

AN EVALUATION OF PROPERTY TAXES IN WESTERN CANADA

The Canada West Foundation released a study titled "Straight Talk: Property Taxes in Western Canada's Big Six." This study analyzes four questions on property tax by employing both national data on municipal finance and revenues, and local data from the cities of Vancouver, Edmonton, Calgary, Saskatoon, Regina and Winnipeg.

1. What is the relative burden of municipal property taxes in comparison with other taxes?

Property tax makes up a very small portion of the Canadian tax burden, weighing in at 8.7% of all taxes paid. A significant portion of this tax is earmarked for education, to the extent that only about 5% of all Canadian taxes are property taxes used to fund municipal services and infrastructure.

2. Are current property tax levels high relative to historical levels?

In absolute terms and real per capita terms Canadians are paying more today than they did in 1961. However, as a percentage of GDP Canadians are paying less property tax now than 40 years ago. While all taxes combined rose from 24.5% of GDP in 1961 to 36.2% in 2002, property taxes actually fell from 4.16% to 3.16%.

3. What municipal services do property taxes finance? To what extent are different services covered through property taxes?

In the six cities studied the primary services funded by the property tax are policing and emergency response. Civic administration and roadways are also highly dependent on property tax, while public transit and waste and recycling receive about half of their funding from it.

4. What are the advantages and disadvantages of property taxes?

The advantages include an immobile and stable tax base, predictable and stable revenues, and visibility, accountability, and transparency. The disadvantages are slow revenue growth, difficulty in increasing the tax rate (due to transparency), and challenges in the assessment process (due to provincial control and the lack of a scientific method).

In conclusion the report argues that there is room for greater use of the property tax, and that the lack of political will in increasing property taxes in step with other taxes may be in part responsible for Canada's infrastructure gap. However, there are certain disadvantages of the property tax that cannot be resolved. To address this, the report argues cities need a more diverse tax base, such as a portion of a sales tax.

For the full report see <http://www.cwf.ca>.