

A Sales Tax for Alberta- Why and How

A presentation to the Probus Club of Central Edmonton

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OUTLINE

Some history charts

Alberta's Fiscal Dilemma

Pros of a Sales Tax

Cons of a Sales Tax

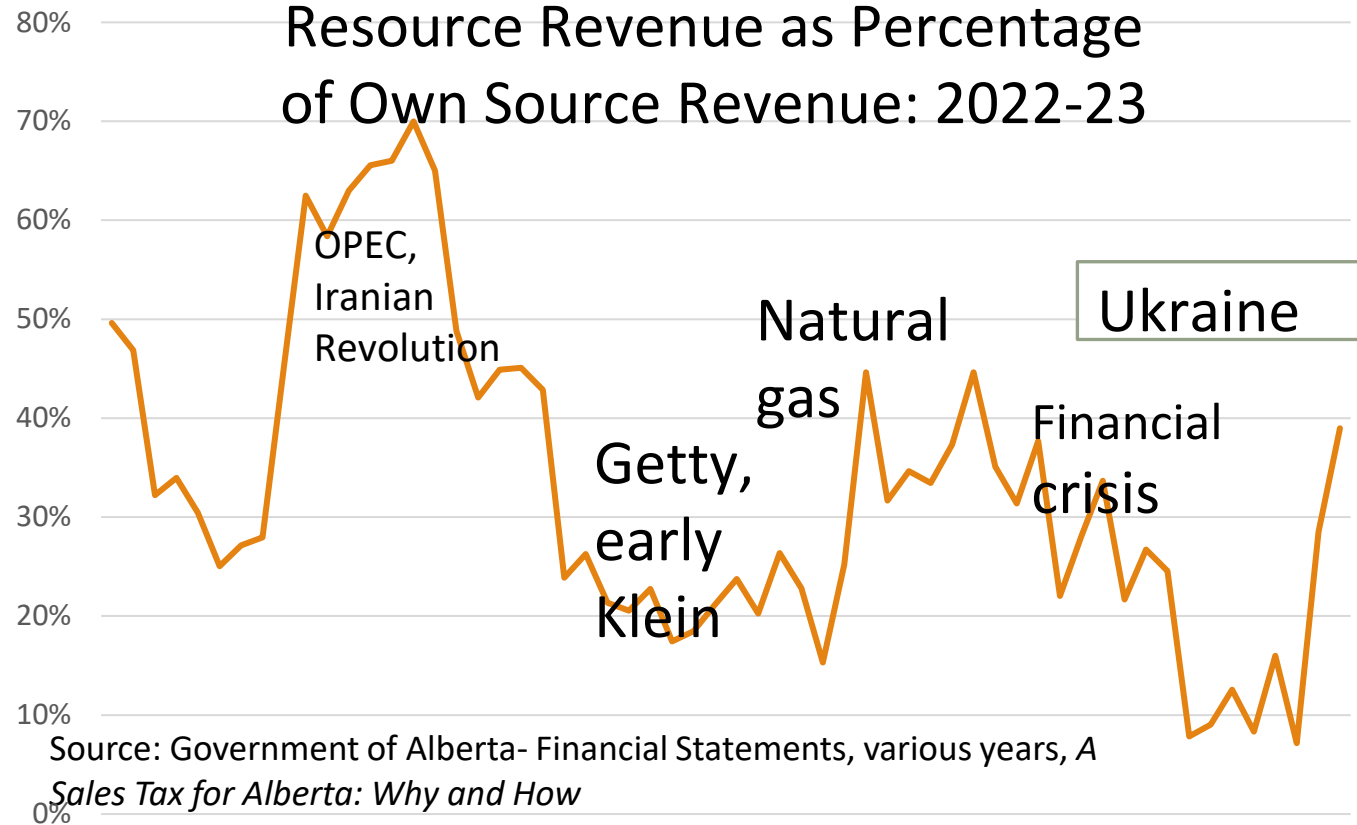
How?

