A Discussion of Public Policy Revenue Tools under the City of Toronto Act, 2006

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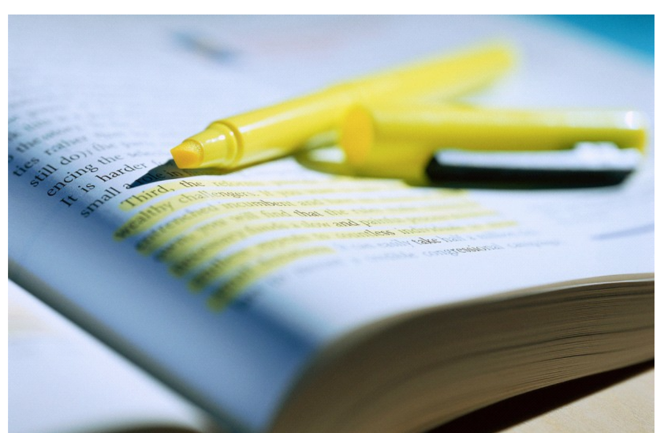

Summary

The *City of Toronto Act, 2006* provides statutory recognition of Toronto's economic role and its government. The Act provides a broad and permissive approach to Council's powers within certain statutory limits, such as more flexible governance and new power to impose taxes.

The Act provides the City for the first time with the power of direct taxation, subject to prescribed limitations. The new revenue tools are neither intended nor able to resolve the City's fiscal problems. Instead, the City's use of these powers can work to support and achieve the City's public policy objectives. A selected group of eight potential tax measures have been researched for the City's Executive Committee's consideration.

The purpose of this report is to provide information regarding the new taxation options under the Act, including the key results of a study on the potential revenues, economic impacts and comparable tax regimes in other jurisdictions. This discussion paper presents:

(a) A description of legal framework for new taxation powers (including tax vs. fees; direct vs. indirect taxes);
(b) A high level review of the capacity of the eight potential taxation measures to achieve the City's policy objectives through market behaviours modification and /or fiscally enabling new services;
(c) A description of a process for developing a policy framework to support the decision of whether or not to impose potential tax measures;
(d) A summary of research findings on the eight potential new tax measures under the Act, including comparable tax rates in other jurisdictions;
(e) An identification of potential economic (citizen/business) response to these tax options;
(f) An outline of the implementation requirements (e.g. time, cost and collection); and
(g) A comparison (ranking) of the following 8 potential new revenue tools against equivalent incremental property taxes: Vehicle Registration tax, Land Transfer tax, Alcohol tax, Tobacco tax, Billboards tax, Parking tax,

Entertainment tax and Road pricing/tax (Congestion and Road Tolls).

The intent of this discussion paper is to help the members of the Executive Committee understand the significance of the potential tax measures, so as to facilitate discussions among the members that could result in specific directions to City staff for further action.

Council Decision History

City Council, at its meeting on October 26, 27, 28 and 31, 2005, amended the Consolidated Clause 1, titled "Final Recommendations – Enhancing Toronto's Business Climate – It's Everybody's Business (All Wards)", in Policy and Finance Committee and Economic Development and Parks Committee Joint Report 2, by adding that "the City Manager be requested to report to the Policy and Finance Committee before the end of the year on municipalities that levy income and retail sales taxes".

City Council, at its meeting on March 29 and 30, 2006, approved a recommendation in a report titled "City of Toronto 2006 Budget Advisory Committee Recommended Tax Supported Operating Budget", Consolidated Clause 1, Report 2 of the Policy and Finance Committee, that stated that "the City Manager be requested to report to the Policy and Finance Committee on possible opportunities in the new *'City of Toronto Act'* (Bill 53), to raise revenue to be used for the establishment of a reserve fund to address 'Emergency City Safety' issues, as it relates to crime and violence, in the City of Toronto".

Background

On June 12, 2006, Bill 53 received Royal Assent and the new *City of Toronto Act, 2006* (COTA) was enacted by the Province of Ontario Legislature. The Act was proclaimed as law on January 1, 2007.

Concurrently, Bill 130 *(Municipal Statute Law Amendment Act, 2006)* was also proclaimed as law on January 1, 2007. Schedule B of the Bill amends the City of Toronto Act, 2006 but does not affect the new taxation powers provided in COTA.

The COTA provides statutory recognition of Toronto's economic role and its government, and provides a broad and permissive approach to Council's powers within certain statutory limits, such as more flexible governance and new power to impose taxes.

The Act also commits the Government of Ontario to cooperate with the City to explore and exercise the City's powers under the Act.

Under the Act, the City has power to impose, by by-law, a direct tax in the City, subject to prescribed limitations. The City can use these powers to responsibly create and enforce the City's public policy objectives.

To achieve those objectives, selected potential tax measures have been researched and presented in this discussion paper. These new potential tax measures or any other new tax measures identified under the Act are neither intended nor able to resolve the City's structural fiscal problems. This conclusion is supported by the express exclusion of almost all broadly based taxing powers (taxes on income, sales, wealth, energy, resources, persons, etc.) under the Act, and confirmed through comments by the Premier of Ontario regarding the need for additional measures to address the City's acknowledged fiscal challenges, and the subsequent actions of the government to initiate a review of the provincial municipal fiscal relationship[1].

The City of Toronto Act uniquely recognizes the City by conveying the power of direct taxation, subject to prescribed limits. The limitations prohibit most broad taxation measures typically used by the Provincial and Federal governments, such as sales, income or wealth taxes. Nevertheless, the Act is an important part of the long-term, multi-faceted package of reforms that the City needs to develop and implement in partnership with the other orders of government.

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[1] PMFSDR – Provincial Municipal Fiscal and Service Delivery Review, announced August 14, 2006.

Comments

A. Scope of Potential Measures under Review

The content of the discussion paper is outlined under 'Summary' on page 2, including a summary of research findings on the three permitted sales tax options, five other direct tax options which are vehicle ownership registration tax, a parking tax, a congestion tax or related road pricing strategy, a land transfer tax, and a billboard tax.

These particular options have been selected for study because they were identified during protracted discussions with Provincial policy makers during the development of the City of Toronto Act, and were subsequently confirmed as within the powers ultimately conveyed under the Act, in the opinion of the City's solicitor. Although additional ideas were solicited from the City's program staff, and the research consultant on the project was directed to identify other significant options discovered to be in use in other jurisdictions, no options were added to the study list with the exception of the relatively minor billboard tax option. Should further options be identified, they will be considered at the appropriate time and with due regard for the City's relevant policy objectives.

It will be up to Council to decide whether, and to what extent, any new powers will be used, giving consideration to the potential impact of any new taxes on the City's citizens and businesses, and also practical implementation issues as discussed later in this paper.

