

Panellists argue for a sales tax knowing suggestion is unpopular

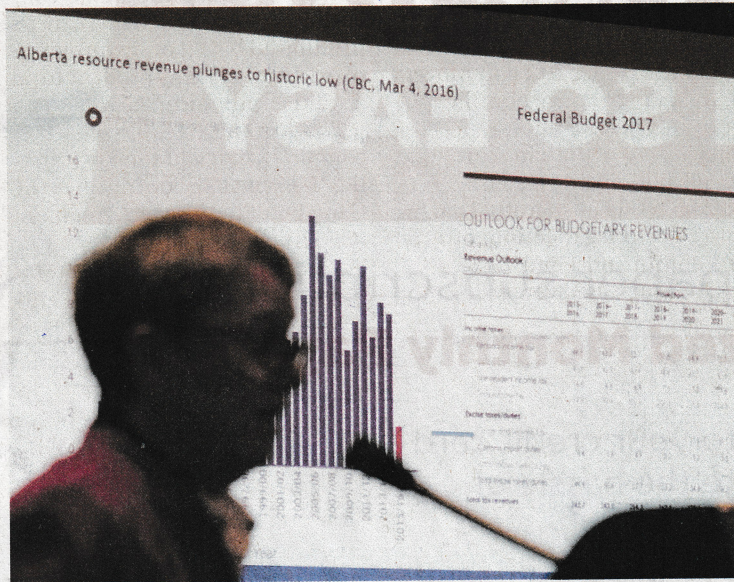
GORDON KENT

Alberta needs a provincial sales tax to help deal with an unsustainable fiscal situation, but it won't resolve all the looming financial issues, a tax and economics expert says.

An eight per cent provincial sales tax, on top of the five per cent federal goods and services tax, would give the government \$7.4 billion annually (after a rebate is given to low-income earners) and would reduce reliance on oil and gas revenues, said Bev Dahlby, research director at the University of Calgary's School of Public Policy.

But the province requires about \$14.1 billion a year from higher revenues or lower spending to deal with rising debt and achieve sustainability, he said Wednesday as part of a sales tax panel organized by the Economics Society of Northern Alberta.

Although when then-premier Ralph Klein reduced program spending 20 per cent in the 1990s, it led to major service cuts, Dahlby said.



Concordia University of Edmonton professor Elizabeth Smythe said a provincial sales tax would benefit Alberta. She was speaking at an Economics Society of Northern Alberta event at the Chateau Lacombe Wednesday. IAN KUCERAK

"We may need a sales tax as part of the solution to our fiscal problem and our reliance on volatile resource revenues and (an) un-

sustainable debt."

Elizabeth Smythe, a professor of political science at Concordia University of Edmonton, said the

benefit of such a levy is it would produce stable revenue and be paid by everyone.

While it's important to discuss whether to introduce a sales tax before government finances get out of hand, she doesn't expect to see one soon because politicians fear a backlash from voters.

Many people don't link taxes to services they rely on and don't trust the government to spend the money properly, Smythe said.

"The problem is, if we don't address the revenue situation, we could end up with deficits increasing and adding to our debt load over time, and to a crisis where we might have to end up doing drastic cuts and find increased revenue."

Alberta is the only province without a sales tax. Colin Craig, Alberta director for the Canadian Taxpayers Federation, said introducing one would be unnecessary, cause economic damage and wouldn't be popular. Instead, the government should reduce spending through such moves as giving new employees lower salaries and pension plans, and delaying capital projects, he said.

"If we increase taxes more than we have, is that going to help the average family out there that's struggling? I don't think so."

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22 February 2018