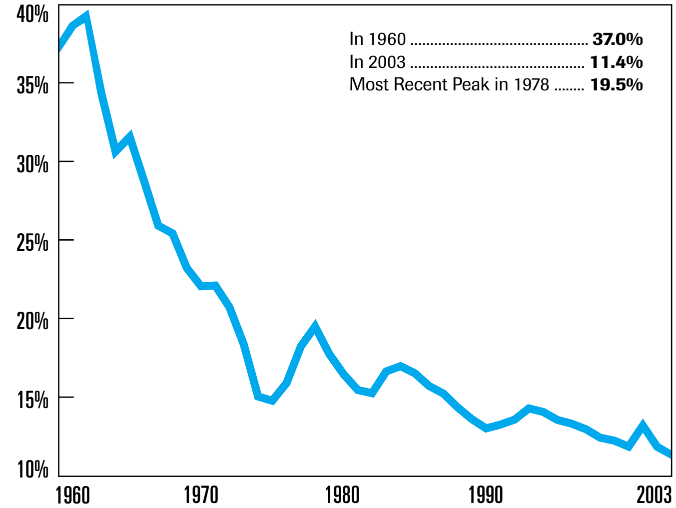


CHART 2: Cumulative % Growth in Municipal vs. Education Property Taxes

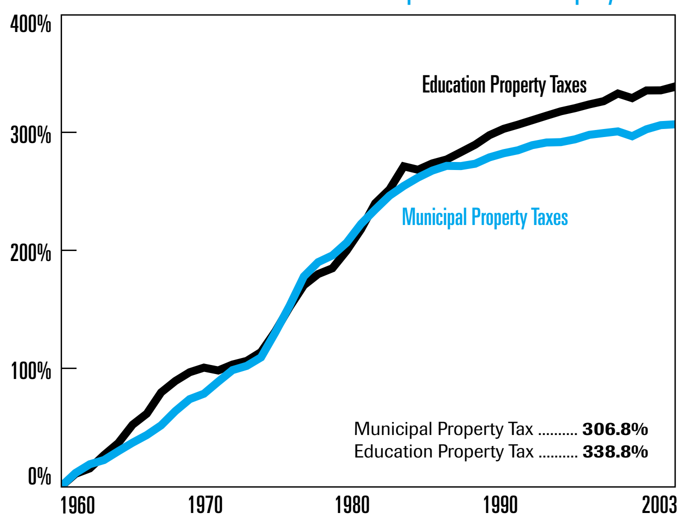


CHART 3: Growth in Real Per Capita Tax Revenues (Real 2003 Dollars)

(Real Per Capita $)	1990	2003	% Change
Federal Personal Income Tax	$ 2,455.32	$ 2,617.95	+ 6.6%
Federal Corporate Income Tax	616.07	901.53	+ 46.3%
Federal EI and CPP Premiums	852.40	1,378.54	+ 61.7%
Federal GST	833.90	856.79	+ 2.7%
Other Federal Taxes	573.28	455.26	– 20.6%
TOTAL FEDERAL TAXES	5,330.97	6,210.07	+ 16.5%
Provincial Personal Income Tax	1,199.80	1,437.41	+ 19.8%
Provincial Corporate Income Tax	304.29	619.19	+ 103.5%
Provincial General Retail Sales Tax	668.63	818.22	+ 22.4%
Other Provincial Taxes	397.71	510.63	+ 28.4%
TOTAL PROVINCIAL TAXES	2,570.43	3,385.45	+ 31.7%
REGINA Municipal Property Tax	628.58	572.84	– 8.9%
PROVINCIAL Education Property Tax	581.61	602.38	+ 3.6%

PROPERTY TAX BURDEN AND GROWTH IN REGINA

CHART 4: Cumulative % Growth in Municipal Property Tax and Assessments

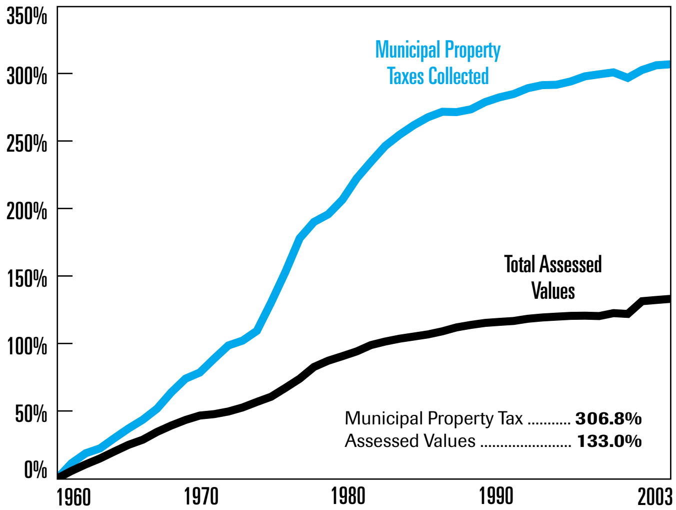


CHART 5: Real Per Capita Municipal Property Tax Collected (Real 2003 Dollars)

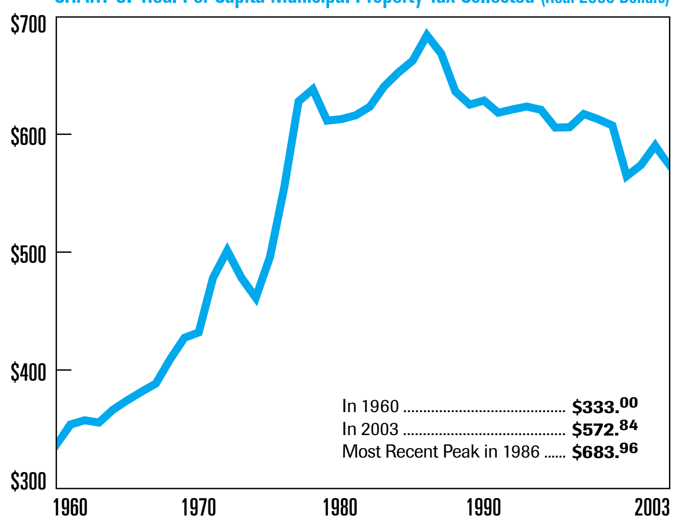
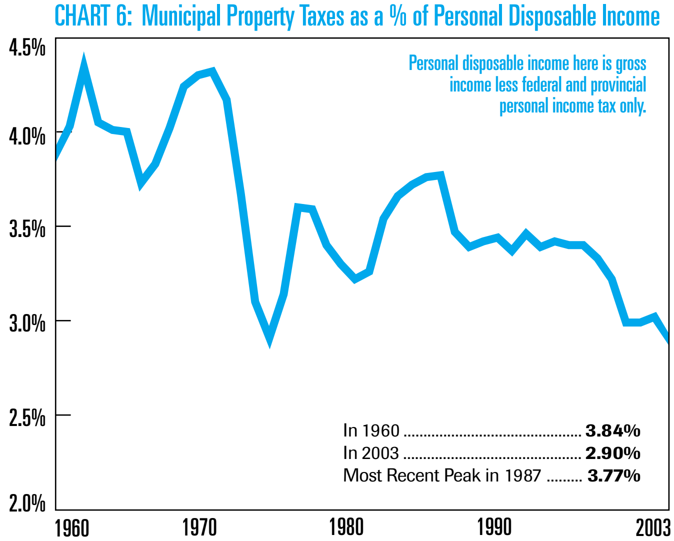


CHART 6: Municipal Property Taxes as a % of Personal Disposable Income



ROLE OF THE PROPERTY TAX IN REGINA (2002 Actual)