B. Legal Framework for Implementing Taxes under the COTA

The Act provides authority for the City to impose a direct tax within the City. Subsection 267(1) provides that the City may pass a by-law to impose a tax provided that the tax is a direct tax. Subsection 267(3) requires that the by-law state the subject of the tax to be imposed, the tax rate or the amount of the tax payable and the manner in which the tax is to be collected, and that it satisfies any conditions as may be prescribed.

Direct taxes are those charged to the end user of goods or services or in such a way so as to relate to the per unit cost (e.g. sales tax at retail). In contrast, an indirect tax is one which is demanded from one person in the expectation that he/she will recover it from another (e.g. federal tax in LCBO price). Powers of indirect taxation are restricted to the Federal government under the laws of Canada.

The distinction between direct and indirect taxation has important implications for the design of potential new tax measures by the City. New tax laws may be challenged, and taxes ultimately ruled as indirect would be unenforceable and could result in a requirement to reimburse inappropriately taxed persons.

Taxes are distinct from fees under law. Fees are defined as charges imposed on users of a service to recover the costs of providing that specific service. The fees and charges sections of the Toronto Act are basically unchanged from previous legislation. In contrast, taxes are not required to be set or applied to recover any particular cost. In practice, however, new taxes may need to be linked to program expenditures related to the taxed activity in order to garner public acceptance.

The prohibitions on the use of new powers of direct taxation in the Act are as follows:

- income tax and sales tax;
- tax on lodging, such as hotel, motel, apartment house, boarding house and club;
- tax on the supply of natural gas or artificial gas;
- tax on consumption or use of energy, including electricity;
- tax on the generation, exploitation, extraction, harvesting, processing, renewal or transportation of natural resources;
- tax on the use of a highway in respect of equipment placed under, on or over the highway for the purpose of supplying a service to the public;
- tax on wealth, including inheritance;
- a poll tax. If a levy is imposed on a specific class of people for the sole reason that they reside in the City limits, that may be considered a form of poll tax by the Courts;
- tax on machinery and equipment used in research and development or used in manufacturing and processing and on assets used to enhance productivity, including computer hardware and software.

These prohibitions are understood by City staff to preclude the imposition of a tax on gasoline, either in proportion to its cost (sales tax) or volume (energy tax).

However, the Act provides some important exemptions from these prohibitions in the following areas:

- tax on admission to a place of amusement;
- tax on purchase of liquor for use or consumption;
- tax on production of beer or wine at a brew on premise facility for use or consumption;
- tax on purchase of tobacco for use or consumption.

These very specific rules regarding sales taxes have important implications for the City's use of its new powers. Generally speaking, only those areas specifically exempt from the sales tax prohibition may be determined as a function of price or value of a good or service. All other taxes must therefore be applied on some other characteristic of the taxed activity. However, even this is an oversimplification, as will be illustrated in the discussion of land transfer taxes.

Nevertheless, the Act does lead to the following approach for evaluating potential taxation initiatives 1) does the proposal qualify as a tax or is it a fee? 2) does it fall under one of the categories listed as prohibited? and, 3) is it designed in such a way as to be considered a direct tax?

The Act leaves it up to the City to identify and implement other direct taxation measures as it sees fit.

It is important to recognize that the specific structure of the levies and how the levies may be implemented has not yet been determined. The ability of the City to use its new powers under the Act has yet to be tested and may depend on the precise manner in which the taxes are defined and imposed. Much will depend on how the Courts will ultimately treat any new taxes arising from the new taxing power which the City never had before. Finally, the Province retains the power to further prescribe through regulation limits on the City's powers to impose new taxes under Section 272.

Nevertheless, the City's Legal Services Division has reviewed the Act and provided advice on how the powers under the Act may be interpreted, and on how new taxation measures would best be imposed so as to be within the City's authority under the Act. A brief summary follows:

Sub-section 267(1) authorizes the City to impose, by by-law, a tax in the City if the tax is a direct tax and if the by-law satisfies the criteria described in sub-section 267(3) and other conditions as the Province may prescribe. Sub-section 267(4) empowers the City, by by-law, to:

- impose penalties for failing to comply with the by-laws,
- charge interest on outstanding taxes or penalties,
- audit and inspect vendors/remitters,
- establish and use dispute resolution mechanisms,
- establish and use such enforcement measures as the City Council considers appropriate if an amount assessed for outstanding tax, penalties or interest remains unpaid after it is due, including measures such as garnishment, the seizure and sale of property and the creation and registration of liens, and
- such other matters as the City Council considers appropriate.

A discussion of the legal issues related to each of the potential taxation measures under consideration follows:

<u>Sales Taxes</u>

1. Alcoholic Beverages Tax

   Under paragraphs 267(2)(5)(ii) and 267(2)(5)(iii) of the Act, the City has the power to impose a tax at the point of sale to the consumer. For example, LCBO and Brewers Retail outlets in City could be designated as vendors who would charge and collect a tax on the sale price of products to non-licensed consumers sold within the City. A sales tax on purchases by licensed vendors for the resale is likely not be considered an indirect tax, and therefore not permitted. However, the City could impose a tax on sales at licensed restaurant and tavern establishments, capturing the value of retail mark ups, but involving numerous businesses in the administration and remittance processes.

2. Tobacco Tax

   Under Section 267(2)(5)(iv), the City is allowed to impose a sales tax on a person in respect of purchasing tobacco for use or consumption at the point of sale within the City. The City does not have the power to impose a tax on the manufacturers of tobacco products themselves, such tax is more likely to be indirect.

Retail outlets in the City could be designated as vendors who would collect tax for the City, when they applied for any business licence they need from the City to operate under Municipal Code Chapter 545 (Section 2(10) requires stores that sell tobacco products must have a licence from the City).

3. Entertainment Tax

Under Section 267(2)(5)(i), the City has the power to impose a tax on the purchase of admission to a place of amusement as defined in the *Retail Sales Tax Act.*

The City has the power to impose this new direct tax at the point of sale to consumers within the City. Entertainment outlets in the City could be designated as vendors who would collect for the City.

<u>Other Direct Taxes</u>

4. Motor Vehicle Ownership Tax/ Driver's License Tax

The Province currently charges fees to administer motor vehicle registration and driver's license issuance. The option for the City under the Act is a tax on license or vehicle ownership.

In order to be upheld as a tax permitted under the Act, the levy would best be structured as a flat tax on all ownership registrations or licenses issued, rather than as a percentage of the fee charged by the Province for obtaining the registration or license. The City appears to have the option of setting the tax schedule in accordance with vehicle type, although the cost vs. benefit has yet to be explored.

Discussions with the Province would have to occur with regard to collection of these taxes on behalf of the City, if the City decided to utilize their existing collection systems.

5. Real Property Transfer Tax (Land Transfer Tax)

   The exclusion of sales tax contained in section 267(5) of the Act relates to personal property, and thus does not preclude the City from imposing a tax on the sale or conveyance of land (real property).

