

## AGM TAX REPORT 2019

This could be the shortest report I've ever delivered. I could simply say: refer to last year's report because nothing has changed. But let me start with this. A motto attributed to the U.S. Internal Revenue Service (and undoubtedly equally applicable to our taxing authorities: We've got what it takes, to take what you've got. In the same vein, this quote by Chris Rock: "You don't *pay* taxes—they *take* taxes."

### Wikipedia

Bureaucratic inertia is the inevitable tendency of bureaucratic organizations to perpetuate the established procedures and modes, even if they are counterproductive and/or diametrically opposed to established organizational goals.<sup>[1]</sup> This unchecked growth may continue independently of the organization's success or failure.<sup>[2]</sup> Through bureaucratic inertia, organizations tend to take on a life of their own beyond their formal objectives.

### Example

The United States Department of Agriculture has offices in almost all U.S. counties, even though only 14% of counties have valid farms or existing agricultural relevancy.<sup>[3]</sup> So the next time you hear a politician say there's no fat in the system, don't believe it. Every bureaucracy has tons of fat; that's why it's a bureaucracy.

Last year I reported that City council had instructed its Revenue Dept. to bring forward a number of property tax options for 2019 and ensuing years. There followed countless meetings in many of which we participated with our own recommendation for limiting assessment increases. Countless hours were invested by dozens of people, if not hundreds, considering, preparing and presenting various suggestions to City staff, to say nothing of numerous City staff engaged in arranging, organizing, and conducting such meetings. So, you may ask, "What has come forward?" The answer, so far, is "more of the same". The recommendation from staff, which Council adopted, was to repeat what had been approved in 2018, including a cap on tax increases of 10%, a cap which will certainly not enable small or even medium size businesses to sustain themselves in the long term or even perhaps in the short term.

In fairness, I have to say that the revenue dept. did provide a report to the mayor's executive committee as to the result of all of those consultations and meetings with various options, and indicated that it was in discussions with provincial officials about possible legislative and regulatory amendments which might have to be enacted for certain changes. But so far, no action, just inertia. Has City council stood up and asked the Province to terminate its discriminatory property tax rates which penalize Toronto in relation to other Ontario municipalities? Absolutely not. Does anybody feel any sense of urgency that current policies are undermining the city as a city of neighbourhoods with interesting shops lining interesting streets and attracting tourists? Apparently only the businesses directly affected. Certainly not any one at City Hall as appears from a lack of action both on the tax front and on the harm from long-term construction. Talk, yes, lots of it. Inertia, yes. Action, no.

So, the City brought down its budget, with the usual amount of spin, suggesting disingenuously that a tax increase of 2.55% is in line with inflation". I say disingenuously because it conveniently ignores a number of inconvenient facts, such as:

for most of 2018 the annualized inflation rate was below 2.5% and has been hovering around 1.5 or 1.4% this year. Furthermore, the headline rate increase does not include an additional 0.5% for the City Building Fund, nor does it include an additional 0.53% "to enhance Toronto's business climate". Rather ironic, collecting money to enhance the business climate while inexorably eroding that same climate with high taxes and long term street construction. Also excluded from the headline numbers are the 2% increase for waste management and the 3% increase for water rates, to say nothing of increases for licence and permit fees.

More recently the provincial budget was handed down. More of the same? Sure. The province set its property tax rates for 2019. You know. This is the tax which the government likes to call the Business Education Tax. It continues to penalize Toronto by setting its rate at a higher level than most other municipalities. What does it mean in actual dollars? It means that a commercial property assessed at one million dollars in Toronto will pay \$10,300.00 in tax. In Peel it would be \$9,810.00, in York \$9,318.00, and in Halton \$8,040.00. As the assessments in Toronto are so much higher than in the surrounding municipalities, even at the same rate Toronto property would bear a much greater burden. So Toronto commercial property is twice encumbered, once with the assessment and again with a higher tax rate.

The result? The province is imposing a \$17,942,000 tax increase on Toronto commercial this year. The \$17.942 million increase adds to increases implemented in 2016, 2017 and 2018 which are now built into the annual base. So these rates compound annually.

As a result, the education tax on Toronto commercial is now \$108,980,000/yr. higher than it would be had the province not imposed the tax increases. Hoped-for relief in the 2019 provincial budget did not materialize.

**Milton Friedman**, a high profile economist, had an apt observation: Government can raise taxes because it can persuade a sizable fraction of the populace that somebody else will pay.

Again in the same vein, "The tax code is becoming steadily more progressive, which shouldn't surprise anyone who understands power politics. It's always easier to force sacrifice on an unpopular minority than it is to ask the majority to pony up." Tucker Carlson

One other thing before I relinquish the Microphone. The budget also refers to MPAC under the unlikely heading of: Respecting Ontario Property Taxpayers. It says that the province is developing an action plan to further improve the accuracy, transparency, and stability of property assessments. Got that! Further improve as though it had already been improved. Nothing about changing the assessment methodology which is the root of the problem. The Government will be seeking input on these issues through consultation with ... stakeholders." I can assure you that TABIA will be there, but virtually any time government holds consultations with stakeholders, it has already decided what it is going to do, and consultations are simply for show.

I'll give the last word to Lawrence Summers, past president of Harvard and one-time cabinet secretary: "All taxes discourage something. Why not discourage bad things like pollution rather than good things like working or investment?"—