

TO: CITY MANAGER 1996 MAY 23
File: T5-6

FROM: DIRECTOR FINANCE

SUBJECT: B.C. LIBERAL PARTY'S ECONOMIC PLAN

PURPOSE: To provide Council with information on the B.C. Liberal Party's Economic Plan and its impact on Burnaby.

RECOMMENDATION:

1. **THAT** Council receive this report for information

REPORT

Council, on 1996 May 15, requested an analysis of the impact, on Burnaby taxpayers, of the changes to property taxation proposed by the B.C. Liberal Party's Economic Plan. This report provides the requested information.

1. THE B.C. LIBERAL PARTY'S ECONOMIC PLAN

The plan proposes to revise the way the Province collects and distributes funds for certain ongoing programs. The Plan would:

- a) eliminate Provincial School Property taxation;
- b) eliminate the Provincial Home Owner's Grant (P.H.O.G.);
- c) transfer responsibility for the B.C. Transit subsidy to municipalities;
- d) eliminate the Conditional and Unconditional Grants to municipalities; and
- e) eliminate Regional Development and Municipal Highways Planning Grants.

2. GENERAL

a) **Provincial School Property Taxation**

The Plan proposes to eliminate the Provincial school property tax as a funding source for education. The elimination would take place in three phases from 1997 to 2002 as follows:

- 40% would be removed in the 1996/97 fiscal year;
- 30% would be removed in 1999/2000
- 30% remaining would be removed in 2001/2002

The Liberal Party indicates that the proposed elimination of school tax from the total property tax bill would leave "tax room" which would enable the Home Owner Grant to be eliminated and would facilitate the transfer of other funding responsibilities to local government general purposes property taxes.

Currently \$1,664 million is raised Provincially through School Property taxation.

b. The Provincial Home Owner Grant

In addition to removing the school property tax, the Plan proposes to eliminate the Provincial Home Owner Grant (P.H.O.G.). Currently eligible homeowner's receive a \$470 basic grant and qualifying seniors receive a higher amount totalling \$745. The grants are not paid on higher valued homes based on an annually adjusted formula.

On lower valued homes the amount of the P.H.O.G. often exceeds the level of school taxes. The excess grant can be used to offset municipal or other property taxes.

The Plan suggests that the P.H.O.G. would be eliminated in two phases -- 50% in 1999 and the remaining 50% in 2002 to coincide with the phased elimination of the school property tax.

The Plan states that: *"property owners whose Home Owner Grant is applied against a portion of their municipal property taxes will continue to receive a grant to the extent they are out of pocket"*.

The details or basis of the calculation for the continued grant are not provided in the Plan document and have therefore not been able to be included in the analysis.

Currently \$454 million is paid out each year by the Province through the Home Owner Grant program.

c. The B.C. Transit subsidy

Under the Plan, the current Provincial government subsidy to B.C. Transit of \$275 million would become the responsibility of the municipalities through increased property taxes. The method of allocation of the subsidy has not been stated but based on Burnaby's share of the total assessed value of property in the Province it is likely Burnaby would be responsible for 6.9% of the subsidy (\$18,975,000).

d. Regional Development Grants and grants for Municipal Highways planning

The Plan proposes to eliminate Provincial grants for Regional Development and Municipal Highways planning. Province wide the total granted for these purposes is \$44 million. These funds would have to be replaced by municipalities through property taxes.

SUMMARY

		Reduction in Property taxes <u>(\$ millions)</u>
School property taxation - Residential		712
- Non residential		<u>952</u>
		1,664
Elimination of Home Owner's Grant		<u>(454)</u>
Net School Property Tax elimination		1,210
Transfer of the responsibility for the B.C. Transit subsidy to municipalities	275	
Elimination of Conditional and Unconditional grants to municipalities	181	
Elimination of grants for Regional Development and Municipal Highways Planning grants	<u>44</u>	<u>(500)</u>
Net reduction in property taxation		<u>\$710</u>

3. IMPACT OF THE PLAN ON BURNABY TAXPAYERS

Staff have examined the impact of the Plan on a range of Burnaby home values. The analysis takes into account the two levels of P.H.O.G. -- basic and seniors. Table 1 shows general purposes, school and other property taxes, and subtracts the applicable Home Owner Grant from the gross to show net taxes in each of the years covered in the Plan. The 1996 property taxes are calculated using current Burnaby tax rates. Taxes for 1997 through 2001/2002 are calculated incorporating the phased reduction of school taxes and P.H.O.G. removal as outlined in the Plan.