   The Province currently imposes a land transfer tax on real property transactions based on tiered rates at various prices thresholds. As prices have risen, most transactions in the City now occur at the maximum rate of 1.5% of the purchase price.

   It would appear that the City is entitled under the Act to impose a tax regime similar to that of the Province i.e. based on sale price or deemed value.

6. Parking Tax

   A sales tax on paid parking is not permitted under the Act, so it is likely that any parking tax would have to apply to ownership of the parking lot. Even so, if a tax can be argued to be on a per parking event basis, such as a tax imposed on the basis of the number of space rentals, it may be viewed as an indirect tax, and again not permitted.

   The most defensible parking tax is likely to be a flat rate tax on parking lots by area or imputed number of spaces, which could be argued as a direct tax on the parking lot owners, as a cost of doing business in the City. While the imposition of a flat tax would likely result in a change to the prices that parking lot owners charge, the price difference would not necessarily be linked to each individual parking space rental.

   Parking lots are an optional class of the commercial property class. One could adopt a higher tax ratio for this optional class, so long as the average ratio across the broader commercial property class does not violate the tax ratio rule (i.e. can not increase).

   The issue of identifying and assessing lots of various types can be quite complex and is discussed in the next section of this report.

7. Road Pricing/Tax (Road Tolls/Tax and Congestion Tax)

   A congestion tax or a road tax could be levied within a targeted area or for roads/highways of the City in order to reduce congestion, discourage automobile use and generate funds that could be used for other purposes such as transit.

   Whether a congestion levy is considered a fee or a tax would depend on the purpose for which the levy is imposed. If it is for a general revenue purpose, then it will more likely be considered a tax. If it is for a specific purpose, such as to go to road maintenance for the specific area that the levy would be applied to, then it could be considered a fee.

   A congestion tax could be argued to be a variation on a road toll tax. Under that argument, the City does not have the ability to pass such a toll until the Province passes a regulation that permits it. Road tolls are dealt with separately under Section 41 of the Act, which restricts the City from designating a highway as a toll highway until regulations have been passed under Section 116.

8. Billboard Tax

   The ability of the City to pursue a billboard tax would depend on how the tax is structured. A tax on billboard as a percentage of rents, revenues, profits, or even energy usage would likely be attacked as a prohibited tax under the Act. The tax would also have to be defensible as a direct, rather than indirect, tax. Accordingly, the imposition of a flat tax is more likely to be upheld as a direct tax by the courts. In this regard, a flat tax on every billboard or every billboard owner, lessee or advertiser may be preferable to a tax imposed on the basis of square footage.

C. Plan/Process for Policy Analysis

The City has authority to impose new taxes within prescribed limitations under the COTA. The intention is that any new taxation measure would be considered within the context of the City’s policy objectives.

It is important to recognize that the City's property taxing powers enable it to raise revenues from a broad base of citizens. In order to justify raising incremental revenues from a new tax on a specific or narrow activity – such as tobacco use, automobile ownership or attendance at entertainment functions, even though these activities may be relatively widespread - the city should be able to demonstrate with confidence that such a tax would be in the greater public interest i.e. the benefits outweigh the financial impacts on the taxed consumers and/or related businesses. The rationale would be that a tax is intended to cause a desired reduction in a specific behaviour - such as excessive drinking of alcohol contributing to crime/health problems to the detriment of those with arguably more important needs, or that the tax generates revenues that enable service enhancement which has benefits that outweigh the impact of the tax. The City makes similar policy based evaluations when determining whether to build a streetcar right of way, for example.

Furthermore, these taxing powers are unique to the City of Toronto in Ontario. To the extent that they are used, and the City becomes a high tax regime in respect of the activities targeted by the tax, there should be an enhanced level of service to show for the higher cost. Put another way, the City should resist the temptation to use the new taxing powers to raise revenues to address a fiscal imbalance that is not related to providing a higher level of property related services to its citizens and taxpayers.

Also, there are a variety of generic policy considerations that should be considered when evaluating a new tax option. Who would it impact? Is it regressive? To what degree would it derive revenue from non-residents ('exportability')? How will revenues and impacts change over time?

In order to properly evaluate the options presented in this discussion paper in terms of policy rationale, options would be grouped with similar measures and referred to the related program areas for further consideration, including consultation with affected interest groups, as further discussed below.

The proposed groupings for the eight taxation options in this discussion paper, and key related program areas, are:

- Road and Vehicle related taxes: Transportation Services & City Planning;
- Sales taxes: Economic Development, Public Health and Corporate Finance;
- Land transfer Tax: Corporate Finance; and
- Billboard Taxes: City Planning and Building.

If directed to continue to explore and develop certain taxing options further, these groups would undertake the following responsibilities:

- Determine the City behavioural/policy objectives that could be achieved by a new tax;
- Identify linkages between the tax behaviours and the current or proposed City program costs
- Seek input from appropriate stakeholders to confirm anticipated impacts;
- Propose tax incidence, exemptions, rate structures and phase-in strategies;
- Estimate gross and net revenues attainable; and
- Identify other potential taxation options.

The findings from the policy analysis of the program areas will be aggregated and utilized to support the City's stakeholder consultations, develop future communication strategies regarding the potential tax measures, and provide input to a report to Council seeking direction regarding implementation.

D. Plan/Process for Stakeholder Consultations and Public Communications

If the City continues to explore the potential and rationale for implementing new taxation options, City staff would undertake stakeholder consultations regarding the potential tax measures and develop a public communication plan.

Examples of issues that would be addressed are:

- Who should be consulted (stakeholders)?
- How should the stakeholders be consulted (e.g., public forum, website, news release, written submissions from stakeholders, deputations before a City Committee)?
- How should the Toronto public, in general, be informed?

- What should be the City's ongoing plan to monitor public reactions to the tax measures when implemented?

E. Administration Considerations

The power to impose taxes in certain areas other than traditional property taxes is new to the City. Taxes of this type are unlike property taxes where tax notices are sent out to property owners based on MPAC assessments. It is also unlike charging fees for City services. The new taxes require collection and other administrative arrangements with various external bodies such as retailers (e.g. for permissible sales taxes), agencies (e.g. vehicle registration/driver's license outlets), legal profession (e.g. land transfer tax) and so on. The key anticipated administrative requirements are outlined below.

E.1 Administrative responsibilities

The Act specifies many of the key tax design considerations that must be incorporated in a City by-law authorizing tax, as referred to in the legal considerations section of this report. The City has to establish policies, procedures and appropriate infrastructure to ensure appropriate administration of the taxation measures, including rate setting, auditing, enforcement, prosecution, systems implementation, collection, remittance, reporting and ongoing review of the process and level of adherence to policy objectives pertaining to the tax measures.

