

Know what Ottawa needs? More taxes, study says

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The City of Ottawa could make millions more and solve its budget problems if it simply taxed residents' salaries, gas and regular day-to-day purchases.

That's the theory of two Munk School of Global Affairs researchers, who released a paper Monday called *More Tax Sources for Canada's Largest Cities: Why, What and How?*

Enid Slack, the director of the Institute on Municipal Finance and Governance, and municipal finance expert Harry Kitchen argue that taxing people in additional ways is "appropriate" since cities have major challenges keeping up with costs.

They like property taxes as a revenue source but believe a greater "mix" of taxes would help cities like Ottawa afford infrastructure fixes and other cost increases. A municipal income tax and sales tax in particular would rake in piles of cash, the authors say.

Of course, the City of Ottawa would need permission from the provincial government to add new taxes in the municipality. The authors suggest the province should want to expand taxing powers for large cities so it can stop worrying about transfers and focus on smaller municipalities.

Growing municipal costs and a period of belt-tightening at Queen's Park "may serve as catalysts for tax reform," the authors say.

The authors suggest cities' primary method of collecting revenue, largely through property taxes, is stale.

User fees are a good way to charge residents for services they consume, the authors say, and property taxes are necessary for a collective demand for services, like emergency services.

"A city sales tax and personal income tax could also be used to pay for services with public good characteristics," the authors say in their study.

Property taxes might be more expensive to administer than an income or sales tax, the authors suggest, because the latter can be "piggybacked onto existing provincial taxes."

They point out many taxpayers, especially seniors, have a good chunk of property but have low incomes. Those taxpayers are still being taxed based on their property values.

"An income tax as part of the municipal tax mix could reduce the overall tax burden on low-income taxpayers by taking pressure off the property tax," the authors say.

A one per cent municipal income tax could bring in \$16.4 million in revenue for the City of Ottawa, the study estimates.

And a payroll tax could be useful for getting out-of-town workers to also pay for things they use

in the city, such as roads.

When it comes to a municipal sales tax, the authors allow it could be difficult for Ontario cities to piggyback on the province because of the harmonized sales tax collected by the feds. Maybe provinces could raise their sales tax portion and share revenues with municipalities, they say.

A one per cent municipal sales tax could collect up to \$127 million for the City of Ottawa, according to the study. A fuel tax would add another \$110 million, at the high end.

The authors also dip into transportation pricing, observing that “neither road usage nor parking spaces are currently rationed with effective pricing structures.” They suggest road tolls and higher parking fees. A fuel tax could help fund road and transit projects.

The study also looked at how additional taxes could help Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Montreal.