CHART 7: Revenue Profile of the Operating Budget

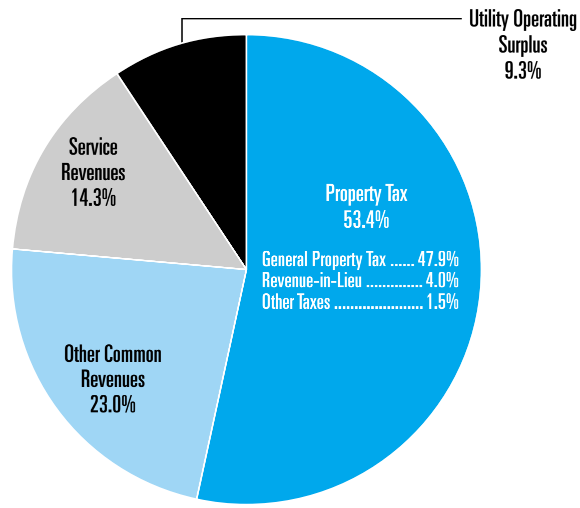


CHART 8: Usage of Regina's Property Tax Dollar

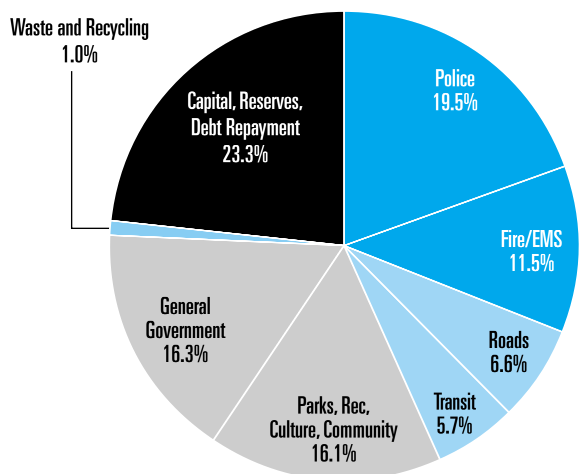
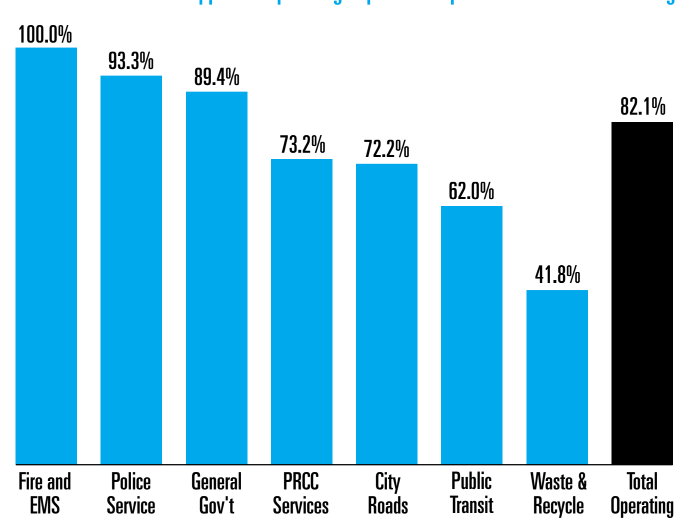


CHART 9: % of Tax-Supported Operating Expenses Dependent on General Funding



WINNIPEG

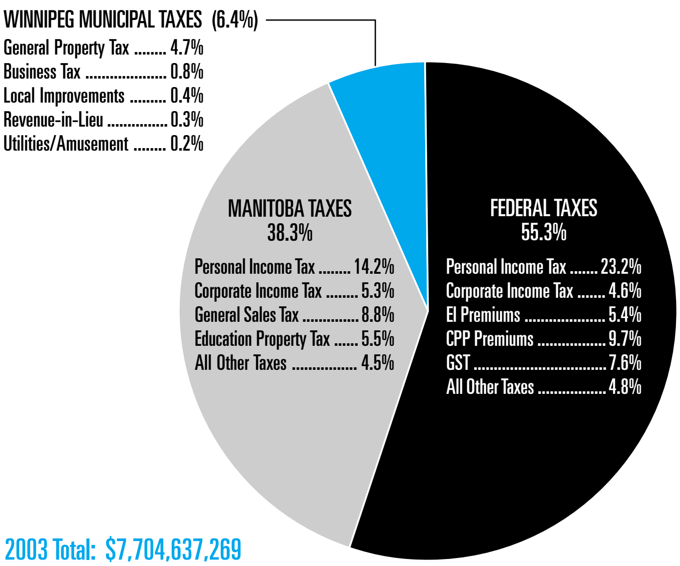
MANITOBA

Estimated Federal Taxes	$4,261,132,769
Estimated Provincial Taxes	$2,528,455,500
Education Property Taxes and Rev-in-Lieu	$425,053,000
Municipal Property Taxes and Rev-in-Lieu	$471,953,000
Other Winnipeg Municipal Taxes	$18,043,000
Total Taxes (2003)	$7,704,637,269
Total Per Capita	$11,954.44

SOURCE: For all data on these pages, see Appendix 1.

ESTIMATED TAX BURDEN IN WINNIPEG, 2003

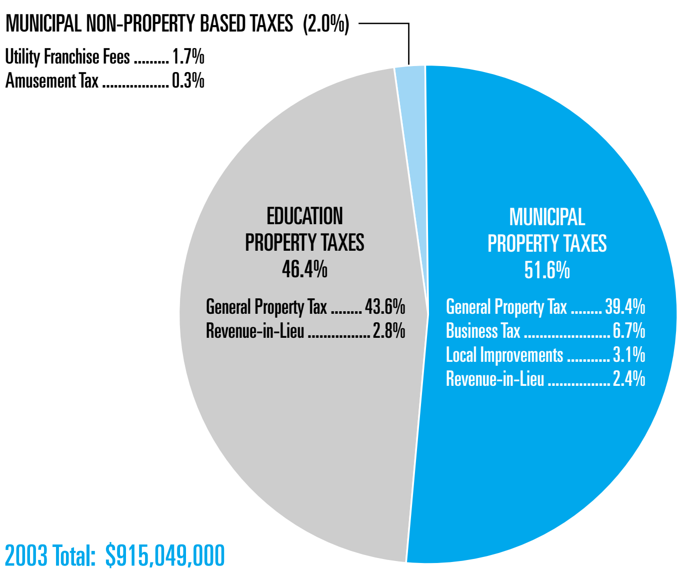
(Federal, Provincial, Municipal Taxes)



2003 Total: $7,704,637,269

WINNIPEG TAX PROFILE, 2003

(As Reported by the City of Winnipeg)



2003 Total: $915,049,000

PROPERTY TAX BURDEN AND GROWTH IN WINNIPEG

CHART 1: Municipal Property Taxes as a % of Total Personal Income Taxes

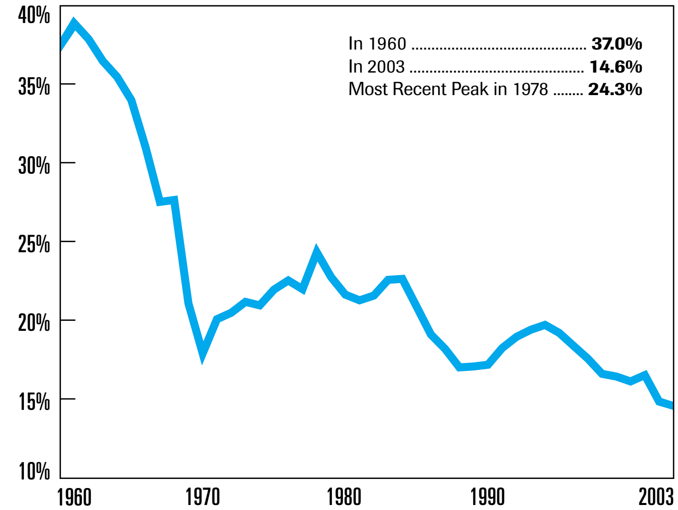


CHART 2: Cumulative % Growth in Municipal vs. Education Property Taxes

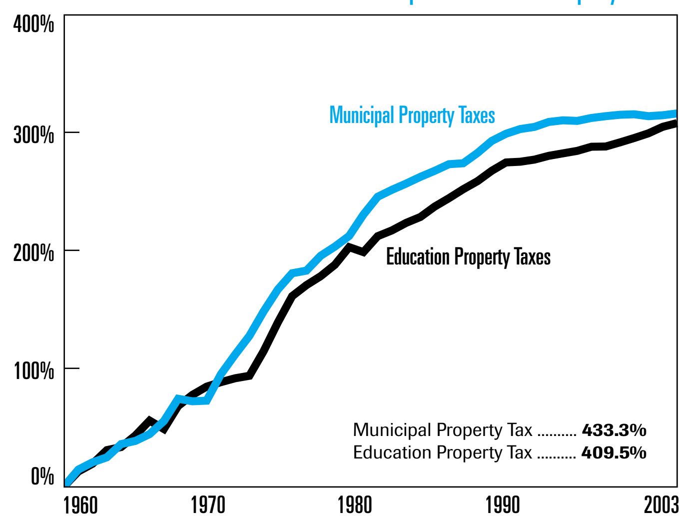


CHART 3: Growth in Real Per Capita Tax Revenues (Real 2003 Dollars)