As an example, the City's property tax system is supported by MPAC, the assessment administration corporation; the City's Revenue Services Division, which administers the tax system, call centre, billings, brochures, service counters, and tax policy functions; the Legal Services Division, which processes appeals and other challenges, and others. Similar structures would need to be developed or purchased to support any new taxation program. On the collections side, the property tax system benefits from the ability to register taxes owing against the title to the property, and the legal right to remittance from proceeds of sale. Other tax systems may not have similar security to recover amounts owing, leading to more complex collections and write-off procedures.

E.2 Strategies for implementation

In accordance with the provisions under the Act, the City, provincial and federal governments have the opportunity, in the best interests of all parties, to work together in a relationship based on mutual respect, consultation and cooperation. There will be several opportunities for such cooperation, such as the need to harmonize the existing rules and procedures on financial/taxation matters, and to develop administration agreements regarding new revenue collection, auditing and enforcement.

City staff have been in contact with officials from the Canada Revenue Agency about opportunities for collaboration, and anticipate that opportunities for collaboration with the Province would also exist, particularly in the areas of vehicle ownership, land transfer tax and amusement taxes.

F. Assessment of Potential New Taxes/ Revenue Tools

F.1 Ranking and Effects of Potential New Taxes

In the following section, the preliminary findings for each of the tax options is discussed, and ranked into three categories – low, moderate and high - from least to most problematic in terms of difficulty of implementation.

The rankings are largely based on the work of an external consultant who assessed each option in terms of its revenue characteristics, its incidence on households and businesses and its implementation complexity, drawing on the experiences documented in other jurisdictions with similar taxes. An attempt has also been made to estimate the time required to implement each option, drawing on staff discussions with CRA officials. It should be noted that it would be very difficult and unlikely that any of the options under discussion could be implemented before year end 2007. Depending on the option, implementation could occur in 2008 or later. Staff also considered the potential fit with such City concerns as revenue characteristics, preliminary policy considerations, and linkage to City program costs related to the taxed activity.

One way to consider a new taxation option is to compare it with the property tax increase required to generate similar revenues, both in terms of its effect on the public and complexity of implementation.

The chart in Appendix C summarizes the eight new revenue tools in terms of their:

- suitability in meeting the City's policy objectives;
- revenue potential, including revenue stability and ability to export (i.e. visitors/commuters from outside Toronto contributing to Toronto's revenues);
- administrative complexity, including time to implement;
- effect on business community, including vendors affected;
- effect on average annual burden per affected household; and
- visibility of tax and frequency of payment.

The top three taxes on the chart (i.e. Vehicle Registration, Land Transfer and Alcohol sales at stores) were considered to be reasonable alternatives to incremental property taxes in the medium term.

F.2 Revenue Estimates

The consultant reviewed the revenue potential of each taxation option, using available data related to the City and relevant experiences in other jurisdictions (Appendix B provides details of revenue estimates). This analysis involved:

- estimation of the City's gross and net revenues (after implementation/administration costs and estimated impacts of elasticity of demand and consumer/vendor avoidance) for each potential tax measure, along with associated risks;
- revenue growth potential and factors that might contribute to variability of the estimated revenues; and
- comparable tax rates in other jurisdictions.

F.3 Assessment of Collateral Impacts

For each potential tax measure, the consultant's study also addresses:

- the elasticity of demand for goods/services with imposition of taxes;
- risk of tax avoidance (including cross-border issues);
- impact on business activities within the City; potential impact on property tax base; and
- impact on travel of people from outside Toronto into the City for business, entertainment, tourism, etc.

F.4 Administrative Complexity

Complexity is an important consideration when evaluating a potential tax. As indicated previously, a key strategy to minimize complexity is to contract out the administration of the tax to a third party that already administers a similar tax. Provincial officials suggested that the City deal with the Canada Revenue Agency where possible. Accordingly staff met with CRA officials on two occasions to test the potential for administration agreements between the two parties.

Despite initial enthusiasm and an organizational structure designed to provide third party services, the main message was that CRA systems and marketing strategies do not lend themselves easily to dealing with numerous small retailers (as would be the case for the sales tax options under the Act). Likewise, if the tax designs are markedly different from existing Federal taxes, the 5 non-sales tax options (i.e. vehicle registration, land transfer, billboards, parking and road pricing) would not be suited for contracting out administration to CRA. Furthermore, they indicated that there may be legislative impediments to using Federal taxpayer identifiers to manage a municipal tax system, which could block the opportunity entirely unless amended. This issue requires further research.

However, there were two areas where collaboration with the CRA appears to be most promising: the first is advisory services in regard to tax design and administration; the second is tax administration for alcohol sales taxes applied at LCBO, Brewers Retail and other stores unlicensed for consumption.

The Province provided some valuable information regarding the current administration of their vehicles registration fees, sales taxes and land transfer taxes. The information helped the City understand the number of locations at which various taxes would be imposed, and the organizations that currently are established that could collect them. Provincial officials were quick to point out, however, that expanding their role in administration of taxes was contrary to their general strategy of streamlining their operations through collaborations with the CRA, as demonstrated by their recent announcement confirming the plan to transfer collection of Provincial corporate income tax to the CRA in the next few years.

Of course, the City could also establish its own tax administration function for new taxes. Even if a third party is willing to bid on providing the service, the City should benchmark the proposed costs against estimates of in house service provision as part of its negotiation strategy.

Complexity also impacts on the cost to third parties who would collect and remit the tax on behalf of the City (such as retailers for a sales tax) and on the time required to implement the systems to support a tax. These issues are discussed in separate sections.

F.5 Administrative Burden on Community

For many taxes, and sales taxes in particular, the administrative burden is shared with the retail sector. For example, retailers would need to adjust their cash register systems to calculate, record and show Toronto sales tax, file periodic reports, and maintain records. For smaller retailers with low margins the burden can be considerable, especially when compared to the value of taxes remitted. In some jurisdictions retailers retain a percentage of the taxes collected to help offset the costs of administration. Even so, smaller operations would not be favoured. This can be a major factor when most sales occur through small retail operations, as in the case of tobacco products.

F.6 Compatibility with Broader Policy Objectives

This report provides a preliminary look at the policy fit of the taxation options under review. Appendix C summarizes the policy considerations for each of the revenue sources considered:

- Ability to Export describes the relative generation of funding from outside of the City's boundaries;
- Avoidance/Elasticity refers to the impact of likely consumer behaviours to each new tax; for example, in certain situations, consumers will adapt their consumption to avoid the higher costs associated with the new tax;
- Policy fit outlines the positive ancillary benefits that the City would experience with respect to satisfying other policy objectives from the tax.

F.7. Visibility of the Tax

Each option has different characteristics in terms of how frequently it is encountered by the public, and how it would be received. In situations where behavioural change is sought, a highly visible tax may be good. The consultant attempted to portray this characteristic by ranking visibility of each option.

