

**Community
Commonwealth**
Station A, Box 144
Toronto M5W1A2

Mayor John Tory, Toronto City Council

Subject: Community Income Tax Credits

Everyone knows municipal financing is experiencing serious problems.
This is a proposal which might 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.

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

Historical Background: In Canada, 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 income tax revenue.
When the war ended, the temporary income taxes remained. So did the assumed
monopoly on income taxes. The assumed federal tax monopoly was a cash grab.

The federal tax monopoly, after the war years, made the federal government wealthy.
But provincial governments won the battle for a share of income tax revenues in the
1930's *by legally challenging the assumed federal monopoly on income taxes.*

The provinces created a legal precedent for income tax sharing with communities.
This legal precedent means other levels of government also have 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 could be a long-term
solution for a fully financed future for communities.

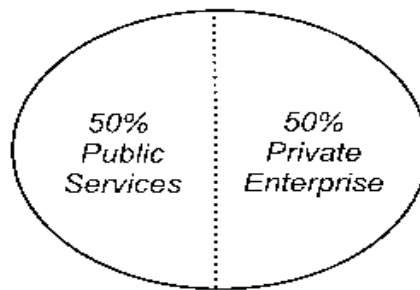
If you would like more information on the subject of community income taxes, or
a presentation, this can be arranged. Thank you for your interest in this proposal.

Max Moore, Community Commonwealth Association
www.communitycommonwealth.info

**COMMUNITY COMMONWEALTH ASSOCIATION
PROPOSAL FOR INCREASING MUNICIPAL TAXES**

A Balanced Economy is a healthy economy. A Balanced Economy is 50% Private Spending, and 50% Public Spending.

A Balanced Economy



Public Services Balance The Economy

Canada has one of the most balanced economies in the world. Currently, the economy is approximately 45% public spending and 55% private 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 its unbalanced superpower neighbors.

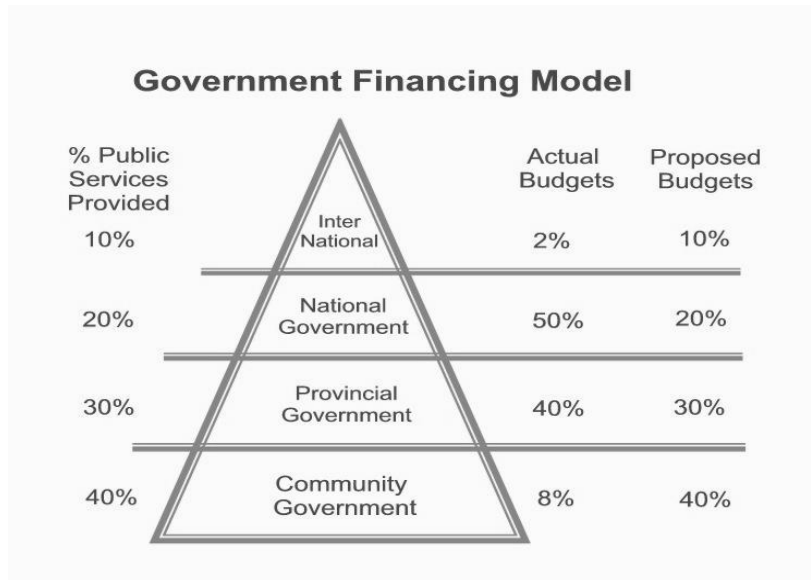
Still, Canada would have to increase public spending from 45% to 50% of the GDP in order to achieve a fully balanced economy.

In order to achieve a more balanced economy, there is room for increased public spending. As more public spending balances the economy better, this means, raising taxes could increase prosperity.

The current public spending gap provides a rationale, and an opportunity, for municipal budgets to be increased. All new tax increases should go to municipalities.

In essence, federal governments are over-funded, and municipal governments are under-funded. Rather than allocating new taxes to provincial or federal governments, if public spending is increased, in order to achieve a balanced economy, it would be a wise investment to allocate all new tax revenues for municipal public services.

Commonwealth Model for Government Financing



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 financing 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 that income taxes are here to stay.

Communities would benefit by working together to demand a fair share of 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. To create a better future, the world needs **Community Income Tax Credits**.

www.communitycommonwealth.info