(Real Per Capita $)	1990	2003	% Change
Federal Personal Income Tax	$ 2,455.32	$ 2,617.95	+ 6.6%
Federal Corporate Income Tax	616.07	901.53	+ 46.3%
Federal EI and CPP Premiums	852.40	1,378.54	+ 61.7%
Federal GST	833.90	856.79	+ 2.7%
Other Federal Taxes	573.28	455.26	– 20.6%
TOTAL FEDERAL TAXES	5,330.97	6,210.07	+ 16.5%
Provincial Personal Income Tax	1,245.02	1,406.95	+ 13.0%
Provincial Corporate Income Tax	530.13	521.16	– 1.7%
Provincial General Retail Sales Tax	748.70	866.01	+ 15.7%
Other Provincial Taxes	597.75	448.92	– 24.9%
TOTAL PROVINCIAL TAXES	3,121.60	3,243.04	+ 3.9%
WINNIPEG Municipal Property Tax	768.05	698.29	– 9.1%
PROVINCIAL Education Property Tax	576.46	619.57	+ 7.5%

PROPERTY TAX BURDEN AND GROWTH IN WINNIPEG

CHART 4: Cumulative % Growth in Municipal Property Tax and Assessments

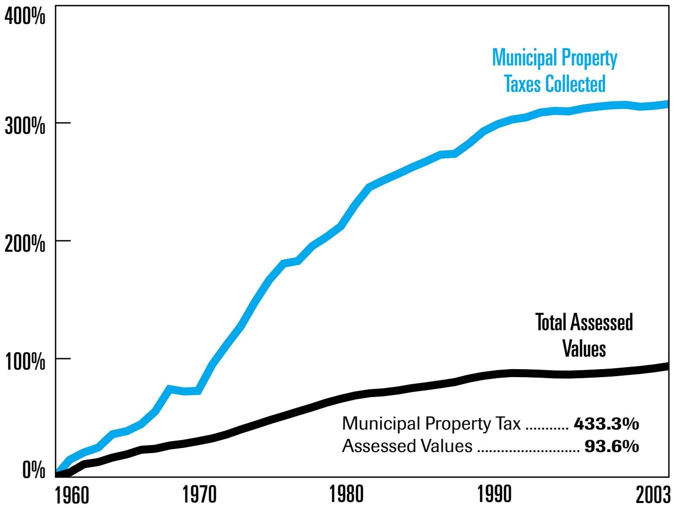


CHART 5: Real Per Capita Municipal Property Tax Collected (Real 2003 Dollars)

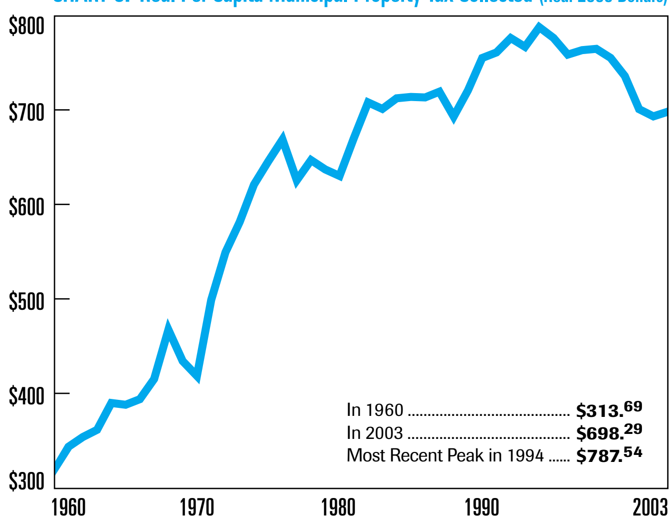
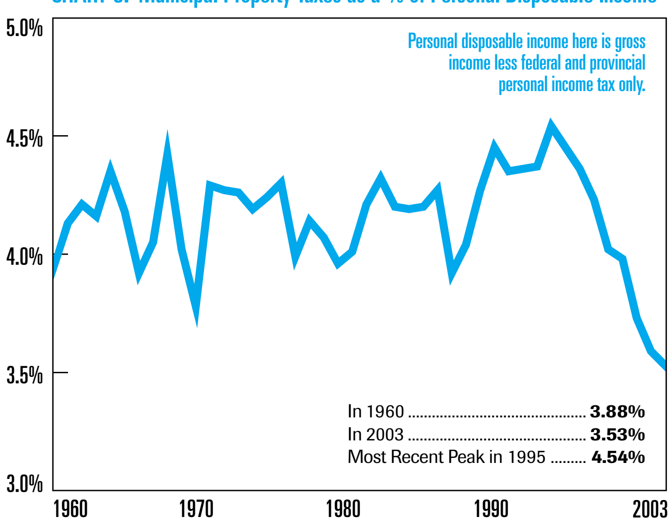


CHART 6: Municipal Property Taxes as a % of Personal Disposable Income



ROLE OF THE PROPERTY TAX IN WINNIPEG (2003 Actual)

CHART 7: Revenue Profile of the Operating Budget

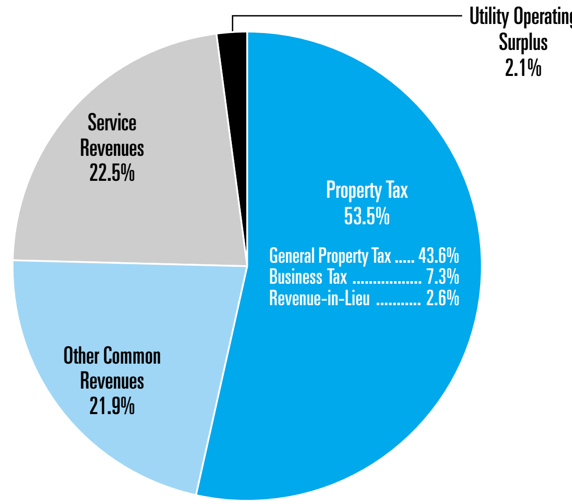


CHART 8: Usage of Winnipeg's Property Tax Dollar

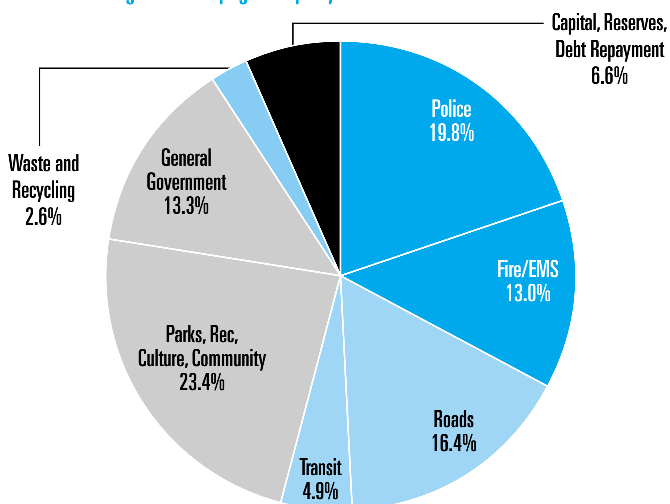
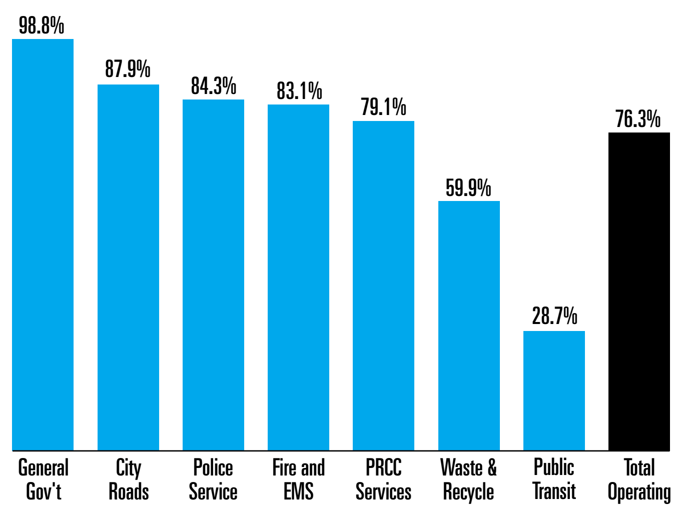


CHART 9: % of Tax-Supported Operating Expenses Dependent on General Funding



property tax revenues tended to slightly outpace municipal property tax revenues. While the gap has recently closed in Calgary, the education component has consistently outgrown the municipal component in Regina since the early 1980s. Competition for tax room in Regina appears to be fierce, as the gap in the growth rates shows no sign of closing. In fact, 2003 shows the gap widening.