Municipal taxes increase by 44.8% in 1997 to cover Burnaby's share of the proposed transfer of funding obligations from the Province to municipalities as previously discussed.

The table shows the impact on \$150,000, \$350,000 and \$650,000 homes in Burnaby. The following observations have been made from the analysis:

- the largest net tax reductions occur with higher valued homes
- no tax reductions are realized for homes below \$282,000 in value that currently receive the basic home owner's grant (\$470)
- no tax reductions are realized for homes below \$447,000 in value that currently receive the senior's grant (\$745)
- homeowner's below the levels stated would be subject to increased taxes that would be partially offset by a continuation of the homeowner grant program, the extent to which is unclear from the plan document.

4. CONCLUSION

The Taxpayers Plan would have a significant impact on Burnaby taxpayers. The Plan would eliminate the school property tax and the P.H.O.G. The Plan also proposes to transfer authority to provide for the B.C. Transit subsidy, conditional and unconditional grants and other grants to municipalities from the Provincial government.

School property taxes in Burnaby, net of the P.H.O.G., which would be removed, total approximately \$68 million. Staff estimate that general purposes taxes would have to increase by approximately \$42 million to cover Burnaby's share of the \$500 million in funding obligations which would be transferred to municipal authority.

The analysis reveals a shift would occur in the distribution of tax burden between different home values in Burnaby. In general, the greatest benefit from the removal of school taxes would go to higher valued homes. This is because higher value homes do not currently receive the P.H.O.G., and because higher value homes pay more in school property tax. Low valued homes, in contrast, get the most benefit from the P.H.O.G. The analysis suggests that the cost of the changes in the plan (i.e. increased general purposes taxes from funding transfer, loss of P.H.O.G.) would be greater than the benefits (elimination of the school property tax) on homes valued at \$280,000 or less who received the basic P.H.O.G. and on homes valued at \$440,000 or less who received the senior's grant.

Assessment data reveal that currently in Burnaby there are 21,350 homes valued at \$280,000 or less which represents 45.5% of the 47,000 single family dwellings in Burnaby (strata and detached homes). There are currently 40,645 homes valued at \$440,000 or less in Burnaby which represents 86.6% of single family dwellings.



Rick Earle
DIRECTOR FINANCE

RAE:vm
Attach.

Table 1

BASIC GRANT		1996/97: school tax cut 40%				1998/99: PHOG cut 50%				1999/2000: school tax cut 30%				2000/01: PHOG cut 50%				2001/02: school tax cut 30%			
\$150,000 home		% inc./.(dec)				% inc./.(dec)				% inc./.(dec)				% inc./.(dec)				% inc./.(dec)			
1996		1997/98 over 1996				1998/99 over 1996				1999/00 over 1996				2000/01 over 1996				2001/02 over 1996			
General Purposes		449.31	650.59	44.80		650.59	44.80			650.59	44.80			650.59	44.80			650.59	44.80		
School		451.44	270.86	(40.00)		270.86	(40.00)			135.43	(70.00)			135.43	(70.00)			0.00	(100.00)		
Other		67.62	67.62	0.00		67.62	0.00			67.62	0.00			67.62	0.00			67.62	0.00		
Gross Taxes		968.37	989.07	2.14		989.07	2.14			853.64	(11.85)			853.64	(11.85)			718.21	(25.83)		
PHOG		470.00	470.00	0.00		235.00	(50.00)			235.00	(50.00)			0.00	(100.00)			0.00	(100.00)		
Net Taxes		498.37	519.07	4.15		754.07	51.31			618.64	24.13			853.64	71.29			718.21	44.11		
\$350,000 home																					
1996																					
General Purposes		1,048.39	1,518.05	44.80		1,518.05	44.80			1,518.05	44.80			1,518.05	44.80			1,518.05	44.80		
School		1,053.36	632.02	(40.00)		632.02	(40.00)			316.01	(70.00)			316.01	(70.00)			0.00	(100.00)		
Other		157.78	157.78	0.00		157.78	0.00			157.78	0.00			157.78	0.00			157.78	0.00		
Gross Taxes		2,259.53	2,307.84	2.14		2,307.84	2.14			1,991.83	(11.85)			1,991.83	(11.85)			1,675.83	(25.83)		
PHOG		470.00	470.00	0.00		235.00	(50.00)			235.00	(50.00)			0.00	(100.00)			0.00	(100.00)		
Net		1,789.53	1,837.84	2.70		2,072.84	15.83			1,756.83	(1.83)			1,991.83	11.30			1,675.83	(6.35)		
\$650,000 home																					
1996																					
General Purposes		1,947.01	2,819.24	44.80		2,819.24	44.80			2,819.24	44.80			2,819.24	44.80			2,819.24	44.80		
School		1,956.24	1,173.74	(40.00)		1,173.74	(40.00)			586.87	(70.00)			586.87	(70.00)			0.00	(100.00)		
Other		293.02	293.02	0.00		293.02	0.00			293.02	0.00			293.02	0.00			293.02	0.00		
Gross Taxes		4,196.27	4,286.00	2.14		4,286.00	2.14			3,699.13	(11.85)			3,699.13	(11.85)			3,112.26	(25.83)		
PHOG		0.00	0.00			0.00				0.00				0.00				0.00			
Net		4,196.27	4,286.00	2.14		4,286.00	2.14			3,699.13	(11.85)			3,699.13	(11.85)			3,112.26	(25.83)		

