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PROCEEDINGS (1)
of
First Annual Convention
of the
Canadian Tax Conference
of the
Citizens' Research Institute
of Canada.

TORONTO
April 26th., 27th. and 28th., 1923.



CITIZENS' RESEARCH INSTITUTE OF CANADA
189 Church Street
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PREFACE.

The issue of this Report of the Proceedings of the First Annual Convention of the Canadian Tax Conference of the Citizens' Research Institute of Canada marks the beginning of another stage in the development of the science of taxation in this country. In the United States a similar organization has existed for some years and has made many worth-while contributions to reform in taxation methods. The Conference provides an open forum where the ordinary citizen and the specialist in taxation can exchange ideas and thus help build up all over Canada that widespread and intelligent interest in taxation problems without which no satisfactory solution can be expected.

The Institute in arranging for this First Convention was, of course, unable to forecast how many would be present. The result was that the only room available for the Convention was one the acoustic properties of which were not satisfactory. The notes of discussions were, therefore, somewhat incomplete, particularly where participation was general and rapid, and some parts had to be omitted. Delegates who find that some of their remarks do not appear will understand the reason. Next year, with the experience of this year to guide, arrangements can be made which will not interfere with the production of a verbatim report.

The papers and addresses are reproduced in full. The uniform high standard of these was the subject of much favorable comment. Will all those who get a copy of the Proceedings assist in securing the interest of other citizens? A large number of copies are still available for distribution. The price to non-members of the Conference is \$2 per copy. Members of the Canadian Tax Conference of the Citizens' Research Institute of Canada, whether organizations or individuals, will receive one copy gratis. Additional copies will be supplied at the rate of \$1 each to present members or to those taking out membership within the next three months.

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April 26th, 1923.

MORNING SESSION.

The meeting was called to order at 9.30 a.m., Thursday, April 26th, in the Pompeian Room of the King Edward Hotel, Toronto.

Mr. Arthur S. Bell, City Treasurer of Westmount, Quebec, was elected Chairman of the Convention by unanimous vote.

The delegates were welcomed to the City by His Worship Mayor C. Alfred Maguire of Toronto, as follows:—

"Ladies and Gentlemen:

"I first must apologize for coming in late, because it is one thing I do try to do—keep appointments. However, I know that you gentlemen representing other municipalities quite appreciate the position I am in—that we are expected to be in half a dozen places at one time.

"Let me say to you that, first, I want to welcome you to this city because we, in the City of Toronto, believe that we are leaders to a certain extent in many important things pertaining to the welfare of a municipality, and why we are delighted to welcome you is because you are here for the purpose of discussing a very important question—taxation.

"I quite appreciate it is a very difficult task. If we were all to see with one eye on this important taxation question there would be no difficulties, but we have so many experts advising us and so many people propounding their views that we are somewhat confused in coming to a definite conclusion. So I say, you are gathered here for the purpose of discussing a very, very important question. If you could devise some scheme that would remove the income tax you would be doing a wonderful thing for the community.

"This is your first convention and I hope that your first convention will be the means of the starting of and laying down of principles that everybody can support. I don't expect for a moment that you will all agree on the different matters that come before you.

"Toronto is always delighted to welcome citizens of other municipalities and of other countries. Toronto is honoured that you have selected it as your Convention City, and I only wish it had been a little later, when the weather is more agreeable and it is more pleasant going around, as we believe we have the finest city on the continent.

"Toronto, we believe, notwithstanding statements to the contrary, is enjoying just as good a system of taxation as can be given. We believe that. That may be challenged, and that is what you are here for. Now, if your organization could devise some better system we would be delighted to receive it and delighted to adopt it.

"I have pleasure in welcoming you to Toronto and wish your organization every success."

The chairman responded in terms of appreciation.

Paper on "Relation Between Provincial and Municipal Revenue in British Columbia," by Prof. S. E. Beckett, Department of Economics, University of British Columbia, Vancouver, B.C.
(In Prof. Beckett's absence his paper was read by Mr. H. O. Frind, of Vancouver, B.C.)

"For several years in the immediate past British Columbia, in common with the other provinces of Canada and the various states of the United States, has experienced rapidly increasing costs in administration and in supplying the government services, though this increase did not keep pace with the rise of the index number. The problem of securing a corresponding revenue became one of great difficulty.

"This difficulty was intensified because sources of revenue that were very fruitful before the advance of government costs, became decidedly less productive. One important source, the revenue from which was greatly reduced, was vacant real estate, against which tax arrears grew to an alarming extent and large amounts of property reverted to the municipalities, thus becoming non-revenue producing. Even with real property, on which taxes continued to be met, payments of taxes were made with a sense of increasing burden on the part of the property owner. This was especially the case in urban municipalities. In this regard British Columbia was not alone, as it was common in all those jurisdictions which had been experiencing rapid development previous to 1914.

"One consequence of all this was, that it brought under general public discussion and review, the existing relation between provincial and municipal revenues. The provincial legislature decides what shall be the sources of municipal revenue. When municipalities were confronted with revenue difficulties, the obvious, easy and perhaps natural course was to call upon the legislature to provide them with other revenue sources or ask the provincial government to assume a larger part of the cost of some service such as education. It was difficult for this to be done without encroaching upon provincial revenues. The provincial government must meet its own financial commitments entered upon under established revenue arrangements, and public credit requires that sources of revenue be not carelessly tampered with. Nevertheless, the question of the division of revenues came to be so widely and persistently discussed that it was almost elevated into a political issue, but it was not sufficiently realized that upon the question no adequate judgment could be pronounced that disregarded the history of the financial situation.

"The sources of revenue that had been assigned to the municipalities were the taxes on land and improvements, trade licenses (so-called), and the Poll Tax if the municipality wished to collect it, if not it was collected by the province as provincial revenue. There were also such minor taxes as the Road Tax, the Dog Tax, and the Statute Labour Tax. The Realty Tax provided for the taxation of land at its assessed value, and improvements up to one-half their value if the municipality so wished. This latter privilege was not made use of very widely. Under land taxation, is included the taxation of telephone, telegraph, electric light and power companies, electric tram-ways, railways, gas mains, all of which are taxed as land upon an assessed valuation of an amount per mile decided by law.