Question #2: Growth of the Property Tax

Although the burden of municipal property taxation relative to other taxes has not increased, it does not necessarily follow that property tax revenues themselves have failed to grow over time, even if that growth is slower than other forms of taxation. *Charts 3-6* in the city-specific datasets explore the historical growth of municipal property taxes in the six cities.

■ *Revenues produced by the total basket of taxes at the federal and provincial levels have increased in real per capita terms since 1990 with the sole exception being British Columbia:* The relative burden posed by municipal property taxes relative to other taxes is a direct function of the varying growth rates of the different taxes in play. *Chart 3* in the city-specific datasets compares the inflation-adjusted (or real) per capita amounts of all taxes collected by the federal, provincial, and each city governments in 1990 to 2003, along with their rates of growth between the two periods. Total tax revenue in real per capita terms increased 16.5% for the federal government from 1990 to 2003. The province of Manitoba's real per capita tax revenue grew by 3.9%, Alberta's by 25.6%, and Saskatchewan's by 31.7%. British Columbia is the only western province where real per capita tax revenue growth has been negative. Due to slower economic growth and recent tax cuts, real per capita taxes are 10.5% lower in 2003 than they were in 1990.

■ *Municipal property tax revenue growth in the cities stands in sharp contrast to the general federal and provincial experience:* In four of the six large western cities, municipal property tax revenue in real per capita terms is lower in 2003 than it was in 1990. In 2003, the City of Winnipeg collected 9.1% less in real per capita property tax than it did in 1990, followed closely by Regina at 8.9% less. The City of Edmonton is collecting 6.5% less in real per capita property tax revenue, and Saskatoon 4.1% less. Only in Calgary and Vancouver have real per capita property taxes increased in 2003 over 1990 levels. But even here, the gains have been relatively modest (2.8% for Calgary and 4.6% for Vancouver).

■ *Education property tax revenue growth in the cities has shown stronger growth since 1990:* In four of the six cities, education property tax revenues have increased in real per capita terms from 1990-2003. They grew by 3.6% in Regina, 5.0% in Vancouver, 7.5% in Winnipeg, and 9.3% in Saskatoon. Only in Edmonton and Calgary have real per capita education property tax revenues declined in 2003 relative to 1990.

■ *If the measure of whether municipal property taxes have increased rests solely on a comparison of the growth rate of the revenue to the tax base, then municipal property taxes have clearly increased substantially since 1960 for all cities in the West:* *Chart 4* shows that annual year over year growth in municipal property tax revenues has clearly exceeded year over year growth in total assessed values for all the cities over the 1960-2003 period. Throughout the 1960s, Edmonton and Calgary saw property tax revenues track quite closely alongside assessed values. Only later did the tax collections start growing at a much faster rate than assessed values. Saskatoon, Regina, and Winnipeg started the decade with revenues already growing faster than assessed values. (Data for 1960-2003 is unavailable for Vancouver. In the 1990s, however, growth in property tax collections has lagged growth in assessments.)

The pattern above continued for most of the 1970s and into the early 1980s, and suggests that cities were steadily increasing the property tax mill rates to provide sufficient revenue. The total assessed value of properties within a city forms the tax base upon which property tax revenues are received. This tax base can expand in two ways – as the city grows, more properties increase the value of the tax roll, and existing properties themselves increase in value. However, the data suggest that during this period assessed values were not increasing fast enough to provide the needed financial resources.

In the mid-1980s, property tax revenue growth flattened out for most cities relative to annual year over year growth in the assessed value of properties. Today, the pace of growth in total property tax revenue growth broadly reflects growth in assessed values. The data indicate one of two things – either western cities today are more reluctant to increase mill rates, or expansion of the tax base itself is seen as sufficient to provide the revenues needed. Given the current level of discourse in Canada concerning municipal finance issues, the latter would hardly seem to be the case.

■ *Real per capita municipal property taxes have grown substantially since 1960, but have recently begun to fall significantly:* As seen earlier, total real per capita taxes have increased by a factor of four since the early 1960s. Western Canada's cities also saw significant growth in real per capita municipal property tax revenues, but this growth tapered off in the late 1980s and early 1990s. Since then, real per capita municipal property tax revenues for most cities have actually fallen, especially in Edmonton, Regina, and Winnipeg *(Chart 5).*

■ *Property tax revenues, as a percentage of personal disposable incomes in the cities, have fallen to some of the lowest levels seen over the past 40 years:* The amount of municipal property tax collected in 2003 by both Regina and Winnipeg represented the lowest ever levels collected relative to personal disposable incomes over the last 40 years, continuing a steady decline in play since the mid-1990s. In Edmonton, Calgary, and Saskatoon, the ratio of municipal property tax revenue collected to personal disposable incomes approaches some of the lowest levels ever seen *(Chart 6).* Without sufficient data, it is hard to get a fix on the situation in Vancouver, but the past ten years in that city do show a downward trend as well, even though property tax revenues did rebound slightly in 2003.

■ *Municipal property taxes have contributed very little to the overall nominal increase in taxation since 1990:* The growth rates of various taxes tells only part of the story. In *Figure 9,* the total nominal increase in taxation from 1990 to 2003 was calculated for each of the six cities. The percentage of the increase due to municipal property taxes was then determined. On average, municipal property taxes account for only 4.2% of the total nominal increase in taxes from 1990 to 2003. Total municipal taxes (including non-property based taxes) accounts for 4.9%. Clearly, the great bulk of increased taxes since 1990 has accrued to the federal and provincial governments.

Figure 10 (page 29) caps the discussion over any "increase" in municipal property taxes by quantifying the amount of additional property taxes that the six cities would have collected in fiscal 2003 if property tax revenues had not declined relative to personal disposable incomes. If the cities had collected municipal property taxes at the same tax-to-personal-disposable-income ratio that prevailed in 1960, an additional $529.6 million in property tax would have been levied in fiscal 2003 alone by Edmonton, Calgary, Saskatoon, Regina, and Winnipeg. This would have represented a 6.7% to 46.2% increase in municipal property tax revenues.

Annual property tax collections relative to personal disposable incomes were also averaged from 1960-2003. If the cities had collected property taxes at the average annual ratio prevailing from 1960-2003, another $295.7 million in property taxes would have been collected by the five prairie cities in 2003 – a 12.8% to 23.3% increase. Simply maintaining the 1990-2003 average ratio in 2003 would have resulted in another $253.0 million in municipal property tax collections across all six cities.

The argument here is not that the cities *should* have kept the property tax-to-personal-disposable-income ratio steady. Rather, the point is to simply demonstrate that when it comes to municipal property taxes, most of western Canada's large cities are providing taxpayers with a bargain when compared to historical levels of taxation.

SUMMARY: Of all the ways to look at growth in property taxes, the most significant measure is to set the revenue collected by the tax against the personal disposable incomes being earned in the city. This measure is critical for two reasons. First, all taxes – whether direct or indirect – must be paid out of incomes earned, regardless of whether the actual tax base is income itself or the value of one's property. Secondly, in order

FIGURE 9: % Contribution of Various Taxes to the Overall Increase in Taxation, 1990-2003

(All Federal, Provincial, and Local Taxes in 000s of Nominal Dollars)

	VANCOUVER		EDMONTON		CALGARY		SASKATOON		REGINA		WINNIPEG	
Nominal Increase In:	$ 000s	%	$ 000s	%	$ 000s	%	$ 000s	%	$ 000s	%	$ 000s	%
Federal Tax Share	$ 2,121,352	71.7%	$ 1,829,148	66.1%	$ 5,069,031	66.6%	$ 715,771	58.6%	$ 566,371	58.7%	$ 1,922,814	67.1%
Provincial Tax Share	574,466	19.4%	751,872	27.1%	2,001,378	26.3%	420,127	34.4%	317,764	32.9%	720,507	25.2%
Education Property Tax	63,482	2.1%	9,026	0.3%	164,862	2.1%	48,854	4.0%	37,890	3.9%	127,447	4.4%
SUB-TOTAL	**2,759,300**	**93.2%**	**2,590,046**	**93.5%**	**7,235,271**	**95.0%**	**1,184,752**	**97.0%**	**922,025**	**95.5%**	**2,770,768**	**96.7%**
Municipal Property Tax	198,355	6.7%	148,443	5.4%	350,080	4.6%	30,811	2.5%	29,769	3.1%	87,642	3.1%
Other Municipal Taxes	2,937	0.1%	29,549	1.1%	28,485	0.4%	5,683	0.5%	13,058	1.4%	5,175	0.2%
TOTAL TAX INCREASE	**2,960,592**	100.0%	**2,768,038**	100.0%	**7,613,836**	100.0%	**1,221,246**	100.0%	**964,852**	100.0%	**2,863,585**	100.0%

SOURCE: Derived by CWF from Revenue Canada *Income Statistics* (1960-2003), DBRS, and Annual Reports of the Cities (1990-2003).