Shameless Plug for book

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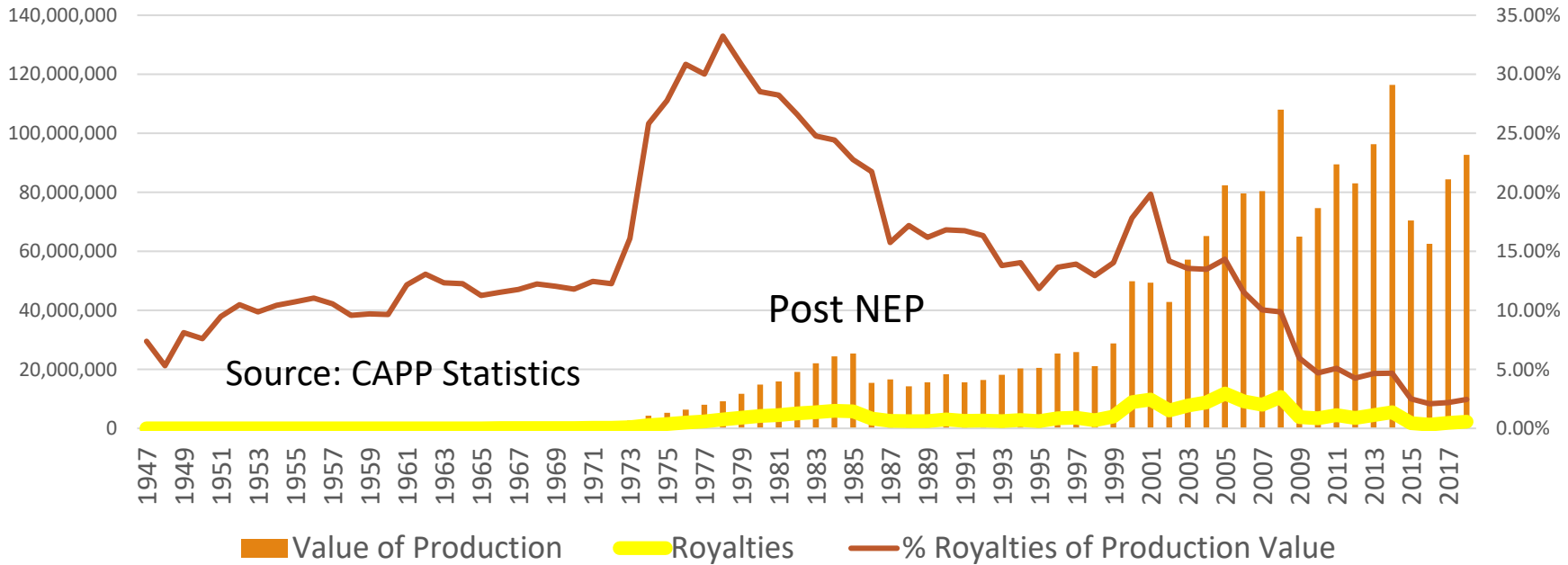
Figure 3.1- Nonrenewable
Resource Revenue as Percentage
of Own Source Revenue: 2022-23



Source: Government of Alberta- Financial Statements, various years, A

Sales Tax for Alberta: Why and How

Total Revenue, Royalties and Percentage Royalties/Total Revenue (\$000s): 1947-2018