"The chief sources of revenue that have been retained by the province are the Personal Income Tax, Business Income Tax (with an alternative stock in trade or Personal Property Tax if larger), motor licenses, the amusement tax, the tax on wild lands, timber and mineral lands, succession and probate duties and all taxation in unorganized districts. Revenue from motor licenses had been assigned by law for the redemption of debt contracted for road-building. Operating mines, salmon canneries, other fish products and whale oil manufactories, are taxed either on output or net income, whichever is the larger; insurance, loan, trust, telegraph, telephone, express, gas, water-works, light and power, and street railway companies are taxed two per cent. on gross revenue from business transacted within the province. Railway companies in unorganized districts are taxed by the province at two per cent. on a valuation of ten thousand dollars per mile of main line and branches, and three thousand dollars per mile of sidings, spurs, and switches.

"During normal times, and especially in times of marked development, the above sources of municipal revenue seemed sufficient. The owners of improved or vacant real estate readily paid taxes on a high valuation so long as they saw values steadily mounting still higher in the over-optimistic judgment of the time. The same excessive optimism led to heavy and much unwise expenditure, financed by large loans, made possible by a greatly inflated

assessment. When real estate values fell, it was considered impossible to lower assessments accordingly, and heavy taxation, now severely felt, caused unimproved realty in large amounts to revert to the municipalities for unpaid taxes. This realty that reverted ceased to produce revenue, and how to provide for debt charges, current expenses, and urgent needs requiring capital outlay became an anxious problem.

"Under these conditions, as already intimated, the obvious and easy course for the municipalities was to turn to the provincial government that created them and asked for further sources of revenue. The tax on real estate, as the main source of revenue, was considered to lack staying power. It has not proved to be consistently uniform as a revenue producer. But the Personal and Business Income Tax, the Amusement Tax, the revenue from motor licenses, seemed sure and steady and the municipalities vigorously pressed upon government and legislature their claims to these and other sources of revenue as reasonable and right. Here let it be repeated that the revenue from motor licenses was, by act of legislature, pledged for the payment of loans contracted for building trunk roads, and that as the general bonded debt of the province was incurred, certain revenues were developed to meet provincial liabilities. The question that was raised by the municipalities could be faced with wisdom only in the light of the financial history leading up to it.

"At the same time it was felt by all in positions of responsibility, that something had to be done. Notwithstanding government grants for education and hospitals that will bear an exceedingly favourable comparison with such grants made elsewhere, there were heavy burdens on the municipalities for debt charges, for increasing cost of services, and for maintenance, which had to be met, and for new capital expenditures which could not be indefinitely postponed.

"About the time when this question was thrust most prominently before the public mind, the method of dealing with the liquor traffic came before the people for their decision. The vote was in favour of government control and sale within the province. A substantial amount of revenue was expected to arise therefrom. At a session of the legislature called in October, 1921, the charge for motor licenses was increased and legislation was provided for taxing monies deposited for the purpose of betting at race-meetings under the system known as the pari-mutuel. Here were two new sources of revenue and one former source from which the revenue was increased.

"From the revenue thus arising, the legislature, at the spring session in 1921, assigned as aid for the municipalities:—

"One-half the profits from the sale of liquor to be distributed in proportion to population. At the session of the legislature called in October the same year this assistance was further increased as follows:—

"1. One-third the revenue from motor licenses, to be used in maintaining and building public roads within the several municipalities.

"2. The revenue from the tax levied on monies used in race-track gambling. It was estimated that these three items of revenue would in due course amount to \$2,000,000 or more, a sum calculated to enable the municipalities to finance with as reasonable ease as could be expected under the conditions of the present period. These added revenues during their first full year, 1922, provided \$1,504,825 revenue for the municipalities.

"What is to be said of this arrangement and the conditions leading to it?

"First—There seems to be no doubt that the speculative character of municipal development, the methods of municipal financing, and much unwise expenditure, contributed greatly to the financial difficulties later encountered. There is no doubt, however, that these troubles were aggravated and prolonged by the influences of the war. Furthermore, the character of the

demands and the many diverse, heterogeneous suggestions made by municipal organizations, and individual leaders in seeking revenue assistance, show the need for a greater understanding of the principles of taxation and finance on the part of those in responsible positions in municipal life.

"Second—That a certain division of the sources of revenue may be found sufficient in times of prosperity and of rapid development, or may be made sufficient in ordinary times by careful management, is not proof positive that such division of sources rests upon a satisfactory or rational basis.

"Third—In regard to these added revenues provided as above stated for the municipalities, it would not be fair to suppose that government or legislature considered the arrangement anything but temporary. Whatever individual opinion may be, it is obvious that the public mind may change at any time in regard to the liquor traffic and race-track gambling. Thus, two of these three sources of revenue might disappear and the Municipalities' Aid legislation become largely inoperative. Furthermore, these are revenues to which the municipalities could not establish as valid a claim as to some others. Rather they are provincial in character, since the jurisdiction that institutes a particular social policy has claim to any revenue arising therefrom.

"Fourth—There is reason for considering that there was an element of wisdom in making an arrangement that could be regarded as temporary. We have been passing through a period of transition in financial and general social conditions of life, not the best time to attempt permanent readjustments in method. The old adage, "Never swap horses while crossing a stream," applies. The extra revenue provided was new revenue. It could be assigned without disturbing those more permanent provincial revenues, developed from time to time as provincial financial obligations were assumed. If public credit is to stand unquestioned, a government can not play fast and loose in the disposition of its established revenues, especially in times of financial stress. When conditions become more stabilized there is opportunity to work out permanent policy on a scientific basis.

"Lastly, if the arrangement made is to be regarded as a present means of meeting a difficulty, on what basis should a more permanent adjustment of revenues as between province and municipalities be worked out?

"In the judgment of the writer, in the light of community psychology regarding matters of public finance in recent years, an attempt should be made as far as possible to align the revenues according to their nature as municipal or provincial. In other words, definite regard should be had for 'segregation of sources,' to use Professor Seligman's phrase. The revenue from the government sale of liquor and from taxing the amounts deposited in betting at race-meets should be regarded as distinctly provincial, if any revenue can be.

