54. Equitable Tax Distribution Policy to Assist Canadian Municipalities

Description

Municipalities nationwide continue to bear the brunt of the pandemic after providing a key role in Canada's response. Besides carrying the majority of infrastructure funding, they continue to face pressures surrounding a myriad of issues including housing, public transit, public safety, and the opioid crisis. These are issues that affect the lives of residents and business owners, yet the financial resources and legislative abilities provided to municipalities to find local solutions receive limited support. A formal review is needed with all 'partners' to find a way to create a fairer distribution plan to ensure the needs of Canadians are met through local solutions that can promote business confidence and economic prosperity.

Background

To paraphrase a quote from Mississauga's legendary mayor Hazel McCallion: 'The feds have all the money, the provinces have all the legislative authority, and the cities have all the issues.'

This observation draws attention to the fact that the 3,573 municipalities across Canada's 10 provinces and three territories are responsible for the construction, operations, and maintenance of nearly 60% of the country's public infrastructure yet receive only 12 cents of every tax dollar to cover these costs. They are 'community builders' who have very few options – other than property taxes and user fees which are regressive - to collect revenue to pay for these services.

There are additional potential revenue options for municipalities, such as development charges which do not often cover the full costs of urban growth and these new developments, or they could receive a share of fuel, sales, and income taxes, which are not provided by all provinces[145]. However, due to the pandemic and the role municipalities played in responding with economic relief and instituting public health measures - factoring in a drop of revenues like user fees - many are now looking at unanticipated deficits which they cannot manage since by law they must approve balanced operating budget and are now relying on provincial and federal support to cover shortfalls[146].

It could also be assumed that both the federal and provincial governments may also be facing their own shortfalls, considering there is a consolidated (federal, provincial, territorial) gross debt, according to the fiscal year ending March 2021, of $1.4 billion[147].

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[145] 'Fair taxes and municipal revenues' – CUPE, May 27, 2019 https://cupe.ca/fair-taxes-and-municipal-revenues
[146] 'Let's empower municipalities' – Policy Options, June 9, 2021 https://bit.ly/3PPuZgr
[147] 'Canadian public debt' – Wikipedia https://bit.ly/38yKRmz