



No New Taxes Toronto

A presentation to Toronto City Council
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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization 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 taxpayers organization. Today, the CTF has over 68,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a working partnership with the Montreal-based Quebec Taxpayers League. Provincial offices and the League 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 and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Summary of Recommendations

1. The city of Toronto should impose a moratorium on the introduction of new taxes under the auspices of the *City of Toronto Act* until after the next municipal election.
2. The city of Toronto, the mayor and council should work to demonstrate that the city has taken proper care of its own finances prior to seeking permission to impose new taxes.
3. The city of Toronto should undertake a public and thoroughly comprehensive zero-based spending and program review for all capital and operating expenditures. It should start by shedding symbolic waste such as perks for city councilors like fee parking, free zoo admission, free golf and free lunches.
4. The mayor should keep his promise and not increase property taxes beyond the rate of inflation. He should also freeze costs for all fees and licenses and only entertain balanced budgets.
5. The city of Toronto should work with the provincial government to introduce a *Gas Tax Accountability Act* to dedicate fuel tax revenue to roads, bridges and highways.
6. The city of Toronto should follow the example of Alberta and Illinois and hold a clear referendum during the next municipal election asking Torontonians whether they support the city having taxing powers under the new *City of Toronto Act* and asking Torontonians if they approve of a land transfer tax.

Introduction

The *Stronger City of Toronto for a Stronger Ontario Act, 2006* (short titled the *City of Toronto Act*) was passed into law and gained Royal Assent on 12 June 2006. The law came into force on 01 January 2007. The Act cleans up some 350 pieces of legislation sensibly granting the city regulatory powers to set irregular bar hours, designate traffic signage, designate transit lines, establish the size of council, create a lobbyist registry and introduce traffic calming measures. However, the Act also provides the city with new powers for revenue generation including the power to introduce new taxes.

In March 2007, the city of Toronto issued a report entitled *A Discussion of Public Policy Revenue Tools under the City of Toronto Act, 2006* and requested response. This report responds to the Discussion Paper.

Torontonians are overly taxed, paying 46.1% of their income in tax. More taxes will provide for an even heavier and unfair tax burden. Moreover, city council does not have an electoral mandate for new taxes. The mayor did not run on a platform of new taxes. In fact, past statements show he ran on limits on taxes and that he would not use the new *Toronto Act* for new taxes.

Current Burden of Toronto Taxpayers – 12% higher than in Illinois

The tax burden on the average family in Toronto will only go up with the imposition of new taxes. The city's proposal makes reference to Chicago as an example to follow for imposing new taxes. According to the Chicago-based Heartland Institute, Illinois ranks 15th in the United States for total tax burden at 34.1%. Even with local taxation factored in, the total tax burden is 12% lower in Chicago than it is for the average Toronto family. The average Toronto family pays 46.5% of their income on taxes.

	Average Cash Income	Average Tax Bill	Tax as % of Income
2007	\$90,018	\$41,494	46.1%

Source: *Canadians Celebrate Tax Freedom Day on June 20th*, by the Fraser Institute, June 2007

Increased Costs to Average Toronto Household

If the city of Toronto adopts all of the proposed taxes outlined in the discussion document it will add an immense burden to the average Toronto household of 2.5 people. It would also require the creation of a substantial tax department for administration. The

following table calculates the increased tax burden for the new taxes. The analysis is calculated from the 151 page HEMSON Consulting Ltd. Report, *Assessment of Potential New Tax Measures Under The City of Toronto Act, 2006*, which was commissioned by the city of Toronto.

New Tax	Tax Rate	Revenue
Alcohol	10%	\$123,310,000
Tobacco	10%	\$43,980,000
Amusement	10%	\$34,040,000
Land Transfer	1.5%	\$310,760,000
Vehicle Registration	\$80	\$80,250,000
Road Toll	\$0.05 peak - \$0.10 off peak	\$390,150,000
Road Cordon	\$5.00	\$110,900,000
Parking	\$250	\$18,520,000
Billboard	\$3 - \$10	\$2,680,000
Total		\$1,115,000,000

Yearly extra tax bill for an average Toronto household (2.5 people): \$1182

Council has approved a new garbage tax which will cost between \$209 and \$360 per family in Toronto. Further, it has received a report recommending the land transfer tax and the vehicle registration tax be implemented first. These are reported to generate \$365 million in new tax revenue. The resultant net new tax bill for the average family in Toronto for just the three new taxes will be between \$750 and \$1000.

