



Finance

Freedom of Information and Protection of Privacy
910-386 Broadway, Winnipeg, Manitoba R3C 3R6
T 204 945-1479 F 204 945-5051
www.manitoba.ca

January 15th, 2009

Mr. Colin Craig
Canadian Taxpayers Federation
212-428 Portage Avenue
Winnipeg, MB
R3C 0E2

Dear Mr. Craig:

Re: Application for Access under The Freedom of Information and Protection of Privacy Act (FIPPA) - (Our File No. 42-08)

Your FIPPA application to Manitoba Finance was received on December 16, 2008, and seeks access to the following records:

"Please provide any information on the financial impact to the government as a result of adjusting Manitoba's tax brackets, basic personal exemption and spousal deduction to the rate of inflation.

Please provide any documents (memos, house notes, briefing notes, emails, etc) that include information on addressing bracket creep."

Following your conversation with Ilana Dadds on December 19, 2008 your request was refined and narrowed to records associated with the current, 2008/09 fiscal year.

Manitoba Finance is pleased to grant your request in part. Enclosed is a copy of an information note prepared at the time of a May 6, 2008 article in the Winnipeg Free Press. I have also enclosed a copy of the article for your information and convenience.

Please be advised that Manitoba Finance must refuse access to further records on this subject as required by the mandatory provisions of s.19(1)(b)(c)(e) of FIPPA. In addition, the information requested is further protected by discretionary provisions of s.23(1)(a)(b)(f) of FIPPA.

Some of the records requested contain material that was specifically created in support of the deliberations of Cabinet, and release is prohibited by s.19(1)(b)(c)(e) (please see attached), which requires that a public body must refuse access to Cabinet records. To release confidential records of Cabinet, or in support of deliberations of Cabinet, could harm the free discussion of policy matters and negatively impact the ability of departmental experts to give advice and support to Cabinet in matters related to policy development and budget decisions.

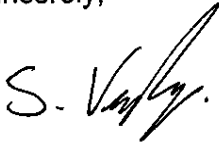
Similarly, some records include internal deliberations (see s.23(1)(a)(b)(f) attached) of Manitoba Finance on tax policy issues. The release of these records could harm the free flow of discussions that is the substance of the process for developing tax policy options in support of budgetary deliberations and decisions.

Subsection 59(1) of The Freedom of Information and Protection of Privacy Act states that you may make a complaint about this decision respecting your request for access to the Manitoba Ombudsman. You have 60 days from the receipt of this letter to make a complaint on the prescribed form to:

Manitoba Ombudsman
750 – 500 Portage Avenue
Winnipeg MB R3C 3X1
(204) 982-9130
1-800-665-0531

Please contact Ilana Dadds, Access and Privacy Officer at (204) 945-1387 should you have any questions regarding this response.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Verhaeghe". The signature is written in a cursive style with a large, sweeping flourish at the end.

Stephen Verhaeghe
Access and Privacy Coordinator

enclosure

INDEXATION OF PERSONAL INCOME TAXES

Summary: *The personal income tax and property tax reductions Manitoba has introduced since 1999 are worth much more (\$710 million) than the savings that would have flowed from indexing brackets and thresholds (\$100 million).*

The Basic Personal Amount (BPA) was increased in 2000, 2001, 2002, 2006, 2007, 2008 and 2009. The increase in the BPA for 2008 and 2009 is equal to inflation for those 2 years (3.8%).

	Basic Personal Amount	Credit Rate	Basic Personal Tax Credit
1999	\$6,794	8.25%	\$560.51
2009	\$8,134	10.8%	\$878.47
Change	20%		\$317.96, or 57%
Total Inflation 1999 to 2009: 23%			

This table shows that when you count both the increases in the BPA and the increased credit rate, the actual credit people receive has risen 57%, far in excess of the 23% inflation rate.

In Addition, Budget 2007 set the Spousal Amount (SA) and Eligible Dependent Amount (EDA) equal to the BPA. The tax savings from increasing these amounts since 1999 has increased 86% (versus 23% inflation rate over the same period).

On the other hand, bracket thresholds have not kept up with inflation.

Threshold:	1999	2009	Change
Between 1 st & 2 nd	\$29,590	\$31,000	4.8%
Between 2 nd & 3 rd	\$59,180	\$67,000	13.2%
Total Inflation 1999 to 2009:			23%

However, Budget 2007 unveiled a 5-year tax reduction program that would reduce the lowest tax rate from 10.9% to 10.5% and increase the middle bracket from \$30,544 to \$35,000 and the top bracket from \$65,000 to \$70,000). This would save Manitobans \$77M annually. Budget 2008 confirmed the first reductions for 2009.

In addition to increasing the BPA, SA and EDA in excess of inflation, the government has made numerous personal income tax reductions:

- reduced the middle bracket rate from 16.2% to 12.75% (in 2008);
- reduced the top bracket rate from 17.6% to 17.4%;
- enhanced the Family Tax Reduction/Benefit, which benefits low income households; and
- increased the income-related top-up to the Education Property Tax Credit; and
- increased the Personal Tax Credit by more than inflation in 2009, benefiting 281,000 Manitoban households.

Furthermore, the government has reduced personal property taxes by \$250M by:

- eliminating the Education Support Levy (saving homeowners \$100M annually);
- increasing the basic Education Property Tax Credit by \$350 (saving homeowners and renters \$120M annually); and
- reducing farmland school taxes by 70% (saving farmers \$30M annually).

In total, these personal tax changes are saving Manitobans \$710 million each year.

Note: MB and PEI are the only provinces which do not automatically index.