FIGURE 10: Foregone Municipal Property Tax Revenue Due to Declining Collections as a % of Personal Disposable Income
(All Amounts in Nominal Dollars)

(Actuals in Nominal $)	VANCOUVER	EDMONTON	CALGARY	SASKATOON	REGINA	WINNIPEG
Municipal Property Tax as % of Personal Disposable Income in 2003:	**4.07%**	**2.93%**	**2.73%**	**2.44%**	**2.90%**	**3.53%**
Property Tax as % of Personal Disposable Income in 1960:	--	3.71%	3.99%	2.60%	3.84%	3.88%
Foregone Property Tax Collections in 2003:	--	**$124,291,000**	**$318,596,000**	**$6,530,000**	**$35,496,000**	**$44,721,000**
2003 Municipal Property Taxes Would Have Increased By:	--	**26.8%**	**46.2%**	**6.7%**	**32.6%**	**9.9%**
Property Tax as % of Personal Disposable Income, 1960-2003 Average:	--	3.30%	3.20%	2.76%	3.57%	4.15%
Foregone Property Tax Collections in 2003:	--	**$59,283,000**	**$118,989,000**	**$12,911,000**	**$25,344,000**	**$79,151,000**
2003 Municipal Property Taxes Would Have Increased By:	--	**12.8%**	**17.3%**	**13.3%**	**23.3%**	**17.6%**
Property Tax as % of Personal Disposable Income, 1990-2003 Average:	4.12%	3.41%	3.01%	2.55%	3.27%	4.16%
Foregone Property Tax Collections in 2003:	**$6,305,000**	**$76,724,000**	**$70,983,000**	**$4,536,000**	**$14,063,000**	**$80,426,000**
2003 Municipal Property Taxes Would Have Increased By:	**1.2%**	**16.5%**	**10.3%**	**4.7%**	**12.9%**	**17.9%**

SOURCE: Derived by CWF from Revenue Canada *Income Statistics* (1960-2003) and Annual Reports of the Cities (1960-2003).

for any actual increase in taxation to be effected, the increase needs to result in a higher percentage of one's income being taken following the increase than was being taken prior to the increase. If this condition is not fulfilled, then any so-called "increase" in taxation is quite debatable – it has not necessarily resulted in a greater portion of one's income going to pay the tax. Ultimately, it would appear that while property tax revenue growth for every city has outstripped growth in assessed values over the past 40 years, it remains fact that the property tax has come to consume less of personal disposable income today than at almost any point in the last 40 years.

Question #3: The Role of Property Taxes

Charts 7-9 in the city-specific datasets outline how property taxes fit into the operating budgets of western Canada's six large cities and the specific services financed by the tax. *Figure 11 (page 30)* shows the averages of these data for the six cities.

■ *For most large western cities, property taxes fund about half of the tax-supported operating budget:* Across the six cities, 55.7% of tax-supported expenditures – those expenditures supported in whole or in part by tax revenue as opposed to self-financing utility operations – are funded by various forms of property taxation *(Figure 11, Chart 1)*. Vancouver appears to be somewhat of an outlier here as 70% of its tax-supported budget appears to be funded by property taxes. However, this higher result may simply be a function of the way property taxes are recorded in that city. Across the six cities, property taxes are the single largest source of *general* funding – funding that is not attached to a specific service, function, or civic department.

■ *Other general funding (common revenues) comprise about 20% of tax-supported operating budgets:* These revenues are comprised of unconditional grants, franchise fees, utility taxes, and all other non-property related revenues that are unattached to specific services. Again, there is very little variation between the cities, with the possible exception of Vancouver.

■ *Service revenues also tend to comprise about 20% of tax-supported operating budgets for the six cities:* Service revenues accrue to specific functions and departments in the operating budget, and are comprised of user fees, the sales of goods or services, licences, fines, and conditional grants.

■ *Utility operating surpluses are a relatively small source of funding for tax-supported expenditures:* In most cities, the utilities tend to run an operating surplus which can be used to support capital investment in the utilities themselves, or transferred to support general civic programs and services. With the exception of Regina and Saskatoon, utility surpluses are dwarfed by other funding sources, typically generating less than 5% of total tax-supported operating revenues.

The charts in *Figure 11* and the city-specific datasets also hone in on the usage of the property tax in each of the six large western cities by showing what portion of the property tax goes toward supporting specific civic functions or services. Several items of note emerge from the data.

■ *The single largest function supported by property taxes in the six cities is protection:* On average, policing and emergency response (fire and EMS) use about one-third (32.1%) of all property tax revenues in the cities. In all cities, however, policing consumes more property tax revenue than fire and EMS services *(Figure 11, Chart 2).* Policing uses the single largest share of property taxes in four of the six cities (Vancouver, Edmonton, Calgary and Saskatoon), and runs a close second in the other two (Regina and Winnipeg).

■ *A significant portion of property taxes in most cities is transferred out of the operating fund to support capital investment and infrastructure, boost reserves for future expenditures, and pay down debt:* Pay-as-you go infrastructure funding and maintaining healthy reserves for future operating and capital expenditures uses the single largest slice of the property tax in Regina, and runs second in Vancouver, Edmonton, Calgary, and Saskatoon. This is not at all surprising given how cities are struggling to keep up with pressing infrastructure needs for both renewal of existing capital assets and additions to accommodate growth.

■ *Parks, recreation, community, and culture (PRCC) services, the costs of general government, and transportation each use a similar share of the property tax dollar:* Although there are some minor variations between individual cities, each of these services tends to use about 15% of total property tax revenue. The transportation portion is about equally split between maintaining roadways and streets, and tax subsidies to fund public transit systems.

■ *In general, the cities show a high degree of similarity with respect to how property taxes are used:* Most of the variations between cities with these data are a function of different reporting styles. Calgary, for example, has a significant portion of property tax going to "other" services, but this is primarily made up of interest on tax-supported debt which Calgary isolates but other cities attach to specific service functions.

The last chart in *Figure 11* and the city-specific datasets shows how dependent various services are on general funding (e.g., property tax and other common revenue) as opposed to service revenue. Here, the focus shifts from showing the *portion* of property taxes that fund specific services to how *dependent* various services are on general funding.

FIGURE 11: The Role of the Property Tax in Western Cities
(Average Results of the Six Big Western Cities, Various Years)