Tax Creep

The Discussion Paper and the analysis above only list eight possible new taxes. However, there are even more being considered. For example, as mentioned, the new garbage tax will add \$150 – 360 to the tax bill for 90% of homes in Toronto. As well, at least six other new taxes have been suggested so far by different city councilors for: plastic grocery bags, batteries, disposable coffee cups, styrofoam take out food containers, sidewalk congestion, and ‘registered’ sex trade workers.

The Mayor Has No Mandate for Tax Hikes

During the municipal election in the Fall of 2006 the mayor’s election platform did not refer to raising new levies. It did make references to the federal and provincial governments paying their fair share. It made reference to a national transit strategy and to a ‘1 cent of the GST campaign’. At no time, however, did the mayor campaign on a platform expressing his intention to exercise the *City of Toronto Act* powers of direct taxation.

Recommendation 1:

The city of Toronto should impose a moratorium on the introduction of new taxes under the auspices of the *City of Toronto Act* until after the next municipal election.

Spending Grows At Three Times Inflation Rate

	2002	2003	2004	2005	2006	2007
Actual Operating Budget (\$ billions)¹	6.2	6.4	6.6	7.1	7.6	7.8
Actual % spending growth	1.6%	3.2%	3.1%	7.6%	7.0%	2.6%
Actual Inflation Rate (CPI)²	2.1%	3.0%	1.7%	1.8%	1.6%	1.9%

¹ Source: City of Toronto Budget Backgrounders ² Source: Bank of Canada CPI

The compound average growth rate of spending under the tenure of Mayor Miller from 2003-2007/08 is projected to be 5.05%. Meanwhile, the compound average growth rate of inflation for the same period is projected to be only 1.67%. During this period spending is outstripping inflation by almost 300%.

Spending is Out of Control

According to the Fraser Institute report undertaking an international comparison of public sector efficiency, the Canadian public sector could produce the same level and quality of service at 75% of the cost.¹ If you apply this analysis to the city of Toronto we know there are substantial savings to be found.

Recommendation 2:

The city of Toronto, the mayor and council should work to demonstrate that the city has taken proper care of its own finances prior to seeking mandate to impose new taxes.

As well, while spending is going up service quality is not. According to the Ontario Municipal Board Benchmarking Initiative (OMBI) in its *2005 Performance Benchmarking Report*, the city of Toronto fared poorly:

Child Care Services	Ranked highest in cost per child at twice the median cost.
Fire Services	Ranked last in hours vehicles available to respond. Ranked first in costs per in service vehicle.
Library Services	Ranked last (tied) for hours all branches are open.
Long-term Care Services	Ranked last for access to long term care for those aged 75 and older.
Police Services	Most police per capita yes the 3 rd highest rate of growth in

¹ *Public Sector Efficiency: An International Comparison*, by the Fraser Institute, March 2007.

	violent crime.
Roads	Ranked highest in road congestion. Ranked 2 nd highest for winter road maintenance costs.
Transit Services	Most available and most used transit services but ranked 1 st as most expensive per vehicle hour.
Waste Water	Ranked 1 st as most expensive even though Toronto not the highest user.
Water Services	Ranked 2 nd highest in costs despite not being the highest user.

While the city’s service quality is poor and spending is high, city councilors have failed to lead by example at city hall. When presented with motions to curb their perks council voted them down. Instead, they have held on to their free lunches, free zoo passes, free parking, free coffee and free golfing.

Recommendation 3:

The city of Toronto should undertake a public and thoroughly comprehensive zero-based spending and program review for all capital and operating expenditures. It should start by shedding symbolic waste such as perks for city councilors like fee parking, free zoo admission, free golf and free lunches.

Broken Promise on Property Taxes and *City of Toronto Act* Taxes

During Mayor Miller’s last mayoral campaign he promised not to raise property taxes beyond the rate of inflation. Instead, in the first budget after the election he ushered in a property tax increase of 3.8% - twice the rate of inflation.

Regarding the *City of Toronto Act* and its taxing powers, on 19 May 2005 Mayor David Miller is quoted in the *Toronto Star* promising, “We’re not asking to impose new taxes on people”. (p. A19)

The *Globe and Mail* wrote in reference to a board of control or the creation of an executive committee that, “Mr. Miller was skeptical about such reforms, adding they must be debated by residents, not imposed by Queen’s Park” (19 May 2005, p.A13).

Recommendation 4:

The Mayor should keep his promise and not increase property taxes beyond the rate of inflation. He should also freeze costs for all fees and licenses and only entertain balanced budgets.