F.8 Time to Implement

In each case an assessment was made of the time that might be required to implement the tax. This is a highly subjective issue, and the answer is ultimately dependent on factors that may be beyond the City's direct control, such as cooperativeness of the Province or its agents to work with the City.

At first blush the time horizons appears to be quite long. However, consider a vehicle ownership tax , for example. First, the City must make a determination as to whether such a tax fits in with its policy objectives: Are transportation related programs under funded? What is the revenue requirement? How would the tax be related to vehicle characteristics? What would be the impact of car ownership, and who would be most affected? Is it most appropriate for Toronto car owners to bear an additional cost? What about drivers living outside Toronto? Is ownership the best characteristic for allocating the cost? What about factors such as frequency or time of use? Will rental or leased vehicles also be captured? If the company that owns the vehicle is registered outside Toronto, will its City vehicle rentals be captured? Would a GTA-wide tax be a better option? Is this a tax that might be implemented by the Greater Toronto Transportation Authority?

Once a decision is made by the City that the tax makes sense and after appropriate consultation with affected parties, discussions with the Province would be required to determine whether the Provincial vehicle registration system could be used to administer the tax. This is an important question, since the Provincial system is administered by numerous agents under separate agreements, and using automated machines at various locations throughout the City and across Ontario.

In such circumstances the pattern is often one of Memoranda of Understanding followed by protracted negotiation. City staff would need to seek explicit Council authorities at appropriate junctures. Finally, roll out of the new tax would take time to implement, and may be subject to practical limitations on when it can be introduced – say, only on January 1, for example.

Discussions with the CRA about potentially piggy backing on their GST administration systems revealed these types of issues. The GST IT systems are very complex and accordingly only updated twice a year – and new tax implementation is subject to testing for up to six months before going 'live'.

F.9 Assessment of the Revenue Tools

The eight potential revenue tools were assessed based on the following six factors:

- Average annual household burden
- Administrative complexity
- Vendors who would be affected
- Effect on the business community
- Visibility of the tax
- Frequency of tax payments

The revenue tools were subsequently categorized in three groups based on implementation difficulties:

1. Least Difficult Options
    - Motor Vehicle registration tax
    - Land transfer tax
    - Alcohol tax on store sales
2. Moderately Difficult Options
    - Alcohol tax on licensee sales
    - Cigarette tax
    - Amusement taxes on movies and live sporting events
    - Parking tax (low amount: $25 per space per year)
    - Billboard tax
3. Most Difficult Options
    - Amusement tax on live entertainment
    - Parking tax (higher amount: $250 per space per year)
    - Road Pricing

The chart in Appendix C summarizes the eight new revenue tools in these categories.

G. Comparable Tax Rates in Other Jurisdictions

The following is a sample of tax rates in comparable jurisdictions in Canada and U.S.A., along with example rates for Toronto:

Motor Vehicle Registration Tax [Toronto @$40/vehicle/year]
- Most urban cities in Quebec: $30
- Vancouver: $25 - $40 based on commercial vehicle's weight
- Chicago: US $75 (automobile); US $45 (motor bicycle/ Moped)
- New York: US $15

Land Transfer Tax [Toronto @0.5% of sale price]
- Halifax: 1.5%
- Quebec municipalities: 0.5% (up to $49,999); 1.0% ($50,000 - $250,000); 1.5% (over $250,000)
- Chicago: US $3.75 per $500 (0.75%)
- New York: Individual residential 1% (up to $500,000), 1.425% above. All other transactions 1.425% (up to US $500K), 2.625% above.
- Philadelphia: 3% of property value
- City of Los Angeles: 0.45% of property value

Alcohol Tax, Store Sales [Toronto @5% of pre-GST/RST price]

- Chicago: Applies to wholesalers/administered by the City: US $0.35 per case of 24 bottles beer; US $0.36 per 750 ml bottle (20% or more alcohol by volume).
- New York: Applies to distributors and non-commercial importers: US $0.0317 per litre of beer; US $ 0.264 per litre of liquor (over 24% alcohol by volume).
- Philadelphia: Applies to licensed establishments (none for store sales); 10% tax on sale price.

Cigarette Tax [Toronto @5% of pre-GST price]

- Chicago: US $0.034 per cigarette or US$0.68 per package of 20 cigarettes plus Cook County's tax of $2 per 20-pack;
- New York: US $1.50 per 20-pack

Amusement Tax – Movies & Live Sporting Events [Toronto @ 5% of pre-GST price]

- Winnipeg: 10% on admission price of $5 or more for movies and entertainment facilities with 5,000 seats or more;
- Chicago: 4% on admission price for live entertain-ment (for 750 persons maximum capacity facilities); 8% on admission price for all other types of amuse-ment.
- Philadelphia: 5% on admission price for concerts, movies, nightclubs, athletic contests and convention shows.

Parking Tax [Toronto @ Low tax of $25 or higher tax of $250 per space per year]

- Vancouver: $0.78 per sq. metre (equivalent to $23.40 per parking stall);
- Chicago: Daily, weekly and monthly tax amounts (e.g. daily: if parking fee is $5-$11.99, City tax is $1.75; monthly: for fee of $100-$239.99, the City tax is $35).
- Philadelphia: 15% of gross revenues.
- Los Angeles: 10% on parking lot revenues

Billboard Tax [Toronto @ $3 - $10/sq. foot/year depending on size/type]

- Winnipeg: $0.34 per square foot for all signs independent of type.

- Philadelphia: 7% excise tax on the transaction price paid for billboard advertising.
- New Jersey: 4% tax on retail sale price of advertising space.

Road Pricing [Toronto @ Varied; e.g. $0.10/km road toll; $5 per entry into cordon/congestion area]

Congestion:

- London (UK): 8 pounds/day or Cdn $18/day; 90% discount for local residents.
- Stockholm: plan on hold; rate was about $10 Cdn/day max.

Road Tolls:

- New Jersey Turnpike (US $0.45 - $6.45 per trip)
- New York State Thruway (US $0.15 - $15.15 per trip)
- Express 91, CA (US $1.15 - $9.25 per trip)
- Hwy 407 (Cdn $0.1625 - $0.4875 per km).

H. Financial Impact

There are no financial Implications arising out of this paper. Final consideration of new revenues under the Act, including allocation of the proceeds, will determine the ultimate financial impact on the City.

I. Summary of Results

The objective of the study was to evaluate the City's options to exercise its new powers under the act, specifically the preliminary list developed in consultation with the Program Divisions. Each option was considered in terms of its ability to generate revenue and potentially achieve policy objectives, with regard for the potential adverse or collateral consequences of imposing a new tax measure.