CHART 1: Revenue Profile of the Average Operating Budget

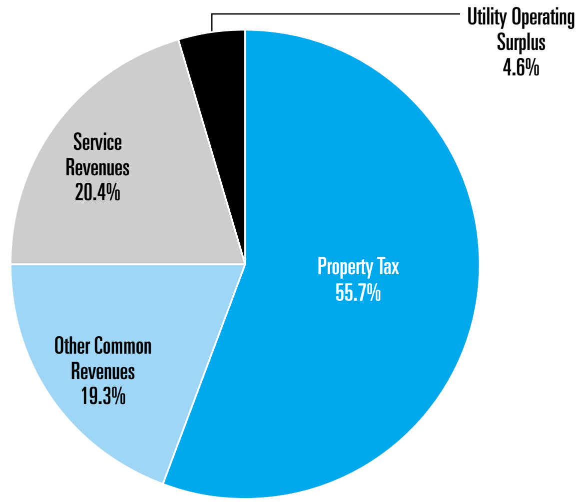


CHART 2: Average Usage of the Property Tax Dollar

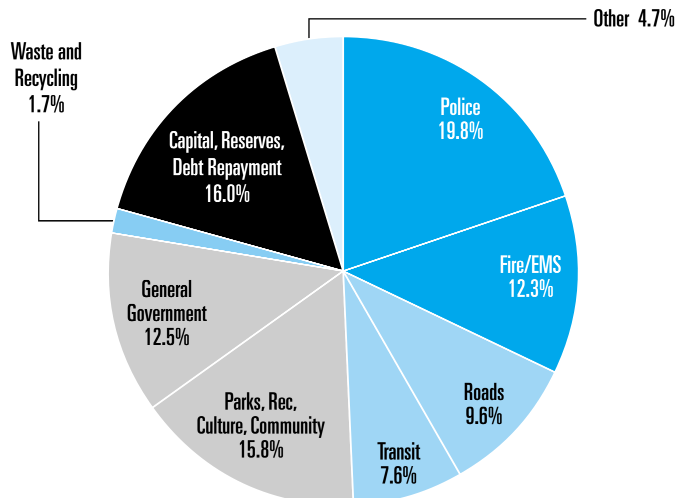
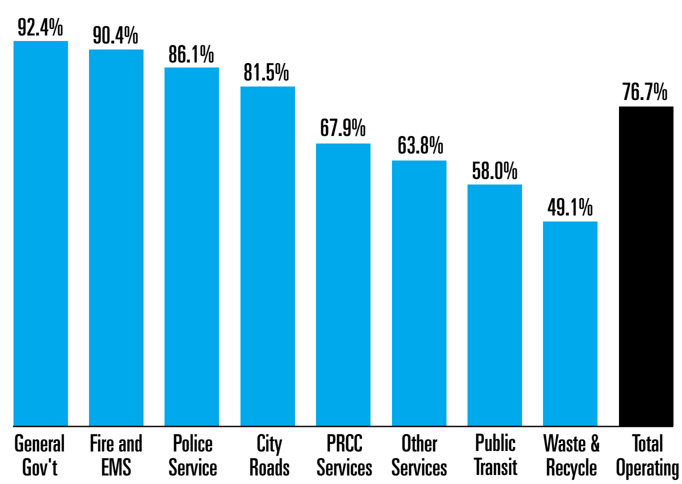


CHART 3: % of Tax-Supported Operating Expenses Dependent on General Funding



SOURCE: See Appendix 1.

■ *General government expenditures are the most dependent on general funding, and by implication, property taxes:* The costs of administration have few service revenues attached to them, and are the most dependent on general funding. On average, 92.4% of these expenditures need to be funded by general revenues *(Figure 11, Chart 3).* In four of the cities (Edmonton, Calgary, Saskatoon, and Winnipeg), general government expenditures are the one service area that most requires general funding.

■ *The costs of combined fire and EMS services run a very close second:* Emergency response in the West's six big cities is also highly dependent on general funding, with an average of 90.4% of these costs being covered through property taxes and other common revenues. Many EMS services operate on a partial cost recovery basis, but when it is merged with fire response, the two still require significant general funding. Emergency response is the most dependent service on general funding in Regina, and second in both Vancouver and Saskatoon.

■ *Policing is also highly dependent on general funding with 86.1% of all costs coming from general funding sources:* While police service is not the most dependent on general funding in any city, it still runs second in Regina and third in Vancouver, Saskatoon, and Winnipeg.

■ *Most other municipal services are much less dependent on general funding in that they raise at least a certain portion of own-source revenue to fund operations:* On average, about one-third of the cost of parks, recreation, cultural, and community services are covered through service revenue, with the remainder covered from the property tax and other common revenues. Across the West, public transit appears to require about a 60% subsidy from general funding, with the rest coming from fares or conditional operating grants. However, Vancouver's contribution to the regional transit system is entirely tax-based, which skews the results. Across the five prairie cities, about 50% of the cost of transit appears to come from general funding, a similar amount as that recorded for solid waste services and recycling.

SUMMARY: Across the West, 76.7% of tax-supported services require general funding. There is little difference between cities. Edmonton appears to use general funding the least (73.0%), but that is not much lower than Calgary (73.9%), Vancouver (74.9%) or Winnipeg (76.3%). Saskatoon and Regina appear to be somewhat more dependent on general funding, but this may also result from different reporting practices.

QUESTION #4: Assessing the Property Tax

The property tax has been an established feature of the tax system in Canada for over a century. It is well entrenched and has gained general – if somewhat reluctant – acceptance as a means to finance city services. Not only are the administration mechanisms in place, but property owners expect to pay property tax. In many ways, the property tax tends to work well for local governments, but it has increasingly come under fire as an outdated tax ill-suited for the needs of today's large cities. What are the advantages and disadvantages of the property tax?

1. Advantages

■ *A dedicated local tax:* The property tax has traditionally been understood as the reserve of local governments. This, coupled with the relatively straightforward computation and collection of the tax, has led to historical support and appreciation for the purposes behind the tax.

■ *Property tax rates are set locally:* Citizens and their civic leaders settle on the bundle of services desired for the taxes they are willing to pay. In large metropolitan areas, such locally set tax rates foster choice and competition between cities, strengthening the cities and driving them to excel.

■ *A good fit with the "benefits principle" of taxation:* The tax is equitable if only because all residents pay for the benefits that accrue from the services financed by the tax. Many city services and improvements are provided directly to properties, which also increases property values. There are a number of ties here that make the property tax quite appropriate in the local context.

■ *An immobile and stable tax base:* Property cannot get up and move. Further, non-payment of the tax jeopardizes ownership. Thus, property taxes are hard to duck, leading to reasonable tax compliance and good collection rates. As a tax base, property values also exhibit low volatility despite happenings in the broader economy – the assessed value of property is generally better insulated against economic shocks than most other tax bases.

■ *Stable and predictable revenues:* If property values and the assessment base are relatively healthy, the property tax produces a very important advantage in the form of reliable and stable revenue flows. In other words, the property tax is relatively *inelastic* – revenues do not surge in response to economic growth nor do they collapse during recession.

■ *A highly visible tax:* Unlike a tax embedded in the price of a good or service, property taxes are clearly stated on a tax bill that accompanies a formal notice of assessment. Many taxpayers are unaware of the amount of sales or income tax they pay, but know to the penny their property tax liability. Paying the tax in installments blurs the visibility, but it never fully recedes out of view.

■ *An accountable and transparent tax:* Visibility automatically leads to accountability, both in how the tax is used and any move to increase it. The property tax is perhaps one of the most transparent taxes going – every percentage point change is subject to intense public debate and media scrutiny.

2. Disadvantages

■ *Historical appeal of the property tax as a local tax may be weakening:* Increasingly complex assessment practices and centralization of the education tax component threaten to weaken the local nature of the property tax. Further, taxpayers do not always distinguish between the *municipal* and *education* tax levy, which gives the impression that the costs of municipal services are too high. Cities themselves often work to limit municipal tax increases only to see the vacated tax room threatened or swallowed by other authorities. In some cities, the education property taxes need to be forwarded even if arrears or tax appeals have prevented collection of the full levy. This cuts into municipal revenues.

■ *Setting tax rates locally is not all it could be:* Assessment practices, many of which are determined by provincial legislation, are just as important as the tax rate in determining the final property tax payable. Provinces often stipulate the various property classes as well as the portion of actual property valuation that is taxable. Prescribed exemption of some properties presents another limitation, and revenue-in-lieu of tax cannot be directly controlled. Cities are not as free with the property tax as most would like to believe.

■ *The "benefits principle" does not always apply:* Like any tax, everyone pays whether they use a particular service or not. Also, many city services do not link to individual properties, being more regional in nature. Under the current system, properties of similar type are assessed the same regardless of the costs of service provision – the tax payable does not always reflect the variable costs of providing services to different properties. For example, properties that are "close-in" are usually more expensive and carry higher assessed values than similar properties in the suburbs. Yet, the costs of servicing peripheral properties and their attendant infrastructure are arguably higher. Of particular concern is that the tax is not uniformly applied across all properties – there is discrimination in assessed values, and differential tax rates are often applied to different classes of property. It is generally conceded that multi-family residences carry a higher effective tax rate than single-family residences, and commercial and industrial properties are taxed at a higher rate than all types of residential properties (Kitchen and Slack 1993, UNSM 2001, Kitchen 2000). None of this constitutes a link between the taxes paid, the cost of services or infrastructure provided, and the benefits received. Such cross-subsidization has opened the property tax up to the charge that it violates principles of fairness and equity, it rewards urban sprawl, and it artificially increases both the demand for, and the costs of, services and infrastructure.

■ *Unlike other taxes, there is no completely objective measure of the property tax base:* Property values are estimated through a process of assessment, which can be labour intensive, expensive, and open to dispute. Assessment is as much art as it is science, and even experienced and accredited appraisers can disagree on the value of the same property. This can result in under-assessment and under-taxation, once again affecting the equitable distribution of the property tax and exposing cities to numerous appeals and tax refunds. A high number of appeals can affect revenue stability from year to year, undercutting a key advantage of the property tax. In some cities, it is not unheard of to have 10% of the commercial assessment base under challenge through appeals. No other government has such challenges facing their tax base.

