

Back to Basics: Balancing the Budget and Providing Relief

2025 Saskatchewan Pre-Budget Submission

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Updates emails. Financial supporters can also receive the CTF's flagship publication The Taxpayer magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24, the CTF raised \$6.27 million on the strength of 74,472 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.

Prepared by Gage Haubrich, Prairie Director



Introduction

The Saskatchewan Party says it believes in a “steady, gradual reduction in government spending and taxation while maintaining a firm commitment to balanced budgets,” and “economic growth and job creation through the private sector, not government,” according to its guiding principles.¹

The government has strayed from those principles and it’s hurting taxpayers.

Bills for basics like food and fuel are becoming more expensive and families aren’t receiving relief. The government is currently facing a \$744-million deficit this year, adding to years of deficit spending that has increased the debt and cost taxpayers billions in debt interest payments.^{2,3}

The government needs to get back to its roots and increase fiscal restraint and respect for taxpayers’ dollars. The government needs to address the deficit and get back to surplus. Getting back to surplus ensures the government will have money to use for permanent tax relief, to pay down debt and reduce the cost of debt interest payments.

To help Saskatchewanians deal with current economic challenges and help families deal with increasing prices, the Canadian Taxpayers Federation recommends that the government of Saskatchewan focus on providing permanent broad-based tax reductions rather than boutique tax credits.

The measures outlined in this report aim to do just that. It recommends a tax cut for individuals as well as businesses. Reducing taxes for individuals means more money in the pockets of Saskatchewan families. Reducing taxes for businesses means more money left over to grow the business and hire more Saskatchewanians.

To finance the relief, this report relies on finding savings in government expenditures.

The costed measures are:

- 1. Cut the PST by one percentage point;**
- 2. Eliminate the small business tax;**
- 3. Bring government compensation in line with Saskatchewan’s labour market;**
- 4. End corporate welfare.**

With these proposed measures we are confident that Saskatchewan will be able to provide much-needed tax and inflation relief while not having a negative impact on its budgetary position.

1. https://www.saskparty.com/guiding_principles

2. <https://publications.saskatchewan.ca/#/products/125080>

3. <https://publications.saskatchewan.ca/#/categories/893>

Costed Measures	Cutting Taxes	Cutting Spending
Cut the PST by one percentage point	\$511,900,000	-
Eliminate the small business tax	\$112,000,000	-
Bring government compensation in line with Saskatchewan’s labour market	-	\$450,429,870
End corporate welfare	-	\$1,119,000,000
<u>Total per category</u>	<u>\$623,900,000</u>	<u>\$1,569,429,870</u>
Net budget impact		\$945,529,870

Along with these costed measures, the CTF also recommends the government keep presenting balanced budgets based on the costed measures highlighted in this report and start a Saskatchewan heritage fund.

A heritage fund would safeguard the wealth of Saskatchewan’s resources for the future. Every year the province procrastinates on paying down the debt and creating a heritage fund is another wasted opportunity. The provincial government owes it to the Saskatchewanians of today to be prudent with its spending. It owes it to future generations to allow them to benefit from the province’s wealth of natural resources.

By comparison, Alberta’s Heritage Saving Trust Fund is currently valued at \$23.4 billion.⁴ Alaska’s Permanent Fund is valued at more than \$102 billion CAD.⁵ Norway’s Sovereign Wealth Fund is valued at \$2.2 trillion CAD.⁶ Saskatchewan is rich in natural resources and it is wise for the government of Saskatchewan to start saving our wealth that flows from those resources.⁷

4. <https://www.alberta.ca/heritage-savings-trust-fund#jumplinks-0>

5. https://www.taxpayer.com/media/SK_Heritage_2024.pdf

6. https://www.taxpayer.com/media/SK_Heritage_2024.pdf

7. https://www.taxpayer.com/media/SK_Heritage_2024.pdf

Cutting Taxes

Cut the PST by one percentage point

Tax relief: \$511 million

Saskatchewanians are the most likely to report that they are struggling financially, compared to the rest of the country.⁸ The people of Saskatchewan need the government to make life more affordable and a sales tax cut is a good place to start.