Three potential new taxes (i.e. Vehicle Registration, Land Transfer and Alcohol sales at stores) were considered to be reasonable alternatives to incremental property taxes in the medium term. In general, property taxes have the distinction of being broadly based across the community, rather than targeting a specific group or activity, and can be increased without any new administrative costs. However, they are also regarded as somewhat regressive and over-utilized in some quarters. Furthermore, they are the subject of a carefully crafted multi-year policy of rebalancing. In this regard, they may have limited capacity for marginal increases beyond those already contemplated.

J. Next Steps

Following Executive Committee's consideration and directions to City staff, several actions will be required towards implementation of potential tax measures, such as:

- Consultations with selected, representative stakeholders about tax measures, as directed by Executive Committee;
- Reporting to Council with recommendations for phased-in implementation of tax measures as appropriate; estimation of net revenues and economic impacts
- Discussions with the retail business and representative organizations about the City designating them as vendors to collect taxes for the City;
- Development of implementation options and strategies;
- Discussions/negotiations/agreements re. collection options and collection systems implementation, collection costs and payments to City;
- Developing phased-in multi-year implementation plan;
- Identification of administration costs and staffing requirements;
- Monitoring trends and developments within each of the tax revenue options and adherence to policy objectives; and
- Periodic reporting to the Executive Committee and Council about the status of the new tax measure initiatives.

Conclusions

The intent of this discussion paper is to help the members of the Executive Committee understand the significance of the potential tax measures, so as to facilitate discussions among the members that could result in specific directions to City staff for further action.

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Appendix A

Principles and Key Considerations for Development of New Revenue Options

These criteria were developed jointly by City staff and provincial ministry staff during their preliminary discussions on development of Bill 53 (the *City of Toronto Act, 2006*).

<u>Principles</u>:

Adequate
- Capacity to generate sufficient revenues at reasonable tax rates to meet expenditure needs and changing fiscal circumstances;

Reliable and Responsive to Growth
- The revenue source should grow sufficiently to cover the rising costs of services without risk of interruption;

Transparent and Visible
- There should be a clear link between the tax and the services received by beneficiaries;

Low Administration and Compliance Cost
- The revenue source should be easy and not too costly to administer and collect;

Efficient
- The revenue source should not unduly distort the allocation of resources;

Equitable
- The approach should be fair, either by matching beneficiaries with those bearing the burden or by levying taxes based on ability to pay;

Strategic
- Programs should meet key priorities to advance common governments' objectives.

<u>Key Considerations</u>:

Legislative Requirements
- Does the new revenue tool require new legislation or changes to existing legislation?

Public Policy Objectives

- Does the tool promote the City's public policy objectives (e.g. environmental)?

Administrative Simplicity/Responsibility

- Is the tool relatively easy and cost effective to administer? How quickly can this tool be implemented and who is responsible for administration?

Growth, Stability and Predictability

- Is there potential growth in the revenue yield? Is the revenue yield stable and predictable over time? What is the estimated annual growth rate?

Federal and Provincial fiscal impact

- Does the new revenue tool have any adverse impact on the federal and provincial governments' fiscal plan?

Collection Risk

- Is there any risk in the collection of the new revenues (i.e. potential for non-payment)?

Ability to Export Tax to Non-resident

- Would the new revenue tool export much of the tax burden to non-residents? If yes, does the tool have non-revenue objectives, such as reducing congestion?

Mobility of Tax Base

- Is the tax base relatively immobile so the City can vary the rates without losing a significant portion of the tax base?

Timeline Considerations

- What timelines are required in order to implement the new revenue tool?

Other Jurisdictions

- Is there any experience on the implementation of this revenue tool in other jurisdictions?

Competitiveness

- Does the new revenue tool maintain the competitiveness of the tax environment while ensuring the collection of resources to meet required service levels? Does the tool provide an understandable/predictable tax regime that is attractive to potential investors?

Appendix B

Estimation of New Revenues from Potential Taxation Measures Under the *City of Toronto Act, 2006*

Based on research findings of a consultant retained by the City

Potential Taxation Measures	Descriptions/ Assumptions	Estimated Revenues in 2008 (annualized; full implementation)
Alcoholic Beverage Tax (Store sales and Licensee sales combined)	Store sales: LCBO, Beer Store, Agency stores, wine stores, breweries and wineries (65%); Licensee sales (35%). Alcohol sales increase @6% per year (StatsCan). Restaurants, bars adversely affected; consumers will bear a majority of the tax; health benefits and potential crime reduction; cross-border shopping (impact incorporated). Province (Ontario) charges 12% for stores and 10% for licensee sales. Federal govt. charges excise tax at wholesale level and a 6% GST at retail level. New York, Chicago and Philadelphia levy alcohol taxes. Assumptions : administration cost @ 1.5%(stores), 3%(licensee) of sales; : tax avoidance elasticity of -1.5 (stores), -2.0 (licensee); : price elasticity of demand of -0.5 (stores, licensee); : tax rate of 1% to 10% (% of pre GST/PST price).	Tax @1%: $15M Tax @2%: $29M Tax @5%: $68M Tax @8%:$101M Tax @10%: $121M
Tobacco Tax (Cigarettes)	Cigarette sales represent about 95% of the tobacco market. Revenues noted are for tax on cigarettes. Cigarettes sold legally between 2002 and 2005 declined by 19%, due to reduced smoking and increased illicit sales, thus causing instability of revenues (however, lower consumption is beneficial from public policy perspective). Smaller retailers selling primarily cigarettes and retailers at the borders with other municipalities would be adversely affected. Province (Ontario) Charges 12.35 cents per cigarette at the wholesale level. Federal govt. charges 8.05 cents excise tax per cigarette at wholesale level and 6% GST at retail level.	Tax @ 1%: $6M Tax @ 2%: $11M Tax @ 5%: $25M Tax @ 8%: $37M Tax @10%:$43M