Alberta's Tax Advantage- Budget 2020

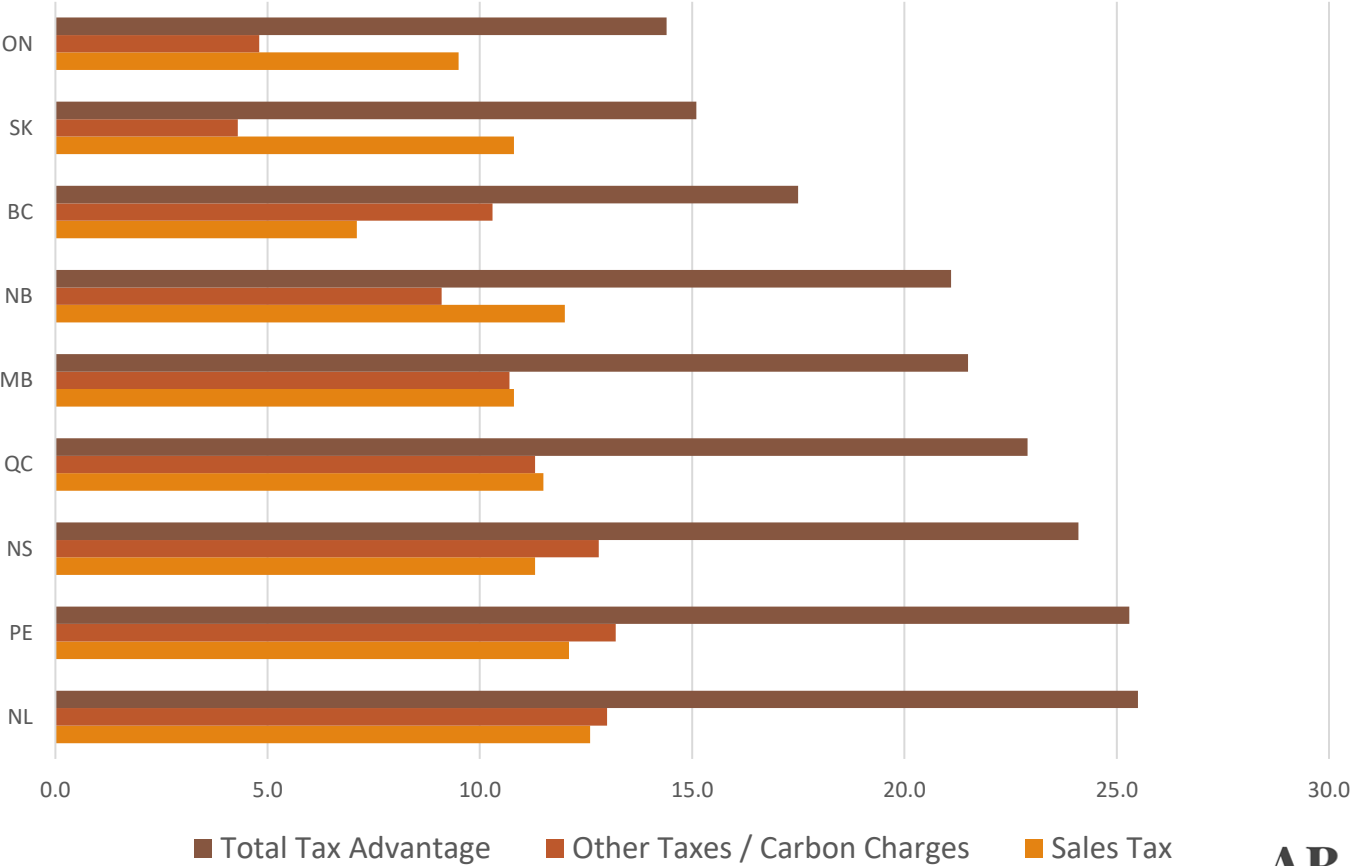
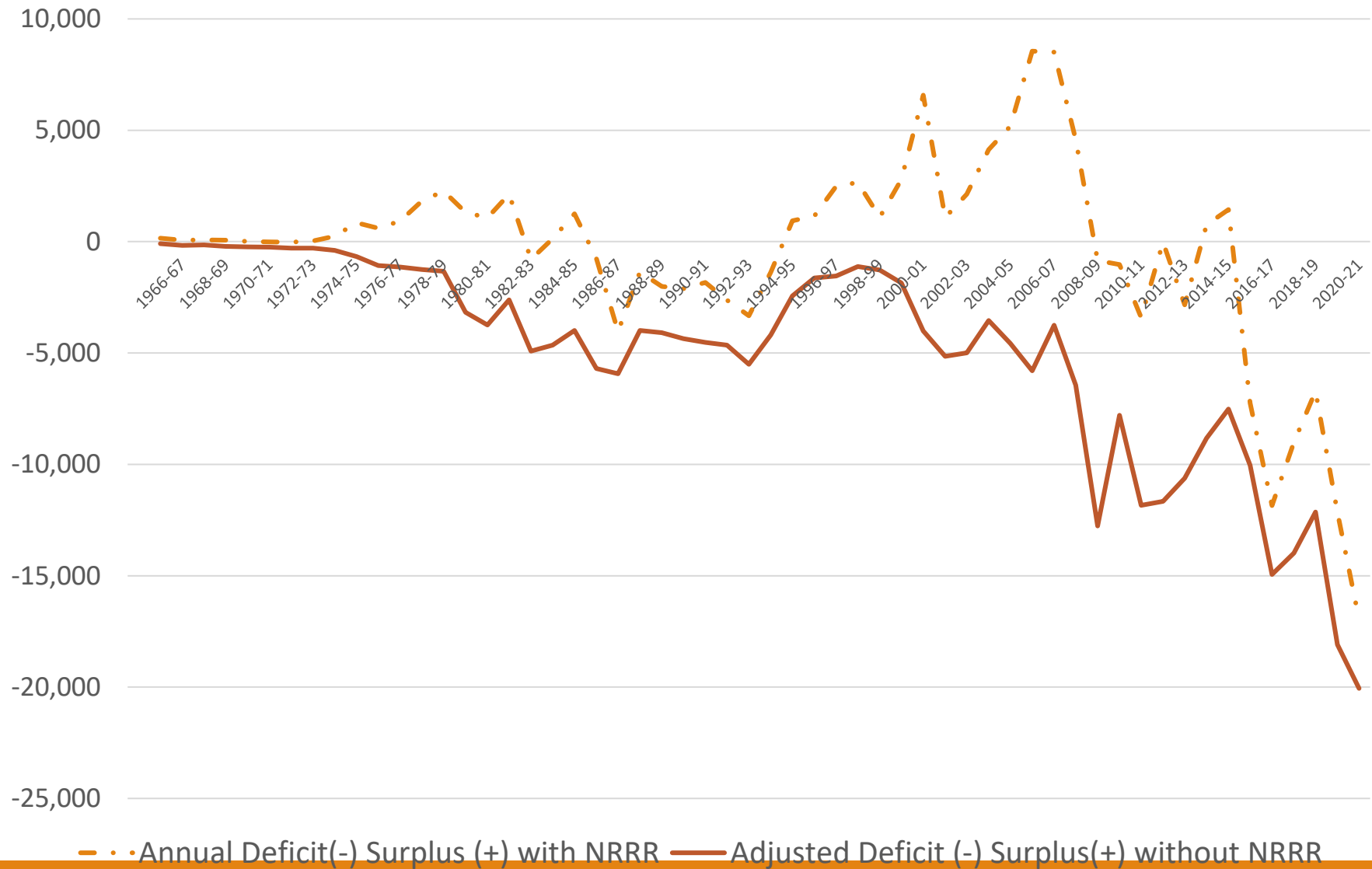