In 2017, the government raised the provincial sales tax by one percentage point from five to six per cent while removing many exemptions on items such as children's clothing, used vehicles, restaurant meals and construction services.⁹ In 2022, the government also started charging the PST on all different types of event tickets.¹⁰

A Saskatchewan family making \$75,000 per year is paying almost \$300 more in PST this year than they did in 2017.¹¹

Saskatchewanians need tax relief, not tax hikes.

The government is projecting to take in a near record amount of PST revenue this year and it can rectify the mistakes of the past while helping Saskatchewanians by taking less money out of their pockets.

In the most recent election, the government promised to increase many specific tax credits and exemptions to

save taxpayers money.¹² These tax credits are welcome, however broad-based tax cuts that apply to all taxpayers are better because they mean that everyone is seeing savings, not just those who qualify for the specific tax credits.

Sales taxes make high prices worse. Since the tax is applied at the end of transactions, higher prices mean a higher amount of PST being charged. This problem hits low-income taxpayers the hardest because sales taxes are regressive.

This means that lower income taxpayers pay a higher percentage of their income in sales taxes compared to those with higher incomes.

Poorer people have less money to pay for the stuff of daily life. If that stuff has higher taxes on it, that cuts more deeply into the wallets of the poor than those who are better off.

Lowering the tax burden for families also helps Saskatchewan enhance its competitiveness with its neighbours and grow the economy. According to Saskatchewan's own budget, families making \$75,000 in both Calgary and Vancouver pay less total provincial tax than the same family in Regina.¹³ Cutting the provincial sales tax will lower that gap and make Saskatchewan a more attractive option for those looking to save on their tax bill.

8. <https://www.taxpayer.com/newsroom/affordability-needs-to-be-focus-of-provincial-election>

9. <https://www.cbc.ca/news/canada/saskatoon/saskatchewan-parents-childrens-clothing-tax-1.4038131>

10. <https://regina.ctvnews.ca/sask-residents-to-pay-pst-on-event-tickets-this-fall-1.5831627>

11. <https://publications.saskatchewan.ca/#/categories/893>

12. https://assets.nationbuilder.com/saskparty/pages/7269/attachments/original/1728751382/Our_Plan_-_Saskatchewan_Party.pdf?1728751382

13. <https://budget.saskatchewan.ca/pub/docs/budget-docs/22948-2024-25-budget-document-web.pdf>

This move would keep Saskatchewan's sales tax lower than Manitoba's and get it closer to competing with Alberta's nonexistent PST. Every cut in the PST makes it easier for Saskatchewanians to consider purchasing items at home in Regina or Saskatoon, rather than making a road trip to Alberta for PST-free shopping.

The same family above pays about \$2,024 per year in PST.¹⁴ Cutting the PST by one percentage point would save that family \$337 in provincial taxes every year.

By lowering the province's sales tax burden by one percentage point, the government would put \$511 million back into the pockets of Saskatchewanians, saving the average family \$337 per year.

14. <https://budget.saskatchewan.ca/pub/docs/budget-docs/22948-2024-25-budget-document-web.pdf>

Eliminate the small business tax

Tax Relief: \$112 million

There are over 31,000 small businesses in the province. Those small businesses employ almost 150,000 Saskatchewanians.¹⁵

In 2020, the government of Saskatchewan temporarily cut the small business tax rate to zero per cent to help provincial businesses survive and recover from the pandemic. In July 2023, that cut expired and the Saskatchewan government raised the small business tax again by one per cent.

“Lowering taxes for every small business in our province over the next three years will help them to recover from the pandemic and enable them to retain and hire more workers,” said former finance minister Donna Harpauer after reducing the tax in 2020.¹⁶

That logic hasn’t changed. Low taxes still help businesses deal with economic troubles and expand their enterprise. It’s foolish for the government to impose even more costs on small businesses.