	Assumptions : administration cost @ 3% of sales; : tax avoidance elasticity of -3.0; : price elasticity of demand of -0.4; : tax rate of 1% to 10% (% of pre GST/PST price).	
Entertainment/ Amusement Tax (Movies, Live Sporting Events, Live Performing Arts combined)	Movie admissions, live sports events and live performing arts are considered. Entertainment taxes generally grow with the economy (e.g. average annual growth: movies: 2001-2005 @7.6%; sporting events: 1998-2003 @9.2%; live performing arts: 1998-2003 @ 7.6%). Consumers will bear the majority of the entertainment tax in most cases. Province (Ontario) charges 10% (on admission price over $4) with certain exemptions (e.g. trade shows, fund raising) and Federal govt. charges 6% GST to most admissions. In Canada, Winnipeg charges 10% on an admission price of $5 or more for movies and entertainment facilities with 5,000 seats or more (City administers through remission forms). Assumptions : administration cost @ 3% of sales; : tax avoidance elasticity of -0.5 (movies), -0.3 (sports) and -0.4 (live performing art); : price elasticity of demand of -0.4 (all three categories); : tax rate of 1% to 10% (% of pre GST/PST price)	Tax @ 1%: $3M Tax @ 2%: $6M Tax @ 5%: $15M Tax @ 8%: $23M Tax @ 10%:$29M
Real Property Transfer Tax (Land Transfer Tax)	Land and buildings (residential including multi-residential; non-residential) sales considered. In Ontario, the tax is paid by the buyer at the time of registration. Stability of revenue depends on real estate market conditions which tend to fluctuate. Assuming a portion of a land transfer tax is passed back, real estate agents and brokerage firms would be adversely affected since commissions are generally based on sale price. Toronto must consider its policy objective to be achieved by this tax, otherwise it risks an adverse public perception (tax for revenue generation). Province (Ontario) has tiered tax rates (0.5% for price up to $55,000; 1% for price between $55K-$250K; 1.5% for price between $250K-$400K; 2% for price over $400K). Federal govt. charges 6% GST on newly constructed homes with certain rebates. Halifax charges 1.5% of property value. Quebec municipalities have tiered tax rates varying from 0.5% to 1.5%.	Tax @0.10% $21M Tax @0.25% $51M Tax @0.5% $103M Tax @1.0% $205M Tax @1.5% $306M

	Assumptions : administration cost @ 1.5% of revenue : tax avoidance elasticity of 0.0 (no consumer/vendor avoidance re. property) : price elasticity of demand of -0.6 : Tax rate of 0.10% to 1.5% (% of sale price)	
Motor Vehicle Registration Tax	Motor Vehicle Registration Tax (passenger and commercial vehicles) considered. "Piggybacking" onto provincial system (and mirroring their fee structure) would limit direct administrative impacts for the City. Province may be unwilling to administer a vehicle registration tax for the City if the City wishes to administer a different tax structure (e.g. lower tax for hybrid vehicles). Province (Ontario) charges for both passenger and commercial vehicles an annual fee of $74 per vehicle ($42 for motorcycles). The impact of the tax would entirely be felt by the residents or organizations located in Toronto (over 90% of the vehicles are passenger vehicles). The tax would generate stable revenues. Assumptions : administration cost @ 0.5% to 2.5% of revenue : tax avoidance elasticity of 0.0 (near zero) : price elasticity of demand of 0.0 (near zero) : Tax rate of $10 to $80 per passenger/commercial vehicle	Tax @ $10:$ 11M Tax @ $20:$ 22M Tax @ $40:$ 43M Tax @ $60:$ 62M Tax @ $80:$ 81M
Road Pricing (includes Road Tolls/Tax, Cordon/ Congestion charges)	<u>Road Toll/Tax</u> Road Toll/Tax for Don Valley Parkway and Gardiner Expressway analysed. A rate of $0.10 per km for peak weekday hours and $0.05 per km for non-peak hours (similar to Hwy 407) are used in calculations. Analysis assumes 255 peak rate charge days per year and a peak total vehicle KM per year of 576,089,953 on DVP and Gardiner combined. With regard to toll roads, consumer demand is normally inelastic relative to price. Highway 407 experience suggests that initially traffic volume drops but progressively increases thereafter. Taking on an alternative route is one form of avoidance of road tax. <u>Cordon/Congestion Tax</u> For cordon/congestion tax, analysis assumed 255 charge days per year and an average of 102,000 AM rush hour vehicles coming daily into the central area of the former City of Toronto. Gross revenues only, before start-up costs and administration costs (several options exist).	$75M $75M

	<u>Start-up Costs </u>(capital & administrative) - 87 ramps on DVP and Gardiner; a Hwy. 407 style transponder-based tolling station costs $450K each ($37M total). - Administration cost would likely be 20%-50% of revenues - Estimated net revenues of about $50-100 million (likely $75 million) with road tolls or $60-150 million (likely $75 million) with cordon/congestion tax.	
Parking Tax	City could apply a parking tax (charge to the owner, not users, annually) on a per square metre or per parking space basis. The tax could be differentiated by area or zone. Analysis assumes that a tax would apply to the central district of downtown Toronto. The border of this district is Bathurst Street, the CP Rail sub-division near Dupont, Bayview Avenue/Don River and Lake Ontario on south, excluding residential spaces. Analysis excluded parking spaces belonging to governments, hospitals and educational institutions. Assumptions : annual tax rates $25 (charged by City of Vancouver) to $250 (set by 1990 Commercial Concentration Tax Act, applied to spaces in large commercial properties in the GTA) per parking space; : administration cost @ 3% of revenues.	Tax @ $25: $2M Tax @ $50: $4M Tax @ $100: $7M Tax @$175:$13M Tax @$250:$18M
Billboard Tax	The City does not have the authority to levy tax on the sales price of advertising space, instead it would have to be a direct tax to the owner of the billboard (a flat rate, based on type of billboard and/or location). The analysis incorporated several types of billboards (posters, backlit posters, bulletins & spectaculars, mural advertising, outdoor television). The analysis assumed that 20% of all out-of-home media in Canada was located in Toronto. The study assumed that elasticity and avoidance considerations are not expected to have a large effect on billboard tax revenues (a 3% reduction for combined elasticity and avoidance was incorporated). A further 3% (of revenues) reduction for administration was also incorporated.	$2.6M

Appendix C

Least Difficult Options: Motor Vehicle Registration tax; Land Transfer tax; Alcohol tax on store (e.g. LCBO) sales.

Moderately Difficult Options: Alcohol tax on licensees (e.g. Bar, Restaurants); Cigarette tax, Amusement taxes on movies and live sporting; Parking tax (lower amount: $25 per space/year); and Billboard tax.

Most Difficult Options: Amusement tax on live performances; Parking (higher amount: $250 per space/year); Road Pricing (road tolls/tax and congestion tax)

Revenue Tools	Policy Fit	Revenue Potential (incl. Revenue stability & Ability to Export)	Administrative Complexity (incl. Implemention time)	Effect on Business Community (Incl. Vendors Affected)	Average Annual Burden per Affected Household	Visibility of Tax & Frequency of Payment
Vehicle Registration	Consistent with City's pro-transit and air quality objectives; related to road costs.	$43M for $40 tax/vehicle/year; Exportability: None; Stable revenues, requires Council-directed rate increases.	Low; requires Provincial cooperation; 1.5 years from Council decision.	Minor effect (except fleets & company vehicles); Vendors: Province and Licensing Agents are affected.	$58 for $40 tax/vehicle	High visibility; annual or bi-annual payments
Land Transfer	Neutral policy impact; no hardship argument; no related City costs.	$103M for 0.5% of sale price; Exportability: None; Revenues fluctuate with real estate price	Low; 3 collection locations, one entity, simple compliance; 1.5 years from Council decision	Modest adverse impact on real estate sector; increased attention to closing transaction costs. Vendors: Land Registry Offices are affected.	$1,750 per home @0.5% tax on sale price	High visibility; 3-5% of households to pay each year
Alcohol - Stores (e.g. LCBO)	Consistent with health objectives;	$44M	Low (stores)	Minor effect; Vendors: City	Store sales:$70 (70% of	Stores: High visibility, weekly

