



MEMBER RELEASE

February 10, 2012

TO: Mayor and Council; Chair and Board; Senior Staff
FROM: Heath Slee, President
RE: **Province To Review Municipal Taxation and Local Government Revenue**

The Province of British Columbia is undertaking two reviews of direct interest to local government: an *Expert Panel Review of Business Taxation* and a *Local Government Revenue Sources Review*. I am writing to provide background on both of these initiatives.

1. Expert Panel Review of Business Taxation

On January 10, Finance Minister Kevin Falcon announced the appointment of an *Expert Panel* to provide analysis and recommendations regarding the system of business taxation in British Columbia. The panel will also make recommendations for administrative improvements that streamline the Provincial Sales Tax. This initiative is under the "*Canada Starts Here: The BC Jobs Plan*", and the panel must report by August 31, 2012.

The guidelines for the *Expert Panel* state that "(t)he review will include an examination of municipal property taxation of business and its impact on business competitiveness and investment. Recommendations must address issues of affordability and sustainability for local governments within the framework of the Community Charter."

Panel members are:

- Sarah Morgan-Silvester, Chancellor, University of British Columbia
- Lindsay Hall, Chief Financial Officer, Goldcorp
- Laura Jones, Senior VP, Canadian Federation of Independent Business
- Elio Luongo, Canadian Managing Partner, KPMG
- Fiona Macfarlane, Managing Partner, Ernst & Young
- Grace Wong, VP Academic, University of British Columbia
- Dale Wall, former Deputy Minister, Province of BC (adjunct member)

The full text of the news release and terms of reference for the panel are available here: http://www2.news.gov.bc.ca/news_releases_2009-2013/2012FIN0002-000018.htm .

2. Local Government Revenue Sources Review

The Ministry of Community, Sport and Cultural Development has advised UBCM that, in order to supplement the work of the *Expert Panel Review of Business Taxation*, and to fully

meet the Premier's commitment to review the municipal tax formula, the Ministry is embarking on a *Local Government Revenue Sources Review*.

The terms of reference for that review are not yet complete, but UBCM has been provided with some preliminary briefing material.

At this point, it appears that the review will encompass both municipal and regional district revenues from all sources, including property and other taxes, fees, grants and other transfers. The review is expected to determine trends over time and to consider whether grants are meeting the needs of the provincial government. A literature review and some form of inter-jurisdictional analysis are also expected, as is an analysis of the municipal tax policy objectives set out in municipal financial plans in BC.

The review is expected to be completed by July 31, 2012 and may provide context and background to recommendations of the *Expert Panel* and/or further policy change.

3. UBCM Engagement

Both reviews were topics of discussion during the meeting of UBCM's Executive of February 3, 2012. During the portion of the meeting where we were joined by Ida Chong, Minister of Community, Sport and Cultural Development, the Executive noted that local governments would be concerned that a panel investigating municipal taxation lacks local government representation. The Executive also commented that the composition of the *Expert Panel* might lead to questioning of its recommendations.

In terms of next steps, UBCM will contact the *Expert Panel* to express interest in providing a presentation. I have also written to Minister Chong to say that UBCM would be pleased to work collaboratively on the *Revenue Sources Review*. The Executive will also consider options to ensure that the perspective of local government with regard to business taxation and local government revenue is both heard and understood. UBCM will keep watch on both reviews as they get underway, and will provide updates as substantive information becomes available.