"Perhaps the chief defect in the arrangement for added municipal revenue above described is that it suggests that the municipalities have as good a claim to revenue from one source as from another—an idea which would breed irresponsibility. This does not conduce to a sober, intelligent understanding of the limitations within which governments must work. There should be such a separation of sources as would enable the parent government, substantially, to say to the municipalities: 'There! You've received yours.' It is not here suggested that an absolutely hard and fast line of division can be drawn, but there are certain principles or tests which enable a reasonably adequate division to be made. Revenues, both province and municipalities must have. Therefore, to each let assignment be made according to recognized principles or tests. Nothing can be lost and something may be gained by assigning revenues, where possible, according to some working idea. When this is done, other available revenue may be distributed, not as dictated by a confusion of tongues or by bewildered controversy, but more in a spirit of good-will and co-operation in the light of recognized needs.

"The principles or tests above referred to, according to which such a division may be made, are indicated by the formula presented in a paper before the National Tax Association Conference in 1911:—

'Local taxation of local business and local property and state taxation of business and property which is non-local in character.'

This principle may be effectively applied, even though it may be freely admitted that some sources of revenue may be regarded as neutral and revenue therefrom subject to distribution according to need or in the light of the history of financial affairs of the province.

"It now remains merely to indicate briefly, space not permitting the presentation of a detailed statement, how an application of this formula would affect a readjustment of revenues in British Columbia whenever the coming of stabilized conditions would give encouragement for such readjustment to be made.

"In the judgment of the writer, it may be admitted that a valid claim can be made by the municipalities to the revenue from the Income Tax upon business concerns which chiefly serve local needs, make their profits from local trade, and receive their business opportunities and government services chiefly through the local community. These would be chiefly business places conducted by individuals or by partnership. Some claim can be made also by the municipality to part of the Personal Income Tax. What part can be determined only in the light of the requirements of both governments, but, as persons, both province and municipality have claims upon us. The province, however, should levy and collect these taxes, being better able to do so effectively, unless arrangement could be made for the Federal Income Tax Administration to do so on the basis of federal returns.

"On the other hand, the revenue from the Income or other tax levied upon business enterprises that operate throughout the provincial area, or inter-provincially, whose business opportunities are afforded by the province or even a wider field—such revenue may be classed as provincial. This would include chiefly corporations of various kinds. As a specific illustration, it may be said that the income tax upon a jam factory, or salmon cannery whose trade extends over several provinces can not in fairness be claimed by the municipality where the plant is situated. There might be rare cases where a corporation conducted its entire business or a distinct part of it to meet local demand, and where a business conducted by an individual or partnership was provincial in its scope. These would be details for administration. But it is not a consistent arrangement, e.g., that the taxation of railroads within municipalities should be done locally and in unorganized districts be done by the province. The method may fairly be described as disjointed, and furthermore, this method would leave no revenue from railroads for the Provincial Treasury in a province completely organized into municipalities. Provincial Tax officials should be able to bring greater ability to the work of dealing with corporations in general than local officials. All real estate, properly defined, should, of course, be assessed and taxed locally.

"But with the failure of the Real Estate Tax to continue producing the revenue expected of it, the public mind in the municipalities has turned to other revenue sources, especially to the Income Tax, as means by which their revenues could be made more certain and productive, and as sources to which they think they have some valid claim. An assignment of revenues in the manner above indicated is designed to leave little room for controversy. It would, moreover, confine the business license system within proper bounds as applying either for regulative purposes, or to business concerns difficult to tax any other way. With stabilized conditions this method of separation of sources could be applied in a manner that would safeguard the interests of both province and municipality. It may be added that closely connected with this subject is a problem of both importance and difficulty, viz., 'The relation between personal income and business income,' which, however, cannot be entered upon within the limits of this paper."

DISCUSSION.

This discussion started with a question from the floor as to the shares of Amusement and Automobile Taxes which go to the municipalities in British Columbia, and as Mr. Bégin would be present at the Conference on Thursday only, he was requested for Quebec's policy in this regard.

Mr. Bégin—"The Province acts as an agent. Each municipality collecting an Amusement Tax hands over to the Government for poor relief one-half of the proceeds. The Government distributes. So that municipalities which can afford it help the municipalities as well as the Government to maintain and keep the poor in municipalities that are not so fortunate."

Mr. Hezzelwood—"Do you distribute that per head?"

Mr. Bégin—"Yes."

Mr. Hezzelwood—"Is there some standard that an organization must attain to?"

Mr. Bégin—"Yes. It is divided into two classes and they must present a report every three months, and the places are inspected by government inspection."

Mr. Hezzelwood—"I notice Prof. Beckett suggests that there might be economy if an arrangement were made with the Federal Government to collect all the income tax and divide it up. Everyone knows what a nuisance it is (I mean everyone in Toronto) to prepare income tax returns, but I am just wondering whether this is a feasible proposition or not."

Dr. Brittain—"About three years ago, the Citizens' Research Institute of Canada was asked to make a taxation study for the City of Vancouver. Among the recommendations were the following:—

"1. The division of the amusement tax between the Province and the municipalities.

"2. The division of the automobile taxes between the Province and the municipalities.

"Both were adopted in part. The third, which I knew would not be adopted, was that arrangements be made for joint administration and collection of income taxes by the Provincial and Dominion authorities.

"We are paying now in nearly every place in Canada two overheads, and there threatens to be three overheads. In the same city there may be two large organizations for collecting income taxes. Perhaps Mr. Frind can tell us which in Vancouver is the larger organization."

Mr. Frind—"I haven't the figures, but both are pretty large."

Dr. Brittain—"If a province or municipality insists on maintaining its independence in income tax collection, doesn't it seem a ridiculous thing that in Canada the information available to the various income tax authorities should be in water-tight compartments."

Mr. Martin (Hamilton)—"You were asking about the collection in Vancouver. I don't think it is possible to get that information. The City of Hamilton collects so much income tax from the city. They know exactly what that is and they know exactly what they want next year if they can get it."

Delegate—"It is a fact, is it not, that the basis of assessment in a city is different from the basis of assessment in a Province?"

Delegate—"Would not the same result be obtained to a very large extent if the same return were made to the Dominion Government and to the province or municipality? That, I imagine, would eliminate a tremendous amount of overhead."

Dr. Brittain—"Yes, I think it would."

Paper on "Dominion Taxation"—Mr. H. R. Kemp, Department of Political Economy, University of Toronto, Toronto, Ont.