■ *The tax base expands only slowly:* The revenue generated by a tax is a function of the *size* of the tax base, the *value* of the base, and the *rate* that is applied. For the property tax, the base is the total assessed value of real property. This is a narrow tax base that links directly to only one aspect of the economy – real estate. This tax base expands only slowly, often less than the rate of inflation. Further, increases in the value of the tax base are captured only when a reassessment occurs. This tends to happen infrequently, unless a city is following a practice of market value assessment that is updated annually (City of Edmonton 2000, City of Regina 2001). Because the property tax base expands slowly and the full increase in the value of the tax base is not always factored into the tax equation, many cities find themselves having to increase the tax rate simply to compensate for inflation, never mind increasing the amount of revenue in real dollar terms (UNSM 2001). In the media and the minds of the public, this is a tax increase. What is conveniently forgotten is that a portion of the so-called "increase" is accounted for by inflation, and is likely offset by increases in incomes as well (Loreto and Price 1990).

■ *Sluggish revenue growth:* The high visibility of the property tax combined with the need to continually adjust the mill rate, places city officials at a significant disadvantage. Fearing public backlash, many civic leaders are hesitant to adjust the property tax rate to ensure sufficient revenue growth – it is viewed as a tax increase (McCready 1984). As long as the economy continues expanding, revenues from personal income taxes and sales taxes automatically increase without touching the tax rate. The base of a sales tax, for example, increases annually as more goods are purchased. The value of the base increases with the value of the goods and services sold. The rate always captures the effects of inflation, which are reflected in the prices of the goods or services consumed. Cities, singularly dependent on the property tax, are simply not afforded this luxury. Ensuring adequate revenue growth that reflects growth in the overall economy takes more than just political debate, but steely resolve.

■ *Sluggish growth is a double-whammy:* Slow revenue growth creates a fiscal gap between revenues and growing demands for services and infrastructure, but it also limits the ability of cities to debt-finance capital expenditures. When revenues expand at a reasonable pace, some of that growth can be leveraged with modest amounts of debt without increasing the interest burden to the operating budget. If revenues grow slowly, the interest that accompanies any increase in debt consumes more and more operating revenue, squeezing out other priorities. Given the size of municipal infrastructure deficits, this is no small consideration.

■ *The tax is unrelated to ability to pay:* The property tax does not link directly to incomes earned, but only indirectly through the value of a capital asset owned, which may or may not reflect ability to pay. For those with low or fixed incomes, higher property taxes can be a significant burden. Thus, many suspect that the property tax is highly regressive. However, regressivity likely depends on the type of property, the assessment practices in place, and the availability of tax credits, deferrals, exemptions, reductions, or refunds (Loreto and Price 1990, McCready 1984). In general, the jury is still out on this issue.

■ *Free-riding:* From a big city perspective, one of the biggest disadvantages of the property tax is its inability to capture tax revenue from a host of outsiders who pay their property taxes elsewhere but nonetheless impose a cost to the city. For example, at least some of the investment in the capital infrastructure of a city is required to meet the demands of commuters and truckers, and many of the services produced by the municipality are also consumed by tourists, business travellers, and other outsiders. Yet, these individuals do not contribute to the residential property tax base upon which many of these services and infrastructure depend. In the past, grants used to help ameliorate this problem, but with ongoing support a thing of the past and more and more urbanization concentrating just outside large cities rather than within, the problems of "fiscal disequivalence" and "free-riding" are bound to loom even larger in the future.

■ *Property tax revenues can lag urban growth:* The full revenue effect of the property tax is often delayed until new property construction is completed. A good portion of the infrastructure required to accommodate increased population growth may have to be financed and constructed by cities in advance of receiving any property tax revenue generated from that growth. To be sure, this may simply be a short-term cash flow problem, and the extent and magnitude of any "lag time" is unclear. But, some still maintain it can be quite problematic under certain circumstances.

■ *Concerns continue to be expressed about the impact of the property tax across the economy broadly speaking, and its role within the new information economy in particular:* The property tax really amounts to a tax on capital. Capital taxes target savings and investment – the very fuel that drives the engine of economic growth, innovation, and productivity. As such, some economists argue that capital taxes are the worst taxes possible (Clemens 2002). Further, the property tax does not always seem to provide a good fit for the commercial and industrial sector – the size of a building does not always bear a direct relation to the level of economic activity. This concern can only be expected to grow as the transition to a knowledge economy continues to weaken the link between property ownership and wealth creation.

SUMMARY: Many of the disadvantages of the property tax are simply the flip-side of the advantages. That is true of any tax. An elastic tax that automatically generates a vibrant and growing stream of revenue cannot at the same time act as an inelastic tax that produces predictable and stable revenues over the long-term. Thus, addressing the disadvantages of the property tax while ensuring that the advantages are retained is a powerful argument for better tax diversity within Canada's cities. Only then can the pros and cons of a single tax be balanced. At the same time, it is also clear that a number of the pitfalls with the property tax relate to political questions concerning its administration as opposed to any inherent economic weakness in the nature of the tax itself. For example, simplifying the tax or allowing cities more freedom with it are decisions that can be made to strengthen the tax as a funding source for cities in the future.

CONCLUSION

The municipal property tax burden in the West's six big cities is low *relative* to other taxes. When measured in a number of ways, the burden posed by the municipal property tax has also been *declining*. Real per capita municipal property tax collections have been falling, and property tax collections are also edging downward relative to the size of the economy in general and Canadians' personal disposable incomes in particular. Today, taxpayers in most large western cities are paying some of the lowest municipal property taxes – as a percentage of total personal disposable incomes – than at any point in the past 40 years.

A likely rejoinder is that the cities are getting more revenue elsewhere, and this is compensating for the lower property tax take. But preliminary evidence suggests this is not the case. In most cities, growth in user fee revenue has not been sufficient to offset the decrease in tax revenue. In Calgary, total user fees comprised 27.0% of all operating revenues in 1990, rising only slightly to 30.5% in 2003. From 1990-2003, Calgary's user fees averaged 2.21% of all personal disposable incomes, but in 2003 they represented 2.07%. In Edmonton, user fees comprised 20.6% of operating revenues in 1990, falling slightly to 20.3% in 2003. From 1990-2003, Edmonton's user fees represented 2.04% of all personal disposable incomes and in 2003 they were virtually unchanged at 2.02%. Falling taxes and stable user fees have not been offset by radically increased granting levels either.

All of this begs an interesting question: how are cities staying afloat? In an earlier Canada West Foundation study entitled *Big Spenders,* it was found that total real per capita spending fell for most big cities in the West from 1990-2002 (Vander Ploeg 2004). In *A Capital Question,* it was reported that Calgary has a backlog of some $1.1 billion in high priority infrastructure needs over the next five years and Edmonton is short $3.2 billion over the next ten years. In 2003 alone, $564 million in needed capital investments in the West's six big cities did not proceed because of a lack of funding (Vander Ploeg 2003). Our cities are not really "staying afloat" at all, and the cracks are beginning to show.

In many ways a singular over-reliance on the property tax has led to some of the fiscal stresses facing western Canada's cities. On the one hand, some of this is wound up in a lack of political will to employ the property tax sufficiently – pursuing small, incremental, but regular increases that generate adequate revenue growth and that capture the wealth being generated in the local economy. On the other hand, some of this is simply wound up in the economic nature of the property tax itself.

Logically, a low property tax burden that is declining relative to historical levels implies that there is more room today for cities to employ the tax as one means of addressing any under-funding of municipal services as well as coming to grips with sizeable infrastructure deficits. And, it appears that many western Canadians also understand this. In 2004, as part of its *Looking West Survey,* Canada West Foundation asked 3,200 western Canadians if, given the choice, they would rather see local services cut or property taxes raised (Berdahl 2004). Almost 60% of westerners favoured raising property taxes. Tax-wary Albertans registered the highest number of respondents favouring this option (60.8%). Only 30% of respondents favoured cutting services.

Is all of this a blank cheque for cities to hike property taxes? That misses the point. Single-mindedly raising property taxes can produce two negative side effects. First, there are those with fixed or low incomes whose property taxes *do* present a considerable burden. At low-income levels, the property tax can be quite regressive. Second, there is considerable debate about inequities in the property tax system – multi-family housing is taxed heavier than single-family housing and business properties are taxed heavier than all types of residential properties. Properties that are "close-in" typically carry higher assessments and thus pay more tax compared to properties on the periphery. The residential property tax does not capture any revenue from outsiders who use a city's services and infrastructure, leaving local taxpayers to pick up the tab. None of these inequities relate to the costs of servicing properties. Rather, they lead to cross-subsidization and ever increasing demands for services and infrastructure. These inequities are not solved if property taxes are increased willy-nilly.

