

Policy in Brief

Taxing Muncipalities

What Taxes Do Municipalities Pay?

Urban municipalities have enormous responsibilities related to infrastructure and services that they provide. In fact, municipalities are responsible for 60 percent of all public infrastructure in Canada, despite depending almost exclusively on property taxes and grants from other levels of government. Building and maintaining infrastructure comes with massive project costs, all of which are subject to GST and PST. Many pieces also have federal and provincial carbon and fuel taxes factored into them, as do costs for things like fuel for public transit and heating/cooling/powering municipal buildings.

What Forms of Taxation Are SUMA Concerned About?

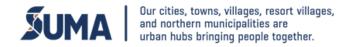
Municipalities receive rebates for GST from the federal government, out of recognition for the fact it makes little sense for municipalities depending on grants to then have those grants clawed back through taxation.

Municipalities do receive 0.75% of the PST collected provincially back in Municipal Revenue Sharing. However, this means that for every \$100,000 a municipality pays in PST, only \$12,500 makes it back into the pool, where it is then spread out over the entire municipal sector. This was made substantially worse in 2017-18, when a PST exemption on construction labour was removed, costing the municipal sector approximately \$29 million annually. While this did increase the size of the PST pool for the province, the amount of the PST that was allocated to Municipal Revenue Sharing was dropped from 1% to 0.75% to limit the benefit municipalities received.

Municipalities also pay the federal carbon tax on many purchases, and through embedded costs in contracts. While small businesses and individuals see refunds for these costs, municipalities do not. Municipalities also pay a provincial carbon tax on the cost of power and gas for municipal facilities, which is not rebated.

Why is SUMA Concerned About these Forms of Taxation?

Every dollar of Municipal Revenue Sharing or infrastructure grant funding that is clawed back through taxation is a dollar that must be pulled from local property taxes, because provincial legislation allows for no other meaningful alternative revenue sources, such as income taxes or goods and services taxes. While property taxes are a great stable foundation for municipalities, they are a regressive form of taxation, that has limited ability to consider what residents can afford to pay (unlike a progressive income tax that scales with salaries). That severely limits the amount that property taxes can be increased without causing direct hardship for residents and local businesses.



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What Is SUMA Asking For?

- We want the Government of Canada to make good on their commitment to offer municipalities a rebate for the costs of the federal carbon tax, or a removal of that tax.
- For the Government of Saskatchewan to once again eliminate PST on municipal
 construction projects, or increase revenue sharing by the same amount, so that
 municipalities may reallocate these saved dollars to better providing municipal
 services and infrastructure, while limiting increases to property taxes; should the
 PST be eliminated for all construction, we would further look to the province to
 reinstate once again allocate a full percentage point of the PST to Municipal
 Revenue Sharing.