"Up to the Great War, the customs and excise revenues constituted the chief resource of the Dominion Government for general purposes. Postal and railway receipts were mainly absorbed by the cost of administering these services. In fact, customs and excise, together with the revenue from Chinese head tax, were the only revenues classified by the Department of Finance as taxes. In those happy days, we might still describe our government as being cheap. In 1913, the ordinary expenditures of the Dominion Government were \$14.89 for each inhabitant; those of the provincial governments averaged \$7.08, while both together (eliminating duplication) amounted to \$20.22. In 1920, the latest year for which full comparative figures are available, the ordinary expenditures of the Dominion Government had risen to \$35.20, those of the provinces to \$10.24, and both together to \$44.11 per capita. In 1922, the ordinary expenditures of the Dominion Government had risen to \$38.76 per capita, two and a half times as much as in 1913. Putting these facts in another way, we may picture the average family of five—as paying \$250 a year for the cost of Dominion and provincial government. The high cost of government in Canada may be further shown as follows: In 1922, the ordinary expenditures of the Dominion Government were in excess of \$435,000,000. Those of the provinces (avoiding duplication) were \$88,000,000 in 1920, and certainly more than that in 1922. Those of municipalities of 10,000 inhabitants or more were \$171,000,000 in 1920, and probably more in 1922. From this it appears that, taking everything into account and excluding duplications, the people of Canada were paying in 1922 well over \$700,000,000 a year for the various services of government.

"This is not surprising when we remember that we are administering half a continent; that with little more than the population of Greater London, we are maintaining ten legislatures, with more than 750 legislators (to say nothing of the Senate), as well as all the administrative machinery connected with them; that we now rejoice in a net debt of two billions and a half, or about \$1,300 per family, largely due to war, and pay about \$135,000,000 annually in interest on this debt; and that we now own various railways which may still be regarded as in the category of infant industries. If it were desired to explain the heavy expenditures of government in Canada, many other curious and interesting facts might be presented—the rise of prices, the increase in services rendered—but all this helps to add new terrors to the tax collector and make the lot of the Minister of Finance a still more unhappy one.

"To meet the increased expenditure which has followed the war, the Dominion Government has profited slightly by increases in the yield of customs and excise duties, but it has chiefly relied on the group of new taxes classified as war taxes, which now together yield more than customs and excise duties combined. The chief war taxes were those on income, sales, business profits (which, though now abandoned, is still bringing in arrears), special taxes on banks, trust and loan companies, and insurance companies, stamp taxes on cheques, notes, receipts, etc., and a series of special excise duties on automobiles, tea, jewellery, records, piano players, matches, playing cards, phonographs, moving picture films, confectionery, boats, cameras, chewing gum, pianos, organs, etc., firearms and shells, lighting fixtures, perforators, alcoholic beverages—a list which reflects credit on the ingenuity of the various officials who are responsible for it. Most of these taxes have been criticized. The stamp taxes on transactions were and are found to be

burdensome and vexatious; the list of luxuries subject to tax was thought to include some necessities; and the protests of business people were successful in bringing about the abolition of the business profits tax and some of the luxury taxes. Discussion has, however, been chiefly centred upon the income tax and the sales tax. In 1921-22 the total Dominion revenue from taxation was about \$320,000,000, approximately \$36.40 per inhabitant. Of this sum, \$12.20 came from customs duties, \$4.18 from excise, \$8.95 from income tax, \$7.00 from sales tax, \$2.59 from arrears of tax on business profits. Such are the main lines of the existing system of Dominion taxation. Despite heroic increases, the budget does not yet balance, and it is not known what new plan the Minister of Finance may be contemplating.

"Among the least understood of the war taxes is the sales tax, which, despite objections to be considered later, had much to recommend it. In the first place, it required the construction of no extensive and elaborate new machinery to collect it. Every manufacturer, wholesaler, or jobber subject to tax took out a license and became a deputy tax collector from his own customers. The existing force of officials connected with the customs and excise service was found sufficient to handle the monthly returns from the sales tax, although it had to be reinforced by some three dozen inspectors and auditors. The tax quickly became a very lucrative one. The latest amendments increased it to $2\frac{1}{4}\%$ on sales by manufacturers and producers to wholesalers and jobbers, $2\frac{1}{4}\%$ on sales by wholesalers or jobbers, $4\frac{1}{2}\%$ on sales by manufacturers or producers direct to retailers or consumers, $3\frac{3}{4}\%$ on imported goods (but where goods are imported by retailers or consumers the tax is 6%). The sales tax yielded nearly \$62,000,000 in 1921-22, and it is expected to yield about \$90,000,000 in the fiscal year 1922-23. It is immune from the attacks of the free trader, dependable, elastic. Moreover, in spite of a few complaints, there is no suspicion of any widespread evasion. Most of the manufacturers and merchants who collect the tax are eminently respectable people whose honesty can be relied on with the more certainty because of the force of public opinion which could be roused in a case of discovered evasion. Prosecutions of delinquents are said to be comparatively rare.

"Notwithstanding all these admitted advantages from the collector's point of view, it is possible that the whole principle of the sales tax may be successfully attacked on ancient grounds. In a page of the 'Wealth of Nations' which is familiar to all students of taxation, Adam Smith laid down four canons of taxation which, though now inadequate, have not lost their validity. He held that a tax should be levied at the time and in the way likely to be most convenient to the taxpayer, that it should not take or keep out of the taxpayer's pocket more than the amount necessary for the state, that the amount payable by each person should be definite and known, and that every person should contribute according to his ability—that is to say, in proportion to the revenue which he enjoys under the protection of the state. There is not much objection to the sales tax under the first three heads, although no individual knows exactly how much of his income will be taken through the sales tax; but the tax may be criticized most successfully on the grounds suggested by the last canon, which has inspired a whole literature of taxation. We need not here concern ourselves with the ancient controversy as to whether taxes should be in proportion to ability or in proportion to benefit received by the state. The 'benefit theory' could not be applied to taxation for the support of schools, asylums, etc., and it is doubtful whether the exact amount of benefit received by anybody from the services of the state could be assessed. The principle that each person should pay taxes according to his ability is now generally recognized as being more in conformity with the popular idea of justice. What shall we say of the sales tax when tried by this test?

"But before attempting to answer this question, we must make sure of what we mean by a tax in accordance with ability to pay. How is this ability to be measured or compared? John Stuart Mill and others have held that

ability should be regarded as proportional to income (with appropriate consideration for dependents who have to be supported), but in most civilized countries, it is now considered that ability to pay increases faster than income. If the man with \$5,000 a year pays 4% in taxes, the man with \$50,000 can pay rather more than 4% without any greater sacrifice. This principle, exemplified in progressive rates of income and inheritance taxes in most modern states, is so generally accepted that it seems hardly necessary to discuss the application of the principle of diminishing utility on which it rests, and we may perhaps proceed on the assumption that, to conform with popular conceptions of justice, a system of taxation should be so contrived that persons with larger incomes should contribute larger percentages in taxation than those with smaller incomes. If we accept this view, we have taken relative sacrifice as a test of ability to pay.

