



MEMBER RELEASE

June 28, 2011

TO: Mayor and Council; Chair and Board; CAOs
FROM: Barbara Steele, President
RE: **CFIB Property Tax Report**

Yesterday the Canadian Federation of Independent Business (CFIB) released their annual report on municipal property tax policy (*The Municipal Property Tax Gap*, available at www.cfib.ca/bc). In keeping with their previous reports, the CFIB contends that businesses pay a disproportionate share of property taxes since the business rate is on average 2.79 times the residential rate in BC. In the news release announcing the report, the CFIB links the higher rate for business property taxes to the lack of a business vote in local elections.

The release of CFIB's report provides an opportunity for local government to speak to media about the realities of property tax policy. To support local engagement, UBCM distributed its report *Comment on Fiscal Management in British Columbia's Municipalities* on May 16, 2011. This report is available at www.ubcm.ca and provides several findings that undercut CFIB claims regarding property tax fairness and business representation:

- 1) Since 1990, the allocation of the property tax burden has *decreased* slightly for business (from 32% to 31%) while the share for residential owners has *increased* from 52% to 59%.
- 2) The imposition of 2:1 business/residential ratio at current levels of spending would increase the tax on the average home in BC by 14.5% or \$230 annually.
- 3) Tax fairness cannot be adequately determined based on estimates of received benefits since consumption based models fail to measure the significant indirect benefits resulting from local government services.
- 4) Historically, local governments determine tax fairness based on the property owner's ability to pay. In general, business property owners have a higher ability to pay since a) they use the property to generate income; b) can deduct property expenses from taxable income; and c) can pass on costs to customers.
- 5) Contrary to the CFIB's claims that the business community does not have a voice at Council, 72% of the mayors and 59% of the councillors in BC's municipalities come from the private sector.

Local governments may receive calls from media seeking a response to CFIB policies. If you are engaging with media in the coming days, I encourage you to share UBCM's *Comment* with reporters. It is important for local media to understand the limitations of the CFIB's research and assumptions with regards to property tax policy. We are also providing some key messages for your consideration.

Key Messages

"Local governments in BC work hard to provide high-value services and programs that benefit business and residential property owners alike. Most locally elected leaders come from the commercial sector and appreciate that businesses are vital contributors to our communities."

"There is not a single jurisdiction at any level of government in North America that permits businesses to vote. Despite this, the CFIB continues to think a business vote is a good idea. This issue has been studied thoroughly, and the consensus is that it would undermine the basic democratic principle of one person, one vote."

"Assessed values for residential properties have gone through the roof in comparison to business properties. In order to maintain tax fairness between business and residential classifications, different rates are necessary."

"CFIB's policies share a basic shortcoming: the analysis never moves beyond the impact on business. Local government leaders, however, look at the effects of policy decisions on all groups. If implemented, the CFIB's policies would either lead to dramatic cuts in services, expensive delays to infrastructure replacement, or a tax shift to families. "