During the election, the government promised to stop hiking the small business tax rate and keep it at one per cent.¹⁷ That is a good first step, but the government should go further and eliminate the small business tax altogether.

A few extra dollars in a business owner’s pocket every month could make or break their small business, but it’s barely a drop in the bucket for the provincial government.

This year, the government is projecting to rake in \$1.2 billion in business taxes. Keeping the small business tax at one percent would increase the government’s revenue by a mere four per cent.¹⁸

Permanently eliminating the small business tax means Saskatchewan will be more competitive with its neighbours. Manitoba’s small business tax is also zero per cent.¹⁹ Hiking the tax makes it harder for Saskatchewan to attract new job creators.

Small businesses are run by our neighbours and they employ our friends. They create jobs and help grow the economy. The government needs to get rid of the small business tax for good.

Permanently cutting the small business tax rate to zero would result in \$112 million in savings for business in Saskatchewan. The average small business would save about \$3,600 per year.

15. <https://pubsaskdev.blob.core.windows.net/pubsask-prod/141839/Small%252BBusiness%252BProfile%252B2023.pdf>

16. <https://www.saskatchewan.ca/government/news-and-media/2020/december/07/lower-taxes-for-small-businesses-will-help-economic-recovery>

17. https://assets.nationbuilder.com/saskparty/pages/7269/attachments/original/1728751382/Our_Plan_-_Saskatchewan_Party.pdf?1728751382

18. <https://publications.saskatchewan.ca/#/categories/893>

19. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-tax-rates.html>

Cutting Spending

Bring government compensation in line with Saskatchewan's labour market

Savings: \$450.4 million

Salaries and wages are the largest line item in the government of Saskatchewan's budget.²⁰ And this year, the government is spending a record amount on salaries and benefits for its employees.

The provincial government spent over \$8.2 billion on employee compensation last year, representing 77 per cent of what it collected via taxes.²¹ In the interest of fairness, and to free up resources for much-needed tax relief, the government must make sure its compensation costs are in line with that of non-government employees in Saskatchewan.

Year	Salaries and Benefits	Total Expenses
2019-20	\$6,770,919,000	\$15,206,462,000
2020-21	\$6,771,234,000	\$15,650,942,000
2021-22	\$7,415,610,000	\$19,604,467,000
2022-23	\$7,422,322,000	\$19,013,865,000
2023-24	\$8,189,634,000	\$20,810,840,000

Source: Saskatchewan Public Accounts

After taking into account 11 different individual characteristics, The Fraser Institute found that the average government employee earns a 5.5 per cent wage premium over their private sector counterparts.²²

Government employees also generally receive many other non-wage benefits that private sector employees do not. For example, government employees also are more likely to be enrolled in a pension plan than everyone else.²³ Those who work for the government in Saskatchewan also retire earlier and have higher levels of job security than those who work in the private sector.²⁴

In the interest of fairness, the Saskatchewan government should also cut the transition allowance payable to leaving Members of the Legislative Assembly after an election. After the most recent election, retiring or defeated MLAs were eligible for \$2.7 million in taxpayer-funded handouts.²⁵

To achieve immediate budgetary savings and bring wages in line with the private sector, the government should implement a 5.5 per cent reduction in total employee compensation costs. Apart from wage reductions, savings can be achieved through other methods. These methods include not replacing unnecessary employees who leave or retire and encouraging early retirement.

20. <https://publications.saskatchewan.ca/#/categories/893>

21. <https://publications.saskatchewan.ca/#/categories/893>

22. <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2023>

23. <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2023>

24. <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-canada-2023>

25. <https://www.taxpayer.com/newsroom/departing-mlas-eligible-for-2.7-million-in-golden-parachutes>

Reducing the cost of paying government employees will reduce the estimated cost of salaries and benefits from \$8.2 billion to \$7.7 billion.²⁶ This will result in savings of **\$450.4 million**.