"This analysis is far from exhausting the question of justice in taxation. In the effort to define justice, at least six different criteria have been proposed. Some argue that all members of the community should be called upon to make an equal sacrifice, which would involve progressive taxation. Some argue that the sacrifice should be proportional to the income; and this principle would seem to involve a still steeper progression. Some would maintain that taxes should be so contrived as to involve a minimum total sacrifice, and they would doubtless contend that to attain this end, most of the taxes should be collected from the rich—although such a plan might involve indirect sacrifices by the community through the flight of capital. Still others suggest that a just system of taxation should leave the taxpayers in the same relative position as before. As against them, there are some who argue that taxes should lessen the inequalities of fortune, while a few maintain that inequalities of fortune are positively beneficial because they stimulate the accumulation of capital, a socially valuable process, and such persons should logically argue in favour of a system which would increase the inequalities of income. These are some of the conflicting views between which the critic of taxation ought to decide before determining whether any given form of taxation is equitable. Perhaps no one of them agrees entirely with the general conception of justice; but there is a fairly widespread agreement on the one point, that persons with large incomes may fairly be required to contribute a larger proportion for the common needs.

"Defenders of the sales tax, or similarly contrived taxes, often say that it is fair because it falls in proportion to expenditure; and the man who can afford to spend the most, is required to pay the most in taxes. They would further point to the exemption of food and fuel from the tax as a concession to people with very small incomes, who spend most of their earnings on the bare necessities of life. But the more we examine the sales tax, the more doubtful it seems whether the tax is in proportion to ability or even to expenditure. Suppose we divide expenditure into two categories: that which is undertaken for personal consumption and that which represents investment in reproductive undertakings (for, of course, saving and consuming are equally forms of spending). Let us consider first that part of the sales tax which falls upon goods intended to be consumed by their purchasers. It is popularly supposed that such taxes fall upon the ultimate consumer, and the economist also would regard this as generally true. For if the sellers absorb the tax, their profits will be reduced; their business will no longer pay quite so well as it did before; and some of the weaker firms which were just able to struggle along before, will be forced out of business. Even if this does not occur, new capital will be more likely to enter businesses where the returns are not lessened by this particular burden, or perhaps to seek other countries. Thus, even if manufacturers generally were to absorb the sales tax, we might expect the ultimate result to be a lessening of the sources of supply and an ultimate increase in price. If manufacturers do not try to absorb the tax, the increase in price would probably occur sooner. A monopolist who had already fixed his prices at the level which would yield the maximum profit, would find it expedient to pay the sales tax himself, because any increase of his prices would

probably diminish the volume of sales and profits. Under competitive conditions, however, it seems probable that a large proportion, if not the whole, of the sales tax would usually be borne by the consumer. This view is confirmed by another consideration. A sales tax of 6% is levied on goods imported by retailers or consumers, in addition to the duty. Evidently the framers of the tax supposed that the increase in the cost of domestically manufactured goods due to pyramiding of the tax would be at least 6%. If it is in fact less than six per cent., then the sales tax on imported goods will act as additional protection. In either case, we have here some reason for expecting an increase of at least 6% in the prices of consumers' goods as a result of the sales tax. The cost of living is involved.

"So much for the effect of the sales tax on prices of goods intended for consumption. Let us now consider the incidence of the tax as it affects machinery and goods intended to be used for production. Will investors generously consent to pay these taxes themselves, hoping for no return, or will they make expenditures for productive purposes only if they expect to obtain the usual profits not only on the original cost of equipment, but also on the sales tax which they have paid? The latter supposition is more probable. They will expect to shift their portion of the sales tax to the consumer of the goods which they manufacture. If they are successful, all is well. If not, then the return on investments here will tend to be less than in countries which have no sales tax; the flow of capital into Canada will be slightly checked, the volume of production here will tend to diminish slightly, and there will ultimately be a rise of prices sufficient to shift the sales tax to consumers. The reader will notice that the phrase 'other things being equal,' so necessary in all economic demonstrations, has been omitted a number of times for the sake of brevity, and the whole subject has been treated with less fullness than is found in such works as those of Professor Seligman.

"The general conclusion from the preceding paragraphs may be summarized in two or three sentences. The sales tax will tend to be shifted to consumers. It will fall upon the taxpayers, therefore, not in proportion to their income, but in proportion to their expenditure on goods for consumption. They will largely avoid the payment of sales tax on that portion of their income devoted to investment. Persons who have small incomes and who are obliged to spend most of their earnings on the necessities of life will pay sales tax on nearly all their income, except so far as they are protected by the exemption of foods and fuel from the tax. Those persons, on the other hand, who enjoy larger incomes, out of which they spend only half on consumption and invest the other half, will be paying sales tax on only one-half of their income; for they will probably be successful in shifting the tax in so far as it affects their investments. The larger the income, the larger the amount paid in sales tax—but the larger the income, the smaller the percentage of that income paid in sales tax.

"Perhaps some people will look upon this conclusion with satisfaction. Some may hold that a tax which restricts consumption by making prices higher is a blessing. Finance Ministers have sometimes praised their budget arrangements because the heavy taxes which they proposed would stimulate economy. Others hold that it is most important that taxes should be so contrived as to fall upon consumption and exempt saving and investment; taxes on the latter, they believe, penalize thrift. Some reasons have been mentioned for supposing that surplus income in the form of savings and investments does in fact largely escape from the sales tax. But the objection to penalizing thrift sounds old-fashioned at a time when nearly every state is calling upon large incomes for a more than proportional contribution to the common needs; at a time when these common needs have so largely increased, and when nearly every tax imposed does penalize thrift or check saving. How can we avoid checking saving when all taxes must somehow be collected from people who have a surplus? And what can be more opposed to saving than artificially high cost of living? No doubt many of the arguments to be

presented to you later will follow these lines, but in greater detail. In concluding these comments, it may be said that the sales tax, though possessing the merits of convenience, reliability, cheapness, and elasticity to a high degree, appears to be highly regressive; and any system of taxation designed to secure the bulk of the national revenue from this source, would be opposed to the spirit of most modern tax legislation.