Western cities have not been retaining a fair share of local economic growth occurring within their borders, and going after that growth with the property tax can carry some bad side-effects. All of this is a compelling argument for employing a broader range of tax tools rather than relying on the property tax alone. When a city has some decent tax diversity at its disposal, the advantages of the property tax can be retained, while its disadvantages can be offset by different taxes. In many ways, it is unreasonable to expect one tax alone to carry the burden of financing a large modern city.

In the final analysis, current and future debates over property taxes in our cities need to reflect an axiom that applies to most of life – everything in moderation. Property taxes should not be too high, nor should they be too low. What is required is a healthy balance – a balance that would be easier to achieve if the property tax itself were balanced by other tax tools.

APPENDIX 1: The Datasets

A. National Income and Expenditure Accounts (NIEA) Data

These data were secured from Statistics Canada's system of National Accounts. The data represent three distinct reporting periods (1961-1980, 1981-1991, and 1992-2000). Slight differences in methodology occur across the three periods. However, the differences are small. In this analysis, a small group of "other" federal and provincial direct taxes were combined with "other" indirect taxes. The combined amount was considered as indirect taxation. Direct taxes include only personal income tax, dedicated social taxes, and corporate income tax.

B. City-Specific Datasets

All data were derived by Canada West Foundation from Statistics Canada, various budgets and annual reports of the cities, the provinces, and the federal government, and the Dominion Bond Rating Service (DBRS). The city-specific datasets are broken into four separate columns. Each column contains three distinct presentations of data.

Column 1: General Data, Tax Burden, and City Tax Profiles: The tax burden for each city was estimated from Public Accounts data (e.g., budgets, annual reports, and Dominion Bond Rating Service reports). The allocation of federal and provincial tax was estimated. All federal taxes were distributed first to the province. This was done by applying to the public accounts data the provincial share of these taxes in the NIEA system. To allocate this provincial share to the cities, the ratio of personal income tax collected in the city as compared to the province as a whole (secured from Revenue Canada's *Income Tax Statistics)* was applied to all the various taxes. Since personal income taxes are the single largest share of taxes in Canada, applying this ratio to all the other taxes provides a reasonable proxy for the province's share of federal taxes that come from the cities. The provincial taxes were allocated in the same fashion. This approach is conservative, and may actually understate the federal and provincial taxes actually collected in the cities. The municipal tax total is the sum of all taxes (property based taxes and non-property based taxes) collected by the City as reported in their 2003 Annual Report. The taxes shown are as defined by the City themselves with only a few exceptions. Franchise fees were added to Edmonton's tax total and utility contributions and the business improvement tax were added to Saskatoon's total. School taxes in Regina were secured from the two school districts. The City of Regina's reported municipal tax totals are net of allowances for tax appeals while the education portion is not. Using the City's amount would increase the education property tax relative to the municipal property tax. All amounts include revenue-in-lieu. Education property taxes reported by the provinces were ignored in this data column. Rather, the actual education taxes levied in the cities form part of the provincial total. CPP premiums, which do not form part of the budget of the federal government under the Public Accounts, were derived from the DBRS and include employer and employee contributions.

Column 2: Municipal Property Tax Compared to Personal Income Taxes and Education Property Taxes, and Real Per Capita Growth Rates: The municipal property taxes under consideration in this column are the general residential and commercial property tax, any separate levies for public libraries, the business tax, local improvements, and other property related taxes. Education taxes, franchise fees, utility taxes, amusement taxes, hotel taxes, and revenue-in-lieu are excluded. (Vancouver's total does, however, include revenue-in-lieu.) Taxes paid by EPCOR to Edmonton were removed to ensure data consistency over time. ENMAX taxes to Calgary are presented as revenue-in-lieu, which was also removed for Calgary. In Saskatoon and Regina, several adjustments were made to historical data to ensure consistent treatment of licences, tax discounts, and various smaller taxes. The changes do not drastically alter the property taxes collected. Years prior to the amalgamation in Winnipeg presented a significant challenge. Total municipal property tax collections and education taxes prior to 1972 were adjusted upwards. The pre-amalgamation population of the incorporated City of Winnipeg relative to the CMA (which essentially became the amalgamated entity) was used to factor the data upwards. This factor meant increasing the taxes collected anywhere from 46%-55% for various years between 1960-1971. The approach assumes that property tax collections in Winnipeg would have increased proportionately to the size of the city if it had actually been amalgamated at the time. Personal income taxes are the total federal and provincial amount. Due to a lack of data, amounts for 1997 were interpolated based on a consistent rate of growth between 1996 and 1998. For 2002 and 2003, personal income taxes payable were also estimated based on a consistent rate of growth over the last few years. While the municipal property tax excludes revenue-in-lieu of tax, it is included in the education portion for all cities except Winnipeg. Removing this amount from education property taxes was not always possible. This does not drastically affect the comparison of municipal property tax growth to education property tax growth as annual collections of each are consistent over time. Real per capita growth figures (both here and across the entire report) were calculated using population estimates of Statistics Canada and those found in various annual reports. The CPI for each city, province, and the country as a whole was used to adjust the per capita amounts for inflation. The federal data for the real per capita growth rates is not the same data used in column one. A different set of federal tax data was employed to ensure consistency over time.

Column 3: Municipal Property Tax and Assessments, Real Per Capita Municipal Property Taxes Collected, and Municipal Property Tax as a Percentage of Personal Disposable Incomes: The same basket of municipal property taxes in Column 2 were used for all data charts in Column 3. Adjustments to the accumulated percentage increase in assessments were made for all cities as the total assessed value of property can increase dramatically when reassessments occur. In years where a reassessment occurred, the percentage increase was ignored. A variable was inserted into the data to bridge the gap between the growth rates of the two years surrounding the reassessment. The result is a set of smoother data. In Winnipeg, the pre-1972 assessments were increased (using the same approach as outlined under Column 1) to control for the amalgamation. Real per capita municipal property taxes were calculated using Statistics Canada's CPI and population estimates as found in the annual reports and provided by Statistics Canada. Personal disposable incomes in the cities are the total declared incomes reported on tax forms submitted to Revenue Canada less federal and provincial personal income taxes paid. Dedicated social taxes could not be removed from personal incomes for the cities. Personal disposable incomes for 2002 and 2003 were estimated based on the historical relationship of the Revenue Canada income data to the Provincial Labour Income data in the NIEA. Using average relationships in the past few years, a comparable provincial income amount for 2002 and 2003 was established, and the average city income as a percent of the provincial total for the last few years resulted in an estimate of each cities' personal disposable income for 2002 and 2003.

Column 4: Role of the Property Tax: Data for this section came from a number of sources and different years for each city. For each city, the focus was the operating budget only. Utility revenues and expenditures were netted to produce a surplus that could be available for funding other general expenditures or capital. In Vancouver, data came from the details of the General Revenue Fund in the 2003 Annual Report. Not all service revenue could be identified for Vancouver, which increased the degree of general funding. Data for Edmonton and Calgary were collected from the 2004 Operating Budget of the two cities, which clearly outlined service revenues attached to specific functions, the property tax levy, and other general revenues. Data for Regina are 2002 actual operating results provided by the City to the Canada West Foundation. Data for Saskatoon reflect the 2003 operating budget of the city. Like Vancouver, Saskatoon's service revenue is somewhat understated. This increases the general funding component. Winnipeg's data were provided by the City of Winnipeg. The inclusion of services in their respective categories was relatively straightforward for policing, fire and EMS, transit, roads, transfers to capital and reserves, and waste and recycling. However, the general government category and parks, recreation, culture, and community (PRCC) serve as "catch-all" categories that can vary widely between cities. As such, those two categories should be viewed in combination when comparing between cities. Further, Calgary is the only city that clearly separates interest on debt as a separate expense, while other cities attach it to specific expenditures. Thus, Calgary's numbers are different. In developing the share of property taxes going to fund different services, it was assumed at the outset that the property tax and all other general revenues were distributed equally across all functions requiring general funding. In other words, we assume that it is not the case that the property tax alone would fund 100% of policing needs while other general revenues would fund 100% of the waste and recycling needs.

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