

# A Big Idea

## **Introduction**

The Regina & District Chamber of Commerce is Saskatchewan's oldest business organization with roots stretching back into the 1880s. Currently the membership of the chamber encompasses approximately 1150 members from a wide array of backgrounds, sizes and types of organizations. Over the years the organization has evolved to include a range of services and offerings to its members; however at the core of the organization since its inception has been its advocacy efforts.

In 2009 the Board of Directors of the Regina Chamber in concert with the Chief Executive Officer embarked upon a fact finding mission to determine what members would like the organization to focus on in the future. The member engagement initiative was coined *Hey! What's the Big Idea*. Between April 6<sup>th</sup> and April 22<sup>nd</sup>, 2009 56 Chamber members took part in six brainstorming sessions at the Hotel Saskatchewan. The sessions elicited ideas that participants felt had the potential to transform the Regina and Saskatchewan economies. The brainstorming activities included individual components, as well as small and large group activities.

The findings from the idea generation activities can be classified into four main topics: marketing Saskatchewan, public policy, the economy, and taxes. In addition to the brainstorming sessions a mass email was sent to the entire membership in May of 2009 asking members the same type of question – essentially: *What needs to be done to take Saskatchewan to the next level?* While the responses were similar in nature to the brainstorming sessions, members placed a strong emphasis on the need for tax reform.

Subsequent to the brainstorming sessions and the mass email, the Regina Chamber's Board, Committees, CEO and staff reviewed all of the information in the pursuit of that one gem, or *Big Idea* that could be transformational in nature. All ideas were actively considered by the Regina Chamber including issues like sales tax harmonization, corporate income tax rates, income tax rates, royalty rates, a multi-purpose entertainment facility, changes to healthcare and the list goes on. At the end of the engagement process the organization decided to focus on tax reform.

## **Tax Reform**

The overall level of taxation in Saskatchewan has improved over the years. Corporate income tax rates have become far more competitive, general corporate capital tax has been eliminated, personal income tax rates have been reduced and the education portion of property tax has been reformed. While all of the tax changes have been positive, other jurisdictions have kept pace to varying degrees. A concerted effort was made by the Regina Chamber to filter potential tax reforms based on the following:

1. Does the reform have mass appeal
2. Would it be politically palatable
3. Is it transformational in nature as opposed to incremental
4. Does it improve competitiveness

Saskatchewan levies a number of taxes including the following as outlined in the 2009/10 Provincial Budget:

<b>Tax</b>	<b>Tax Generated 2009/2010 Mid-Year Projection</b>
1. Corporate Income Tax	\$797 million
2. Fuel Tax	\$438 million
3. Individual Income Tax	\$1.8 billion
4. Provincial Sales Tax	\$1.1 billion
5. Tobacco	\$191 million
6. Other Taxes	\$247 million
7. Education Property Tax	Not recorded under <i>General Revenue Fund</i>

When filtering Saskatchewan taxes against the criteria set out above against the preceding taxes the following is a general first impression of the consequence of a major reform within each tax:

Corporate Income Tax – A major reform would not have mass appeal given one of the dominant views would be that business is winning which may not be politically palatable. However it could be transformational and would definitely improve competitiveness.

Fuel Tax – At first glance a major reform of fuel tax would have mass appeal given most people and businesses pay the tax. However, given growing environmental concerns the reform may not be politically palatable, may or may not be transformational but would improve competitiveness.

Individual Income Tax – A major reform would have mass appeal, would be politically palatable, and would improve competitiveness. However, it may not be transformational given the levy raises \$1.8 billion annually and a major change would cost a great deal of money.

Provincial Sales Tax – A major reform would not have mass appeal particularly if the reform were harmonization which would also make the reform not politically palatable. However, it could be transformational and could improve competitiveness.

Tobacco – A major reform of the tax should not be considered for a range of reasons.

Other Taxes – A major reform of ‘Other Taxes’ as denoted in the Provincial Budget documents was not considered.

Education Property Tax – A major reform would have mass appeal, could be politically palatable, could be transformational and could improve competitiveness.

### **Affordability**

Any major tax reform must be tied to one overarching reality: it must be affordable and must be within the means of the Provincial Government.

## **The Big Idea**

Saskatchewan people have a once in a lifetime opportunity!

The concept is a simple one that virtually everyone can understand: **SASKATCHEWAN IS GOING TO BE DEBT FREE!** It will not be overnight but eventually it *will* happen. The question and opportunity then is:

## ***WHAT WILL WE DO WITH DEBT SERVICE COST SAVINGS?***

We are recommending that the Government of Saskatchewan link reduced debt service costs currently recorded at \$488 million with a major reduction or elimination of a tax. The reduction could be based on the budgeted debt service cost reduction as compared to the previous year or on the actual debt service cost as compared to a prior year. If there is no change from year to year then there should be no reduction. Essentially the concept is identical to one that many Saskatchewan families have around the dinner table when the end is in sight for one debt or another. Should we target the money for another need or goal, or should it be used to pay for additional everyday expenses?

We would argue that paying off the Provincial debt is akin to paying off the mortgage on a home or a farm. We would also argue that the savings should not simply be absorbed by general revenue but rather should be targeted toward a new goal. Simply put Saskatchewan Taxpayers should be rewarded for the blood, sweat and tears that have gone into paying off a debt that has spanned decades: *this should be a rightly deserved celebration!*

The Regina & District Chamber of Commerce would recommend that the tax that should be targeted for a major reform is a continued reform of education property tax. Continued reform of the tax has wide spread appeal from a range of constituents be it farmers, home owners, or commercial property owners. Continued reform of the tax would be politically palatable given most people are acutely aware that they pay property tax. Any additional reform would be transformational given Saskatchewan would go from having the highest educational taxes in the country to one of the lowest if not the lowest.

Continued reform of education property tax coupled with the elimination of capital tax will dovetail nicely so as to increase Saskatchewan's ability to attract large scale commercial/industrial ventures that are tax sensitive – particularly capital/property tax sensitive.

From an affordability perspective targeting debt service savings with continued reform of education tax should not put undue hardship on the Province's fiscal capacity given funding for the reform is derived from savings realized from paying down the debt.

Should the government of Saskatchewan continue to reform education property taxes as recommended in this paper it would put education property taxes within striking distance of the complete elimination of the tax which would be a very **BIG IDEA**.

**Recommendation**

THAT the Government of Saskatchewan annually reduces the provincial education property tax levy by an amount that is equal to the reduction of the debt servicing cost as the Provincial Government's debt, excluding crown debt is retired.

**Works Cited**

*Government of Saskatchewan Budget Update 09/10 Mid-Year Report, pg 22*