	Current Cost	Cost with Reduction
Salaries and benefits	\$8,189,634,000	\$7,739,204,130
Budgetary Savings		\$450,429,870

Source: Saskatchewan Public Accounts

26. <https://publications.saskatchewan.ca/#/categories/893>

End corporate welfare

Savings: \$1.1 billion

Businesses should be thriving or failing on their own merits, not because some spend more time lobbying the provincial government for taxpayer-funded handouts.

Whether its spending \$1.15 billion on an irrigation project that will only benefit a small number of farmers or any one of the smorgasbord of programs that the government uses to hand out money to corporations, the government should not be in the business of business, and it definitely should not be forking over taxpayers' dollars to do it.^{27 28}

From 2008 to 2021, the government of Saskatchewan spent \$15.6 billion on corporate welfare.²⁹ That's an average of \$1.1 billion spent each year on subsidies.

Completely axing these subsidies would provide room in the budget to achieve a surplus and provide tax relief to Saskatchewanians. It would also have very little impact on business growth in the province, as businesses do not decide where to move and invest based off the corporate welfare packages they receive.

When job creators decide where to relocate or expand, their primary focus is on long-term profitability rather than one-off subsidy packages. Other factors, like tax rates and level of business regulations have a much bigger impact on a businesses decision to locate somewhere compared to a subsidy.³⁰

Economic research found no statistically significant relationship between business subsidies and economic growth or per capita GDP levels.³¹ What is clear is that the level of **taxation**, compared to competing jurisdictions, affects a company's profitability, and ultimately its bottom-line and growth.³²

In other words, competitive tax rates attract job creators and direct investment.³³ Lower tax rates also contribute to lowering the cost of capital for job creators, thus increasing their ability to re-invest in their company.³⁴

Instead of using taxpayers' dollars to give handouts to corporations, the government should instead look to provide tax relief to encourage businesses to move to and invest in Saskatchewan.

Corporate welfare doesn't work and handouts only result in single companies getting payouts, while broad-based tax relief, such as completely cutting the small business tax, lets all businesses in that category retain more of their income to use to hire new workers and invest in new equipment.

Completely cutting corporate welfare will reduce budgeted spending by \$1.1 billion, freeing-up more funds to balance the budget and use for tax relief.

27. <https://www.cbc.ca/news/canada/saskatchewan/sask-moving-forward-with-1-15b-lake-diefenbaker-irrigation-project-despite-incomplete-feasibility-study-1.7296727>

28. <https://www.saskatchewan.ca/business/investment-and-economic-development/business-incentives-and-tax-credits>

29. <https://www.fraserinstitute.org/sites/default/files/cost-of-business-subsidies-in-canada-updated-edition.pdf>

30. <https://www.brookings.edu/wp-content/uploads/2016/06/cohen-1.pdf>

31. <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

32. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

33. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

34. https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF477.pdf

Start a Saskatchewan heritage fund

Eleven years ago, the provincial government was told to start a heritage fund. The government failed to act and now the province is missing out on millions in interest income.

In 2013, former premier Brad Wall commissioned a report on heritage funds by former University of Saskatchewan president Peter MacKinnon. The report recommended the government should create a heritage fund.

“A permanent savings account in the form of a [heritage fund] could turn our one-time revenue from these resources into a lasting source of wealth for Saskatchewan people,” MacKinnon said.

Saskatchewan had a heritage fund before. Former premier Allan Blakeney set it up in 1978 “to invest part of non-renewable resources revenues into income-producing assets to ensure that future generations can benefit from resource development in Saskatchewan.”³⁵

This fund lacked sufficient protections that allowed it to be raided by politicians who couldn’t control their spending habits. The government shut down the fund in 1992.³⁷

The 2013 MacKinnon report recommended the creation of a heritage fund where the principal cannot be spent.³⁸ MacKinnon also recommended capping resource revenues at 26 per cent of the budget and depositing the rest into the fund. He based this on the average percentage that resource revenues made up of total revenues for the five years prior.

Deposits into the new fund recommended by this report is based on capping resource revenues at 14 per cent of total revenues. This was the average amount that resource revenues made up of the total provincial budget during the last decade. A 10-year average was used in this report because it provides a less volatile resource revenue value for the government to work with.