Gas Tax Accountability Act – Up to \$360 million for Toronto

The province charges 14.7 cents a litre on gas and should invest that money on transport capital – roads, bridges, highways. A *Gas Tax Accountability Act* like that in Manitoba and Saskatchewan would require it.

For 2007-2008 Ontario transport capital spending is projected to reach only 47% of the projected \$4.174 billion in fuel tax and license revenue. The rest goes into general revenue. With a *Gas Tax Accountability Act* this amount would rise to 100% - an increase of \$2.197 billion for transport capitol spending per year. Such an increase would, in part, direct funds to municipalities so they can properly invest in crumbling road infrastructure.

In 1997-1998 the province transferred responsibility for over 5,000 km of roadways to municipalities. This puts added pressure on lower levels of government to maintain the infrastructure. Reports show a deterioration of rural roads as well. With increased agricultural yields and manufacturing moving into rural areas, rural roads and bridges are requiring increased attention. Stable and transparent funding would be provided by a *Gas Tax Accountability Act*, providing needed capital to ensure Ontarians are driving on well-maintained roads and that tax dollars are better dedicated to services they were meant for.

Approximately 80% of Ontario roads are municipally managed, cities should expect to see an increase in transfers for transport capitol of approximately \$1.758 billion. Cities would need only to auditably demonstrate that this increased transport revenue goes to transport capital and is not used for general revenue.

Governments can do a better job managing existing tax streams without introducing new ones.

If funding is allocated on a per capita basis the city of Toronto would be eligible for up to \$360 million per year in new funding.

Recommendation 5:

The city of Toronto should work with the provincial government to introduce a *Gas Tax Accountability Act* to dedicate fuel tax revenue to roads, bridges and highways.

The Alberta Example:

Under pressure from Alberta municipalities trying to gain new taxing powers similar to those in the *City of Toronto Act*, Premier Ed Stelmach announced that he will provide such but not without voter approval during this Fall's municipal elections specifically

through local plebiscites. If it is good enough for Alberta it should be good enough for Toronto.

The Illinois Example²: Taxes Through Referenda

Chicago, Illinois has some of the broadest grants of tax powers given by any state to its local governing officials. When introduced in 1970 taxing powers were granted to any town with a population exceeding 25,000. Any town wishing either to gain or relinquish such powers is entitled to do so through referendum. Between 1971 and 2000 the number of towns with these taxing powers has grown from 67 to 147. Of these, 72 gained the power through referendum. Up to the year 2000, 191 referenda had been held; 97 favoured the new powers and 94 opposed them.

One of the first taxes introduced was a land transfer tax. The Illinois Legislature has passed legislation requiring any new land transfer tax be approved by referendum for it to be implemented. That is, a referendum may be held to authorize new taxing powers and a separate question must be posed for a land transfer tax specifically if its approval is being sought.

Politicians claim that the *City of Toronto Act* allows for new taxes and new revenues in order to reduce pressure on property taxes. There is no evidence that this will occur. In fact the opposite is true. Municipalities in Illinois with the special taxing powers showed a higher rate of property tax increases than did those without the special taxing powers. The state had introduced a cap on property taxes. However, the new taxing powers allowed for municipalities to raise property taxes beyond the cap unlike municipalities without the taxing powers who were required to abide by the cap.

New taxing powers amount to a tax grab simply providing for greater taxing and spending powers at local levels.

Recommendation 6:

The city of Toronto should follow the example of Alberta and Illinois and hold a clear referendum during the next municipal election asking Torontonians whether they support the city having taxing powers under the new *City of Toronto Act* and asking Torontonians if they approve of a land transfer tax.

² *Illinois Home Rule: A Case Study in Fiscal Responsibility* by James M. Banovetz, *The Journal of Regional Analysis and Policy*, 2002 (32:1)

Conclusion

Commenting on the Discussion Paper and reporting on proposed new taxes has been like tilting at windmills. The discussion paper and public consultations failed to address the new garbage tax, yet it has already been passed by council. Including the garbage tax, 15 new taxes have been proposed. The road tolls and transportation congestion charges were proposed, then voted down, but are now being reconsidered. The liquor and tobacco taxes are temporarily off the table but it is not clear when they will be back.

In order for the mayor and the city to have a clear mandate city council should follow the example being set in Alberta and in Illinois: a local plebiscite should be held during the next municipal election clearly stating which new taxes the city wishes to impose, how and at what rate. In the meantime, the city should get its fiscal house in order and demonstrate fiscal responsibility by balancing budgets with zero fee increases.