Figure 3.2- Annual Deficit/Surplus with and without NRRR
1965/66-2020-21 (\$)



Alberta's Fiscal dilemma

- Albertans (seem to) want:
 - Low taxes -necessary for economy to prosper
 - High level (quality and quantity) of public services
- Debt ok?
- Many aspects of revenue generation that Alberta government has no control- e.g., oil and fossil gas prices

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PROS of a SALES TAX

- **Cost** of raising a dollar of revenue from a sales tax is much lower than with other taxes.
- Far more **stable** source of revenue than corporate and personal income taxes and non-renewable resource revenue. A 5 per cent rate would reliably raise about \$5 billion each year.
- Even with a five per cent sales tax Alberta would remain the **lowest taxed** jurisdiction in Canada.
- A sales tax **captures consumption** from inherited wealth not currently captured.

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PROS of a SALES TAX

- Revenue from **visitors** to the province who use public services and infrastructure.
- Regressive nature of a sales tax can be mitigated by a refundable tax credit directed at low income individuals and families. Necessities can be exempted from the tax.
- **Efficient** to collect and difficult to avoid.

Can be **harmonized** with GST



CONS of a SALES TAX

- Alberta **voters** oppose a sales tax.
- **Elections**- Alberta's main parties believe if they introduced a sales tax would be defeated
- **Regressive**- adds an additional layer of regressive taxation on items such as tobacco, fuel, alcohol, and motor vehicle registration fees.

CONS of a SALES TAX

- It would give politicians and government officials more revenue to **waste** on various pet projects.
- Would increase **regressivity** and income inequality.
- Currently requires a **referendum** on this issue.
- Now is never the right time politically

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HOW? PROCESS IS KEY

- Mandate for a review of total fiscal structure of the province- revenue, expenditure and savings/debt
- Diverse Panel- gender, race, ethnicity, professional backgrounds
- NOT business led
- NOT only EXPERTS e.g. accountants, economists or lawyers
- Buy-in by legislators- critical- participating and listening

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HOW?

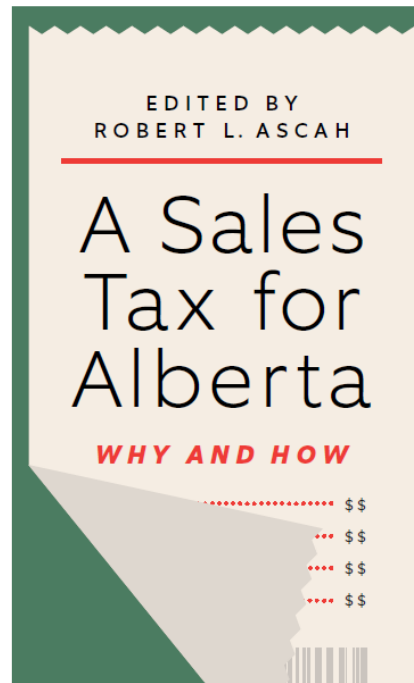
- Transparency essential- Disclosure of expenses
- Clear transparency of who meets whom
- Research agenda to be published and approved by Government – changes to agenda must be transparent
- Use of talk shows
- Presentation by experts

BUT

A P(H)ST IS NOT A PANACEA

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Shameless Plug

Athabasca University Press

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THANK YOU!