BASIC AND ADDED GRANT

\$150,000 home

	1996	1996/97: school tax cut 40%		1998/99: PHOG cut 50%		1999/2000: school tax cut 30%		2000/01: PHOG cut 50%		2001/02: school tax cut 30%	
		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996	
General Purposes	449.31	650.59	44.80	650.59	44.80	650.59	44.80	650.59	44.80	650.59	44.80
School	451.44	270.86	(40.00)	270.86	(40.00)	135.43	(70.00)	135.43	(70.00)	0.00	(100.00)
Other	67.62	67.62	0.00	67.62	0.00	67.62	0.00	67.62	0.00	67.62	0.00
Gross Taxes	968.37	989.07	2.14	989.07	2.14	853.64	(11.85)	853.64	(11.85)	718.21	(25.83)
PHOG	745.00	745.00	0.00	372.50	(50.00)	372.50	(50.00)	0.00	(100.00)	0.00	(100.00)
Net	223.37	244.07	9.27	616.57	176.03	481.14	115.40	853.64	282.16	718.21	221.53

\$350,000 home

	1996	1996/97: school tax cut 40%		1998/99: PHOG cut 50%		1999/2000: school tax cut 30%		2000/01: PHOG cut 50%		2001/02: school tax cut 30%	
		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996	
General Purposes	1,048.39	1,518.05	44.80	1,518.05	44.80	1,518.05	44.80	1,518.05	44.80	1,518.05	44.80
School	1,053.36	632.02	(40.00)	632.02	(40.00)	316.01	(70.00)	316.01	(70.00)	0.00	(100.00)
Other	157.78	157.78	0.00	157.78	0.00	157.78	0.00	157.78	0.00	157.78	0.00
Gross Taxes	2,259.53	2,307.84	2.14	2,307.84	2.14	1,991.83	(11.85)	1,991.83	(11.85)	1,675.83	(25.83)
PHOG	745.00	745.00	0.00	372.50	(50.00)	372.50	(50.00)	0.00	(100.00)	0.00	(100.00)
Net	1,514.53	1,562.84	3.19	1,935.34	27.78	1,619.33	6.92	1,991.83	31.51	1,675.83	10.65

\$650,000 home

	1996	1996/97: school tax cut 40%		1998/99: PHOG cut 50%		1999/2000: school tax cut 30%		2000/01: PHOG cut 50%		2001/02: school tax cut 30%	
		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996		% inc./(dec) over 1996	
General Purposes	1,947.01	2,819.24	44.80	2,819.24	44.80	2,819.24	44.80	2,819.24	44.80	2,819.24	44.80
School	1,956.24	1,173.74	(40.00)	1,173.74	(40.00)	586.87	(70.00)	586.87	(70.00)	0.00	(100.00)
Other	293.02	293.02	0.00	293.02	0.00	293.02	0.00	293.02	0.00	293.02	0.00
Gross Taxes	4,196.27	4,286.00	2.14	4,286.00	2.14	3,699.13	(11.85)	3,699.13	(11.85)	3,112.26	(25.83)
PHOG	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	4,196.27	4,286.00	2.14	4,286.00	2.14	3,699.13	(11.85)	3,699.13	(11.85)	3,112.26	(25.83)

Table 1 cont.