"A minor effect of the sales tax would be to confer an additional advantage upon vertical combinations—those firms which carry on all the processes of manufacture and sale in a single business unit, as contrasted with those which market their products through a chain of middlemen, each of whom pays a separate sales tax.

"Most of the remarks which have been made about the sales tax would apply equally to the tax on turnover which has been proposed as a substitute. The rate of the tax would help to determine the extent to which prices would be raised.

"A steeply graduated income tax would represent the opposite tendency to a sales tax; but in comparing the merits of the two taxes, it must be remembered that we are not dealing with an ideally perfect income tax, but with the new and somewhat imperfect instrument available in Canada. The yield of the Canadian income tax has been steadily increasing, as the following figures show:—

Yield of Canadian income tax in thousands of dollars	
1919	9,350
1920	20,264
1921	46,382
1922	78,393

"Figures recently issued by the Department of Finance show that the number of income tax payers has increased as follows:—

	1920-21	1921-22
Individuals.....	190,561	290,584
Corporations.....	3,696	8,286

Most of the increase has been in the lower income levels (\$1,000 to \$6,000). The number of farmers paying income tax in 1921-22 was 18,84½, of whom 6,136 were in Ontario, 3,457 in Manitoba, 6,551 in Saskatchewan, 1,625 in Alberta, 149 in Quebec.

"Notwithstanding this gratifying increase, there are some reasons for suspecting that evasion may still be taking place on a considerable scale. In the United States, in 1920, one person out of seventeen made an income tax return. In Canada, in 1920-21, the corresponding figure was about one in forty-five, and in 1921-22 about one in thirty. The total amount of income brought under review by the income tax returns in Canada, 1920-21, was \$912,410,428.89, or less than \$104 for each inhabitant. The total amount of net income brought under review in the United States in 1919 was over \$29,000,000,000, or nearly \$300 for each inhabitant.

"This comparison need not be regarded as discreditable either to the Department of Finance or to the Canadian people. It would not be surprising if the income received in the United States in 1919 was considerably larger than it was in Canada in 1920-21. The American figures were given for a period of very great prosperity in the United States; and even at normal times, the average money income in the more highly industrialized country is likely to be larger. But there is another difference between the two countries. Much income is received by farmers and others in kind. It is consumed at home without being valued in any market, and its value is likely to be somewhat understated in income tax returns. The proportion of such income in

kind may well be larger in Canada. Moreover, many wage earners who receive less than the taxable minimum may never have been required to file returns. Even in the United States, it is doubtful whether any more than half of the national income comes under review in the income tax returns, and in Canada the proportion might be as low as one-third without reflecting discredit on the honesty of the people or the administration of the tax. Information with regard to the operation of the Canadian income tax has been rather scanty, and it is not known how far the Canadian figures are really comparable with those of the United States. Perhaps the Dominion officials have been too fully occupied with the task of administering the new tax to devote much time to the preparation of statistics; but if such figures could be issued in Canada, after the model of those published by the United States Treasury, they would be of the greatest use in estimating national income.

"Some of these considerations may partly explain the great difference between the amounts of income reported in Canada and in the United States; but they do not wholly explain it, and the Canadian public will probably desire to learn more definitely why the income reviewed in the United States is nearly three times as great for each inhabitant as in Canada. Perhaps we shall be forced to conclude that widespread evasion takes place. No country has as yet devised an evasion-proof income tax, and a sparsely-settled country where the tax has been only recently imposed, can hardly be expected to lead the way.

"But if evasion of the income tax is widespread, then it follows that we cannot yet hold up the Canadian income tax as an ideal alternative to the sales tax (or similar devices) as a means of meeting our great obligations. The yield of the income tax could undoubtedly be increased. An Englishman with an income of £1,000, supporting his wife and two children, now pays in income tax £124 17s. 6d., or nearly \$600. A Canadian with \$5,000, with the same dependents, pays only \$136. But if the income tax is to be collected in all its rigour only from the limited class of salaried persons whose exact incomes are reported by their employers, then an increase in the rate, to lessen the sales tax, would perhaps be a doubtful blessing. On large incomes, too, the rates are so high as to be distinctly unpopular; and no increase at these levels is advocated. Most of the reforms in the income tax which have been suggested take the form of decreases. One such change, which, while small in itself, has something to recommend it, would be the exemption of insurance premiums from income tax. Such a change would probably afford a slight encouragement to saving; it would follow the English precedent, and it would be further justified by the fact that there is a special Dominion tax on insurance companies, in addition to the various provincial corporation taxes.

"No satisfactory single tax has been devised. Most countries rely on systems which may be described as having two parts—a group of customs, excise, and other consumption taxes to reach persons of low incomes, and a system of taxes on incomes, inheritances, etc., to reach persons of higher incomes. In Canada also the combination seems to be necessary. The question for the statesman is to determine what proportion of revenue should be derived from each. In 1921-22 about two-thirds of the sum raised by Dominion taxation came from indirect taxes, leaving only about one-third from direct taxes.

"In the list of papers to be presented at this Conference, there is one notable omission. Most of the speakers are city men, who will probably deal with taxation from the point of view of manufacturers, merchants, and 'business men' in general. At a subsequent Conference, it would be interesting to hear a discussion of Dominion taxation as it affects the farmer. The Canadian farmer, who has to buy in a protected market and sell, generally speaking, in a free one; who pays customs duties and sales taxes and can seldom shift them to his customers because he can only partly control the

supply of his products, and because he sells many of these products in competition with rivals abroad; who is reproached because of his supposed failure to pay income tax and censured because so many of his sons move to the city or to the United States—he is an individual whose views regarding taxation should be of considerable interest.”

Discussion.

Mr. J. P. Bell (Hamilton)—“I believe that in Belgium, France and Germany the sales tax has been in operation perhaps a little longer than it has in Canada.

“The income tax is, of course, full of anomalies, full of difficulties. I don't suppose an income tax could be put in force successfully until it has been in operation a number of years. There are no details required, for example, as to interest on bonds, debentures, bank deposits, and things of that kind. There is also considerable difference of opinion as to the question of carrying charges, certain taxes and certain interests that are paid. It does seem to me that the great vital fault is that unless one is an accountant it is impossible to make an income tax return with any degree of accuracy. I see no reason why all that could not be very much simplified.”

