

ITEM	4
MANAGER'S REPORT NO.	5
COUNCIL MEETING	88/01/18

RE: FEDERAL TAX REFORM EFFECT ON LOCAL GOVERNMENT  
(ITEM 11, REPORT NO. 57, 1987 SEPTEMBER 21)

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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TO: MUNICIPAL MANAGER

1988 January 12

FROM: DIRECTOR FINANCE

File: C3

RE: FEDERAL TAX REFORM EFFECT ON LOCAL GOVERNMENT  
(ITEM 11, REPORT NO. 57, 1987 SEPTEMBER 21)

RECOMMENDATION

1. THAT this report be received for information purposes.

REPORT

The attached communique from the Federation of Canadian Municipalities (FCM) states that the Federal Finance Minister has backed away from his White Paper proposals to levy new taxes on municipal operations. We indicated on 1987 September 21 that we would report any significant developments on these proposals to Council.

In the Minister's White Paper of 1987 June, it was proposed to effectively transfer a large burden of taxation to local government and to property tax. The FCM, with the support of the U.B.C.M. and municipalities, strongly opposed these proposed measures and recently met with the Finance Minister. The presentations made to the Minister were successful, as the results on the attached communique indicate.

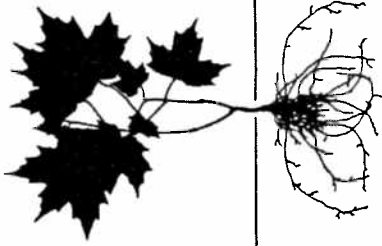
The foregoing is for the information of Council.



Howard Karias  
DIRECTOR FINANCE

PWT:gw  
Attach.

cc: Directors

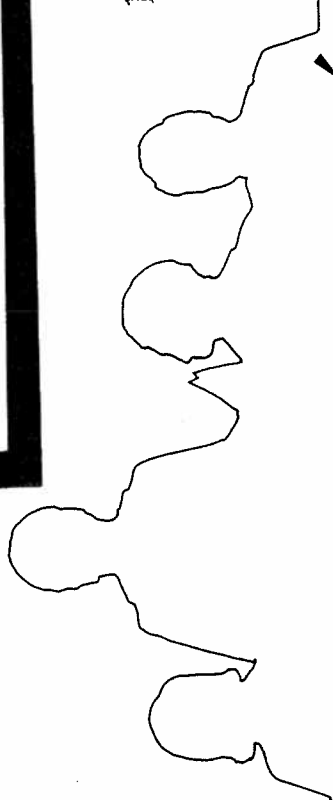


**FCM**

Federation of  
Canadian  
Municipalities

Fédération  
canadienne des  
municipalités

# COMMUNIQUE



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FOR IMMEDIATE RELEASE  
December 15, 1987

## BIG WIN ON TAX REFORM

Ten days after meeting FCM representatives, Finance Minister Michael Wilson has backed away from his White Paper proposals to levy huge new taxes on municipal operations.

Officials in the Department of Finance and in the Minister's office confirmed the Minister's agreement "on the general principle that municipalities ... should not bear a greater tax burden under the national sales tax than they would under the existing sales tax regime. In other words, there would generally be the same degree of tax relief ... as under existing taxes".

The news was conveyed to the FCM Standing Committee on Municipal Finance by telephone during a national news conference in Winnipeg on the same issue. The Standing Committee was meeting in conjunction with the FCM's National Board of Directors.

"The municipal world could not have had a better Christmas present," said FCM President Jean Corbeil. "The White Paper proposals would have placed an immense financial burden on municipalities. In terms of dollars, this was by far the biggest issue the FCM has ever faced. We are delighted with Mr. Wilson's open-minded hearing of our arguments and his rapid handling of our concerns."

In their meeting with the Minister of Finance, FCM representatives argued that the worthwhile goal of achieving a fairer tax system would not be met by transferring new costs to the regressive property tax. Had the White Paper proposals been fully implemented, property taxes could have risen as much as 20%.

Standing Committee Chairman Bill Woods cautioned that although the main principle had been won, much work remains. "In order to ensure that municipalities will not pay more tax, we have to be certain of what we are now paying. This will not be an easy calculation. Further, we must work with Department of Finance officials to devise a simple tax system which will succeed in raising the amount already collected from municipalities, but not more."

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"It will take the FCM many months and the cooperation of its members to work through the details. But at least now we are working at the level of technical application, having won the broad principle," concluded Woods.

"The municipal world performed beautifully on this issue," concluded President Corbeil. "We got our facts straight. We organized a national lobby. Municipalities and provincial/territorial municipal associations played a central role. We gained the support of the provinces. We met with the Finance Minister. And we won the first round.

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