



PROS AND CONS OF A SALES TAX FOR ALBERTA


BOB ASCAH, FELLOW, INSTITUTE FOR PUBLIC ECONOMICS

ECONOMICS SOCIETY OF NORTHERN ALBERTA

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BACKGROUND

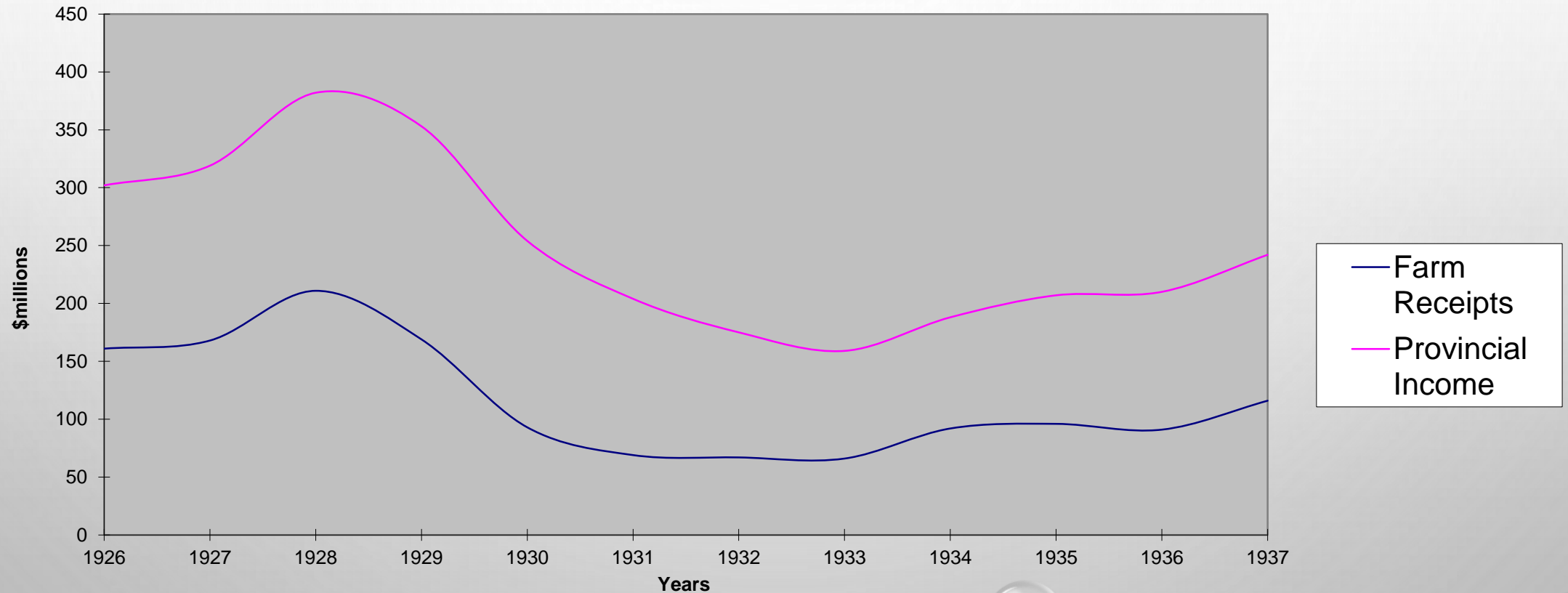
- GREAT DEPRESSION
 - BANK OF CANADA REVIEW
 - ALBERTA TAXATION INQUIRY BOARD
 - ULTIMATE PURCHASERS ACT
 - SEQUEL
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Prairie dust storm

PROVINCIAL INCOME COLLAPSES: 1926-37

Chart 4.1 - Farm Receipts and Provincial Income- Alberta



BANK OF CANADA 1937 SURVEY OF PROVINCE'S FINANCES- SPENDING AND DEBT

- “BY THE END OF 1922, ALBERTA HAD DIRECT AND GUARANTEED DEBT (ON WHICH IT WAS PAYING INTEREST OR FOR WHICH IT LATER BECAME LIABLE) WHICH WAS SOME 50 PER CENT HIGHER THAN IN THE MUCH OLDER PROVINCE OF MANITOBA AND MORE THAN TWICE AS LARGE AS THAT OF SASKATCHEWAN THOUGH SASKATCHEWAN HAD A 30 PER CENT LARGER POPULATION. SUBSTANTIALLY MORE THAN HALF THE ALBERTA TOTAL DEBT REPRESENTED ACCUMULATED LOSSES AND DEFICITS, OR SO-CALLED ASSETS WHICH WERE PROVING A CONSTANT DRAIN.”

BANK OF CANADA 1937 SURVEY OF PROVINCE'S FINANCES: REVENUE

- “THE PROVINCE COULD SCARCELY HAVE EXPECTED A MORE FAVOURABLE OPPORTUNITY THAN THAT PRESENTED IN THE YEARS 1925-1929 TO RECOUP ITSELF FROM THE RURAL AREAS FOR SOME OF THE LARGE EXPENDITURES MADE ON THEM. THE OPPORTUNITY WAS ALLOWED TO PASS AND NO REDUCTION IN THE DEAD WEIGHT DEBT TOOK PLACE.”
- PER CAPITA TAXES IN 1929 WERE LOWER THAN THE 1921 LEVEL.