An animated discussion of the paper followed, and the thanks of the Convention to Prof. Kemp for his co-operation was expressed.

A telegram was then read from Provincial Treasurer F. M. Black of Manitoba, suggesting a resolution in favour of a national conference on taxation between Dominion, Provinces, and, possibly, more important municipalities to consider delimitation of fields of taxation between the Dominion and Provinces, embracing cost of collecting taxes and related subjects.

The following Committee on Organization and Resolutions was appointed:—

Committee on Organizations and Resolutions.

Mr. F. Barry Hayes.....	Toronto
Mr. J. P. Bell.....	Hamilton
Mr. Oliver Hezzelwood.....	Toronto
Major E. M. McLean.....	Walkerville
Mr. Geo. Martin.....	Hamilton
Col. Brown.....	London
Mr. J. A. Bégin.....	Quebec
Mr. Oscar Morin.....	Quebec
Ald. V. A. Blatchford.....	Edmonton
Chester S. McClure.....	Charlottetown, P.E.I.
Mr. Richter.....	London

The meeting then adjourned until 2 p.m.

AFTERNOON SESSION.

The session opened by an address of welcome by Mr. J. F. White, K.C., Solicitor of the Treasury Department, representing the Province of Ontario. Mr. White spoke as follows:—

“Ladies and Gentlemen:

“Owing to many important matters incidental to the closing of the present Session, it was impossible for His Honour, Premier Drury, to be present at this Conference. I can assure you, however, that it is not on account of lack of appreciation on his part of the very important matters you are gathered here to discuss that he is not with you.

"The Province of Ontario, as you know, is vitally interested in all questions arising at a Conference of this nature. We find it sometimes difficult to make both ends meet, but every administration of this Province since the Federation has been able to show a surplus, and we hope that it continues.

"One important matter which I understand is under discussion is the uniformity of tax laws. It has been my pleasure to attend a number of the sessions of the National Tax Conference of the United States, and I can assure you that the work they have been performing over there has been of great benefit to the people of the United States in arriving at uniform laws and arriving at a proper basis of levying taxes. They have been studying for years the proper form of State income tax. I hope it is something we won't have to levy in the different Provinces of the Dominion. With the unlimited expenditures that are involved in the present programme to promote constructive education, etc., there seems to be no limit to the demand made upon taxes.

"I have great pleasure, on behalf of the Province of Ontario, in welcoming you to this Conference and I hope your deliberations will meet with every success."

The Chairman returned the thanks of the Convention.

Paper on "Taxation for Provincial Purposes in Quebec," by J. A. Bégin, Comptroller of Provincial Revenue, Quebec.

"Before entering upon the subject which has been allotted to me for this Conference, that is: taxation for provincial purposes in Quebec, allow me to discharge the agreeable duty of congratulating the promoters on the idea of discussing the question of taxation in general.

"Taxation is a problem which interests almost every individual in the land, whether he be a lawmaker or a taxpayer, and any means taken to solve the problem to the best interest of the people is deserving of much approval and credit. The invitation tendered to the representatives of both governing and governed bodies, to meet, to convey to one another the knowledge of what is being done in their respective spheres of activity, to express their views as to what should be done at large, is an effective way of finding a proper solution of the problem, inasmuch as it may lead to a better distribution of the burden of taxation.

"One of the principles of political economy is to tax everybody in proportion to his ability to pay, but the exigencies of politics have kept the governing bodies from following that course—they have often taxed the few for the benefit of the many. Of late years, however, a change is taking place. The expenditures of governments are always on the increase, and instead of meeting that increase by an increase in the rates of the old taxes, they are creating new ones, and the work of this Conference may help them in finding out what is being done elsewhere in the way of more sources of revenue, and may consequently occasion, as I said, a better distribution of the burden of taxation on their people.

"Allow me to make a second digression from the main subject of this paper, and give some general views and historical data on taxation.

"Taxation is a conception of political economy which has been honoured with a different definition by every economist who has written on the subject, so much so that one of them has undertaken to put them all in book form.

"You will please let me cite the most typical ones:

"Proudhon and Emile de Girardin say that taxation is an exchange where the State gives its services and the taxpayer his money.

"J. B. Say, who certainly had grievances against any fiscal policy, said that taxation was a calamity.

"Ricardo said that taxation is that portion of the production of the soil and of the industries which is placed at the disposal of the government.

"Rossi said that taxation is the annual demand made by the State of part of the revenue of such of its people who are supposed to have any.

"Adam Smith said that taxation is the contribution of all the members of the community or of part of its members towards the expenses of governments.

"Paul Leroy Beaulieu said that taxation is the contribution exacted from each citizen as his share in the expenses of governments.

"This shows that the easiest thing to conceive is sometimes, notwithstanding the opinion of Boileau, a French author on literature, the hardest thing to express. The taxpayer has probably the best idea of what are taxes, because he feels them keenly. However, he does not undertake to define taxation, but very often defines his feelings about it, and this is not always done in an academic style.

"The essential qualities required from taxation have been laid down by Adam Smith, at the end of the last century, into four maxims:—

"1. Equality of taxation does not consist in exacting payment from every citizen, but in exacting payment in proportion of the means of every one of them. This maxim explains that the wealth or the revenue of a citizen shall be the measure of his contribution.

"2. Taxation must be certain and not arbitrary. This means that the law under which taxes are levied shall state clearly to the taxpayer what is the amount to be paid, or how to calculate it and the time it is due.

"3. Taxes must be payable at the time and in the manner the most convenient to the taxpayer. This rule is generally followed by lawmakers who, from experience, know at what time in the year the wool is the thickest to shear the flock.

"4. Taxes must be collected economically. When people pay taxes for a purpose, they do not desire that a large part of them be diverted from that purpose, in costs of collection.

"Those four maxims may be summed up into four words: Equality, certainty, convenience and economy. But there are also other rules which experience has since then established:—

"1. Tax collectors must avoid frequent and direct contact with the taxpayers. This maxim is subject to criticism, if we consider the popularity of the administration.

"2. Taxes must be divided under many heads. The progress of civilization has had the effect of dividing wealth, actual and potential, into so many classes that the system of single tax, based on only one class, would of necessity put the whole burden of taxation on the shoulders of only such people as would possess that class of property, and, as a consequence, would create injustice.

