Let's Talk Taxes

A Weekly Commentary

March 20, 2008

# Sask Party Budget Steady as She Goes

Heading into the Saskatchewan Party's first budget, the Canadian Taxpayers Federation was looking for three things: education property tax relief, income tax relief, and restrained spending. We got one out of three.

Education Property Tax Relief

Education tax relief was one of 40 election platform promises the government claims to have fulfilled in this budget. The Sask Party promised to double property tax rebates and increase K-12 education funding by 20 percent, and is on pace to do just that. In 2008-09, rebates for businesses and homeowners will increase from 10 to 12 percent, and from 38 to 47 percent for agricultural land. On average, this means another $27 back for homeowners, and $477 back for farmers. The province will pour an extra $34.6 million into K-12 education (a 5 percent increase), and add an extra $100 million for school building projects.

Personal Income Taxes

The CTF proposed that the basic personal exemption (BPE) be raised to $15,000 and all residents pay an 11 percent single rate—a move that would return nearly $500 million annually to taxpayers. Instead the Sask Party proposed, and adhered to, a plethora of boutique tax cuts that benefit some, but not all taxpayers. This compromises our competitive position. Albertans are taxed at 10 percent at anything more than $16,161. British Columbians don't pay 10.5 percent until they make $70,000 in taxable income. And all of their tax rates are slated to fall for the next three years. Nevertheless, Saskatchewan will see no income tax changes this year, except that inflation bumps the BPE to just under $9,000.

Spending Restraint

The CTF hoped that the government would hold back spending to the rate of inflation and population growth. Because the new *Saskatchewan Growth and Financial Security Act* calls for half of all future surpluses to be dedicated to debt repayment, and half to infrastructure, it only made sense to restrain spending and ensure ample dollars for both areas.

Instead, the government put an extra $1 billion into infrastructure and left debt repayment in the dust. The greatest portion of that total, $408 million, will go to roads, but health is second at $191 million for facilities and equipment. Municipalities get an additional $139 million.

Health spending will grow 8.7 percent this year and take a record 43.7 percent of the total budget. This continues a decade-long trend where public health costs grow four times faster than inflation.

And it doesn't stop there. The nanny state took another step forward—literally—as $45.3 million more went into child care and early childhood development. University students got a tuition freeze for the fourth-straight year. And, each graduate is poised to have up to $20,000 of that tuition rebated, should he or she stay in Saskatchewan. All told, the province will spend 5 percent more than last year and rely on crown profits just to stay in the black.

Debt repayment? A $250 million one-time wonder, with nothing following in future years. This means our debt will sit at $10.4 billion and continue to cost $2.15 million in service payments every day. Hope for future surpluses rely on higher-than-expected resource revenues.

The government says it's learning from what Alberta did wrong by letting infrastructure fall behind. Where then is what Alberta did right: spending restraint, debt repayment, and income tax relief? Though this budget may fulfill promises, it does not offer much change—especially the kind taxpayers can keep in their wallet.

*--Lee Harding, Sask. Director*

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