

**Mayor John Tory, Toronto City Council**  
**Subject: Community Income Tax Credits**

Everyone knows municipal financing is experiencing serious problems.  
This is a proposal which could help - **Community Income Tax Credits**.

**The Community Commonwealth Association is presenting a new model for government financing, which proposes transferring income tax points from the federal government to municipal governments.**

**If I write a check to the city for half of my federal income tax bill, can the city give me a tax credit, which I can deduct from my federal tax bill?** This is how Community Tax Credits can work, to provide more cash flow for communities.

*Historical Background:* Canadian Income Taxes were first levied in 1917, to finance the First World War. Because it was implemented as a temporary war measure, the federal government claimed it had a monopoly on this new revenue. When the war ended, the temporary income taxes remained, and so did the assumed federal monopoly on income taxes. But this assumed tax monopoly is questionable.

The federal income tax monopoly made the federal government incredibly wealthy, until provincial governments demanded 30% of income tax revenues in the 1930s.

The provinces won the battle for a share of income tax revenues in the dirty 30's *by legally challenging the assumed federal monopoly on income taxes.*

By successfully challenging the assumed federal monopoly on income taxes, the provinces created a legal precedent. This legal precedent means other levels of government also gained the right to share federal income tax revenues.

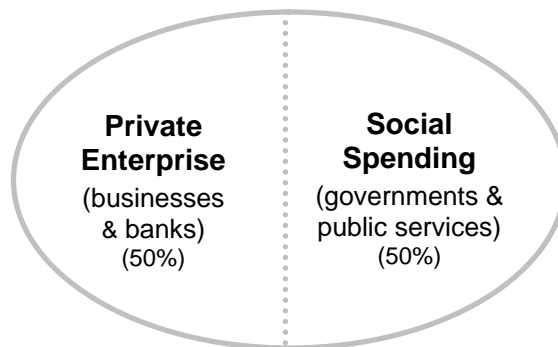
The time has come for municipalities to receive a fair share of income tax revenues. Admittedly, this proposal is a long term strategy, at best, but it is a possible solution for a fully financed future for communities.

If you would like more information on this subject, or possibly a public presentation, this can be arranged at your convenience. Thank you for your interest in this proposal.

Max Moore, Community Commonwealth Association  
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**COMMUNITY COMMONWEALTH ASSOCIATION  
PROPOSAL FOR GOVERNMENT FINANCING**

**1. A Balanced Economy illustrates the benefits of increasing taxes.**



One key to prosperity is a Balanced Economy, with equal amounts of public and private spending. Canada has one of the most balanced economies in the world.

The Canadian economy is currently approximately 45% public spending and 55% private spending. It's easy to see that, in order to achieve an improved economy, there's room for increased public spending.

At this time, Canada has a more balanced economy than the United States, Europe, Russia or China. This explains why Canada has a more stable economy than all of these superpowers.

Still, Canada would have to increase public spending from 45% to 50% of the GDP in order to achieve a fully balanced economy.

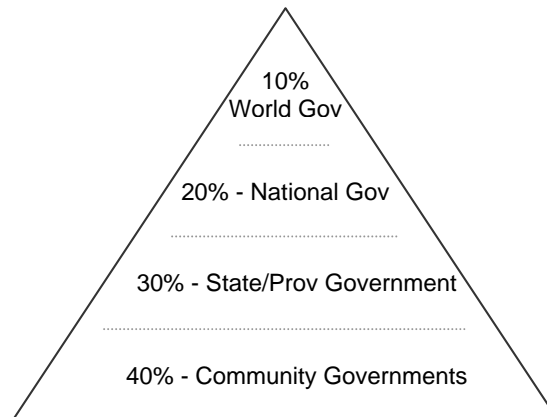
This public spending gap provides a rationale, and an opportunity, for municipal government budgets to be increased.

If public spending is increased in order to achieve a balanced economy, it would be a wiser investment to place new public money in municipal hands rather than allocate it to provincial/state or federal governments.

Municipalities provide an estimated 40% of our public services. Cities and towns need sufficient funding to carry out their responsibilities. The Balanced Economy Model illustrates how municipalities are justified in increasing community budgets.

## 2. Proposed Model for Government Financing

### Proposed Tax Sharing Formula



Allocating Revenues with Responsibilities

Research shows that communities presently provide 40% of all public services. It is therefore proposed that 40% of all tax revenues should be allocated to community budgets. This could apply in every country around the world.

Cities have risen to the challenges of managing modern urban life, but national, state and provincial governments have not recognized the major role of cities. Nor do senior levels of government share enough revenues for communities to do the job properly.

Local government may have more responsibilities than state or federal governments, but the present constitutional framework for cities makes them unworkable. In most cities, there's not enough money to manage all the responsibilities. This is because national governments have claimed a monopoly on income tax revenues.

Communities have been told they can not levy income taxes. If we study the history of taxation, we find that communities never agreed to their exclusion from the right to levy income taxes. Communities were never asked for their opinion on how to use income taxes. Income taxes were a temporary war measure which were to be cancelled after the first world war. We now know income taxes are here to stay.

Communities would benefit by working together to demand the right to share income tax revenues. The goal is to achieve a more balanced system of government financing. Tax revenues can be collected for allocation to all cities, towns, villages and rural communities on the basis of population and environmental responsibilities.

Solutions to urban problems can be found in a new financing formula for communities. In order to manage cities effectively in an urban age, communities must have access to a fair share of the income tax base. Communities need income tax points in order to have adequate financing for all their responsibilities.

***[www.communitycommonwealth.info](http://www.communitycommonwealth.info)***