- licensee (e.g. Bar, Restaurants)	related to police and ambulance costs.	$24M @5% of pre GST/RST price; Exportability: Low; Modest revenue growth, adjusts with inflation/market trends	High (licensee) 2 years (stores) 3 years (licensee)	LCBO, Beer Stores, Wine Stores, etc.	households affected); Licensee: $70 (44% of households affected)	to monthly payments. Licensee: Low to medium visibility; frequent payments
Tobacco	Consistent with health objectives; related to health costs; may promote illegal activity.	$25M @5% of pre-GST price; Exportability: Low; Consumption declining, revenue increases with price, avoidance would increase	High 3 years from Council decision	Inversely related to business size (smaller businesses are affected more); Vendors: convenience stores, food stores, bars, gas stations, etc.	$137 (22% of households are affected)	Medium to high visibility; frequent payments
Amusement - Movies/ Sporting events - Live performanc e	Potentially related to transit, policing, facility development and EMS costs.	$4M $5M $6M @5% of pre-GST price; Exportability: Low; Revenue increases with price inflation, market trends.	High (Movies Sporting events), High (Live performance) 2- 3 years from Council decision	Minor effect but focussed on entertainment sector; Vendors: movie theatres, sports teams, venue operators, promoters, etc.	Movies: $6 (65% of households affected); Sporting: $15 (17% of households affected); Live Performance: $12 (40% of households affected)	Low to high visibility; occasional payments.
Parking	Supports air		Low;	Moderate effect	No direct impact	High visibility

- Low rate ($25/space/ year) Higher rate ($250/space /year)	quality and pro-transit objectives; may support sprawl.	$2M $18M; Exportability: High; Requires Council rate adjustments for revenue growth	MPAC cooperation required. 1.5 years from Council decision	(offices, retail centres); tourism may be affected. Vendor: likely MPAC	(parking lot owner pays)	for business, low visibility for households; Annual payments.
Billboard	Consistent with Clean & Beautiful City objectives; counter to commercial intensification efforts (Dundas Square.)	$2.6M @tax rate of $3-$10 per square feet of size per year, depending on type of billboard; Exportability: Low; Stable revenue growth; requires Council rate adjustments	Low; New collection and enforcement for the City. 2 years from Council decision	Moderate effect; Vendor: Billboard advertising/ marketing agents	No direct impact on households	High visibility for advertising companies; low for households; Annual payments
Road Pricing (road tolls+ congestion)	Supports air quality and pro-transit objectives but also sprawl; related to health/road/transit costs; significant capital/operating investments required.	$75M @varied rates (e.g. $0.10/km road toll; $5 per entry into cordon/congestion area); Exportability:High Stable revenues in the long run, requires Council rate adjustments for revenue growth	High; Complex, high investments required. 3 years from Council decision	Moderate effect (downtown businesses and transportation-related business). Vendor: potential operating partner	Weekday toll trip for 1-year: $655; Daily congestion tax for 1-year: $1,100	Very high visibility; Daily to weekly payments.

Appendix D

Summary of Information on Use of Direct Taxation by Other Municipalities (Response to Council References/requests)

(1) A report prepared by the Chief Administrative Officer, City of Toronto, June 2000 (updated in October 2001), titled "Comparison of powers and revenue sources of selected cities", made the following observations:

Income Taxes:

Section 1301 of the New York State Tax Law allows New York cities with populations in excess of one million to impose a local income tax. The personal income tax is imposed on residents only.

Municipalities in Pennsylvania have access to local earned income taxes. Local income taxes generate 20 percent of municipal revenues.

Local governments in Germany receive 15 percent of national income and wage tax revenues.

Municipalities and counties in Sweden are able to levy their own income tax and rely heavily on this tax as a major source of revenue. Local income taxes account for approximately one-half of total local revenues. In addition, municipalities receive one-quarter of their funding from the central government.

Local Retail Sales Taxes:

In British Columbia, legislation provides that the province share retail sales tax revenues with the municipalities.

New York City and the municipalities in California have access to portions of their respective state sales taxes.

Canada West Foundation, in its report of September 2002, titled "Big City Revenue Sources: A Canada-U.S. Comparison of Municipal Tax Tools and Revenue Levers", provides the following information on income tax sharing and general sales tax sharing for Canadian and U.S. cities:

The study paired six large western Canadian cities (Vancouver, Edmonton, Calgary, Saskatoon, Regina and Winnipeg) with similar American cities (Seattle, Salt Lake City, Denver, Lincoln/Nebraska, Boise/Idaho, Minneapolis respectively). Of the twelve cities compared in this study, only Winnipeg had income tax sharing as a revenue source. The Province of Manitoba shared with municipalities a portion of the revenue produced by the provincial tax on personal incomes as well as corporate incomes. Income tax revenues represented approximately 4% ($45 million) of Winnipeg's total revenues in year 2000. Allocation of the revenue to the various municipalities is made through a legislated formula based on population (i.e. 'per capita' amounts).

General Sales Taxes are shared in three U.S. cities: Seattle, Lincoln and Boise. The general sales tax revenues represented 0.7% of 2000 total revenues in Seattle.

Deloitte & Touche, in its report (volume 1) of April, 1991, titled "An International Study of Financing Alternatives for Municipalities in the Greater Toronto Area", identified the following international cities with Income Tax and General Sales Tax as a percentage of their total own-source revenues:

	Income Taxes	General Sales Taxes
Stockholm	52%	0%
Paris	0%	0%
Frankfurt	56%	0%
Barcelona	8.9%	0%
Tokyo	67.2%	0%
Los Angeles	8%	10.6%
New York	25.7%	14.6%

Frankfurt derived 56% of its revenue from income tax, divided between corporate tax (45%) and personal tax (11%). Stockholm derived 52% of its own-source revenues from personal income taxes. Tokyo raised a third of its revenue from an enterprise tax, primarily on corporate incomes, with an additional 33.8% through inhabitants or residents tax (corporations: 24% and individuals 9.8%). New York City derived one-quarter of its revenues from income tax (15% personal income tax and 10% corporate). Los Angeles derived 8% of its revenues from corporate income tax.

(2) Opportunities in the *City of Toronto Act, 2006* to raise revenue to address 'Emergency City Safety' issues, as it relates to crime and violence

Potentially, a portion of revenues from alcohol/beverage tax, tobacco tax and entertainment tax could be directed to address crime and violence-related emergency City safety issues.