ALBERTA TAXATION INQUIRY BOARD – CONTEXT

KEY ISSUES:

- ESSENTIALLY THE PROVINCE, MUNICIPALITIES AND SCHOOL DISTRICTS WERE BROKE.
- REAL PROPERTY OF SCHOOLS, CHURCHES, GOVERNMENT BUILDINGS, UNIVERSITIES, HOSPITALS EXEMPT FROM PROPERTY TAX.
- BURDEN OF SOCIAL SERVICES (RELIEF) ON MUNICIPALITIES.
- RESIDENTIAL RENTS INSUFFICIENT TO SUPPORT TAXES .
- LARGE TAX ARREARS WITH MUNICIPALITIES.
- IN FISCAL YEAR ENDING MARCH 31, 1935 PROVINCIAL DEBT CHARGES WERE \$7.1 MILLION OF TOTAL \$17.4 MILLION IN EXPENDITURE.
- IN 1934 THERE WERE 402 SCHOOL DISTRICTS IN DEFAULT WITH DEBENTURE PAYMENTS AND RURAL TEACHERS' PAY WERE IN ARREARS TO EXTENT OF \$265,720.

ALBERTA TAXATION INQUIRY BOARD – MANDATE

- THE EXECUTIVE COUNCIL HAS HAD UNDER CONSIDERATION THE REPORT OF THE HONOURABLE THE PROVINCIAL TREASURER, DATED NOVEMBER 28TH, 1933, STATING THAT IT IS EXPEDIENT AND IN THE PUBLIC INTEREST THAT INQUIRY SHOULD BE MADE INTO THE TAXATION NOW IMPOSED BY THE PROVINCE, AND BY MUNICIPAL AND OTHER SIMILAR AUTHORITIES PURSUANT TO ANY POWER OF TAXATION UNDER ANY STATUTE OF THE PROVINCE FOR THE PURPOSE OF ASCERTAINING BY WHOM ALL OR ANY OF SUCH TAXES ARE ULTIMATELY PAID, AND WITHOUT DEROGATING FROM THE GENERALITY OF THE FOREGOING, WHETHER OR NOT ANY TAX OR ANY CLASS OF TAXES, HAVING REGARD TO THE INCIDENCE THEREOF, BEARS UNDULY UPON ANY OCCUPATIONAL CLASS OF PERSONS AS COMPARED WITH ANY OCCUPATIONAL CLASS OR CLASSES, OR UPON PERSONS RESIDING IN URBAN DISTRICTS AS COMPARED WITH PERSONS LIVING IN RURAL DISTRICTS, AND, IF SO, THE EXTENT TO WHICH ALL TAXES OR ANY TAX BEARS MORE HEAVILY UPON ANY OCCUPATIONAL CLASS TO THE EXONERATION OF THE REST, OR UPON THE RESIDENTS OF URBAN DISTRICTS IN EXONERATION OF THE RESIDENTS OF RURAL DISTRICTS OR VICE VERSA, AS THE CASE MAY BE.

ORDER IN COUNCIL 951/33

ALBERTA TAXATION INQUIRY BOARD – REPORT

NOVEMBER 1935 FINAL REPORT- PAGE 138

- FROM “SCHOOL FINANCE IN BRITISH COLUMBIA”
- “THE GENERAL SALES TAX HAS THE MERIT OF REACHING EVERYONE IN SUCH A WAY THAT HE IS CONSCIOUS OF THE FACT THAT HE IS CONTRIBUTING TO THE COST OF GOVERNMENT, AND THERE ARE MANY WHO HOLD THAT IT CONTRIBUTES TO GOOD CITIZENSHIP THAT PEOPLE SHOULD KNOW THAT THEY ARE PAYING FOR GOVERNMENT.”
- “THE SALES TAX IS FISCALLY ADEQUATE OR PRODUCTIVE; IT IS ECONOMIC; IT IS ELASTIC; SIMPLE AND EASILY UNDERSTOOD; IT IS FLEXIBLE, AND MAY BE READILY MODIFIED. ITS EQUITY, HOWEVER, IS OPEN TO DEBATE AS IT BEARS DISPROPORTIONATELY UPON THE INCOME OF THE POORER CLASSES, EVEN THOUGH THE RICH MAY MAKE LARGE CONTRIBUTIONS THROUGH THEIR EXPENDITURES UPON LUXURIES. HOWEVER, ITS PRODUCTIVITY MAKES IT ATTRACTIVE. “

1936

CHAPTER 7.

An Act to impose Taxes on the Ultimate Purchasers of
Certain Commodities for Raising Revenue for
Provincial Purposes.

(Assented to April 7, 1936.)

HIS MAJESTY, by and with the advice and consent of
the Legislative Assembly of the Province of Alberta,
enacts as follows:

1. This Act may be cited as "*The Ultimate Purchasers* Short title
Tax Act."

REPORT AND MARCH 2, 1936 BUDGET

- NOVEMBER 1935 FINAL REPORT RECOMMENDED A RETAIL SALES TAX
- MARCH 2, 1936 BUDGET - *ULTIMATE PURCHASERS TAX ACT* IMPOSED A 2% SALES TAX.
- EXEMPTIONS INCLUDED: FOODSTUFFS, COAL, GAS, FARM MACHINERY, FERTILIZER, SEED, ANNUITIES, MEALS, ARTIFICIAL LIMBS, STAMPS AND ELECTRICITY
- IN 1937 TAX BROUGHT IN \$947,000 (13% OF REVENUE); IN 1938 \$601,000; AND \$68,000 IN 1939
- RESCINDED AUGUST 1937 IN FACE OF STRONG OPPOSITION