However, before investing in any new fund, the Saskatchewan government must deal with the province’s debt problem. By the end of this year, the debt is projected to be more than \$21 billion.³⁹ The government would be in a much better position today if it had been more fiscally prudent in the past.

In the past, the government has only made sporadic payments on the debt when revenues were especially high. Paying down the mortgage whenever you get a bonus is good, but it’s not sustainable. There needs to be a plan to pay off debt and deposit savings regularly into a heritage fund.

The provincial government has already let a decade pass without action. There is no time left to procrastinate. Saskatchewan needs to pay down the debt and create a heritage fund.

If over the last 10 years, the Saskatchewan government had made repayments on the debt following a plan based on the MacKinnon report, the debt would have been reduced to about \$2.5 billion, instead of the \$21 billion it is projected to be at the end of this year.⁴⁰

35. <https://www.saskatchewan.ca/government/news-and-media/2013/november/12/mackinnon-proposes-saskatchewan-futures-fund>

36. <https://www.uregina.ca/arts/economics/assets/docs/pdf/papers/109.pdf>

37. <https://www.uregina.ca/arts/economics/assets/docs/pdf/papers/109.pdf>

38. <https://www.saskatchewan.ca/government/news-and-media/2013/november/12/mackinnon-proposes-saskatchewan-futures-fund>

39. <https://www.saskatchewan.ca/government/budget-planning-and-reporting/budget-2023-24/budget-documents>

40. https://www.taxpayer.com/media/SK_HeritageFund_2024.pdf

If over the last 10 years, the Saskatchewan government had made deposits into a heritage fund following a plan based on the MacKinnon report, the fund would contain about \$3.2 billion dollars today. The fund would have generated \$988 million in interest over the last eleven years and would generate \$162 million in interest annually.⁴¹

41. https://www.taxpayer.com/media/SK_HeritageFund_2024.pdf

Conclusion

Saskatchewan is deviating from the financially prudent path with the projected deficit for this year. The province needs to get back to balance. All the while, high prices continue to financially hurt families and the government should provide permanent tax relief.

To make life more affordable, the government should reduce PST by one percentage point. A PST cut would make life more affordable for those who need it most and it would result in \$511 million being put directly back into the pockets of Saskatchewan residents and saving the average family \$337 every year in provincial taxes.

Given the wage and benefit premium enjoyed by government employees over their private sector counterparts and the plurality that salaries and benefits make up of the government's budget, it is necessary to reduce the cost of government employee compensation. Eliminating the wage gap between the government and the private sector promotes fairness and would provide \$450 million in savings that can be used to finance tax relief.

The government also needs to end corporate welfare. Years of research shows that when companies are looking to move and invest, they are looking for low taxes and low regulation, not taxpayer handouts. Stopping the corporate welfare gravy train would save the provincial government about \$1.1 billion every year.

Instead, the government should permanently eliminate the small business tax to make the province more competitive and save business owners money. Eliminating the small business tax entirely would save small businesses \$112 million per year, with an average savings of about \$3,600 per business.

Interest payments on government debt represent a recurring expense. That problem is not going away unless the province finds a way to dig itself out of debt. Making it a clear priority to continue reducing the debt would reduce the amount spent on interest payments and free-up more funds for much-needed inflation relief.

To build for the future, the government should also start a non-renewable resources heritage fund as a plan to pay down the debt and save for the future. If the government had implemented a fund based on the 2013 report's recommendations, the fund would contain about \$3.2 billion today and generate \$162 million in interest income annually. It's time to start a Saskatchewan heritage fund.

Overall, going forward the government should emphasize foundational fiscal prudence and respect for taxpayers. The budget should be balanced through controlling spending, not relying on tax increases. Surpluses should not be used for new spending, but instead, be set aside for tax relief or to pay down the debt.

Overall, the measures recommended in this report will put \$624 million back into the pockets of Saskatchewan residents and help save at least \$1.57 billion in government operations. This will have a net positive budgetary impact of \$946 million.