"3. Taxes should be imposed only for the purpose of creating revenues to the government. I must admit, however, that this principle is not always followed, because taxes are often levied for the purpose of protecting industries or for the ostensible purpose of limiting luxury.

"4. The older is the tax the better it is for the taxpayer. A new tax of any magnitude may unbalance his budget, while an old one is generally provided for.

"Lawmakers are sometimes apt to ignore those maxims of political economy, as much as they are, the principles of science. They often follow the line of least resistance. A story is told of a meeting which took place between Faraday, the famous English electrician, and the equally famous statesman, Gladstone. Faraday was showing him an apparatus and was doing his best to explain its working and its advantages. 'But,' said Gladstone, 'after all, what good is it?' 'Why, sir,' said Faraday, 'you will be able to tax it.'

"People, nowadays, will hardly believe that in centuries gone by there were no taxes to pay. Still it was so. During the first centuries, the revenues from the property owned by the kings were sufficient to meet their expenditures. Subsequently, those revenues proved insufficient in extraordinary circumstances, such as war, and special levies in men and in nature were then resorted to in order to make up for the insufficiency of the land revenues. It is only during the fifteenth century that permanent and regular taxes were imposed in France, and during the seventeenth century that they were imposed in England, and that permanency and regularity has since been made so complete that taxation is now the daily bread which keeps governing bodies alive. No representative government could maintain without taxes and no people could get rid of that necessity.

"It is Franklin who said that there are two things to which we are all subject, without exception, that is death and taxes.

"This being so, it became incumbent upon the governments to devise ways and means to obtain revenues which they required from their people.

"In Canada, the Confederation Act limits the scope of the Provinces in that respect.

"Section 92 says in regard to Provincial revenues:—

"In each Province the Legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated, that is to say:

'2. Direct taxation within the Province in order to the raising of a revenue for Provincial purposes.

'5. The management and sale of the public lands belonging to the Province and of the timber and wood thereon.

'9. Shop, saloon, tavern, auctioneer, and other licenses in order to the raising of a revenue for Provincial, local or municipal purposes.

'15. The imposition of punishment by fine, penalty, or imprisonment for enforcing any law of the Province, made in relation of any matter coming within any of the classes of subjects enumerated in this section.

'16. Generally all matters of a merely local or private nature in the Province."

"Section 118, since amended in favour of the Provinces, states that an annual subsidy shall be paid by the Dominion to the Provinces.

"Under the general powers granted to the Provinces by those two sections, they have sources of revenue which may be classified as follows:—

- (a) Federal subsidies.
- (b) Sale or lease of their private domain, or property.
- (c) Direct taxation on property, capital and revenues.
- (d) Licenses or permits to carry on business or to do a certain thing.
- (e) Fines for contraventions.

"Provinces do not generally derive their revenues only from taxation. They have property and rights, which they may either sell or lease; they may also exact contributions to certain provincial expenditures from persons and municipalities, in the form of a refund, and for the better understanding of the extent and variety of the revenues of the Province of Quebec, I will, gentlemen, divide my remarks in three parts: the first one showing some of the revenues derived from taxation, the second one showing the revenues from the operations of the Alcoholic Liquor Act, and the third one showing some of the revenues derived from other sources.

REVENUES FROM TAXATION.

Incorporation of Companies.

"The Province charges, to incorporate companies, a fee which is graduated from \$40, when the authorized capital is \$20,000 or less, to \$500, when the authorized capital is \$1,000,000.

"During the fiscal year ended 30th of June, 1922, those fees brought a revenue of \$71,331.75, and there were, during the same year, 664 companies incorporated under provincial charter, representing an authorized capital of \$83,689,999.

Extra Provincial Companies.

"Any company which has not been incorporated under any law of our Province, or which has not a Dominion charter, requires a license to do business therein. The fee charged therefor is \$100, when the authorized capital is \$40,000 or less, and is raised up to \$385, when the authorized capital is \$1,000,000.

"This license acts as a charter to do business in the Province, and replaces the incorporation granted to other companies. During the same fiscal year, 67 of them have taken such a license.

Taxes Upon Corporations and Companies.

"Apart from incorporation or license fees, annual taxes are levied upon the following corporations carrying on business in the Province, to wit: Banks, insurance, loan, navigation, telegraph, telephone, express, tramway, railway, sleeping or parlor car and trust companies, and also upon every incorporated company carrying on in the Province any undertaking, trade or business other than those above mentioned.

"The basis of the annual tax is not the same for all the corporations and companies.

"In the case of telegraph companies, the tax is a fixed sum; in the case of insurance companies, the basis is the gross premium; in the case of express companies, it is the earnings; in the case of tramways and railways, it is the trackage; in the case of sleeping or parlor car companies, it is the capital invested; but in all other cases, such as banks, loan, navigation, telephone, trust and other incorporated companies, whatever be their trade or business, it is the paid-up capital of the company.

"The paid-up capital may not be the most equitable basis for a tax of this kind, but it is found by the administrators of the law to be easier to ascertain and to control than capital invested or profits made.

"This reminds me of the story of a prominent merchant who was found dead at his desk. Before him were two envelopes returned by the post office on account of being misdirected. Through an error, he had sent to R. G. Dun & Co. the financial statement he had prepared for the Tax Office, and to the Tax Office, the one he had prepared for R. G. Dun & Co.

"The basis of our annual tax does not put the taxpayer in such a risky situation, and to avoid inequalities of the tax when established on such a basis, a reduction of the tax is allowed to navigation, trust and incorporated companies which have their head office outside of the Province, or which, while having their head office in the Province, have most of their corporate assets outside of the Province.

"During the same fiscal year, the taxes on corporations and companies collected by the Province amounted to \$2,009,673.32.

Mortmain.

"The Province requires that persons in mortmain and corporations whose capacity in this respect is limited, be authorized to acquire and hold movable property, and persons in mortmain to acquire authorization to alienate and hypothecate movable property. Those authorizations are granted by way of a permit from the Province, for which there is a fee charged of \$100 when the permit is general, and \$10 when it is special. There have been, during the same fiscal year, 46 permits granted, which brought to the Province a revenue of \$3,072.00.

Duties on Successions.

"The laws under which duties on successions are levied have been divided into two chapters: The first chapter covers the cases where the deceased is domiciled in the Province or outside and the property is situate in the Province. In those cases, what is taxed is the property transmitted owing to death. The other chapter covers the case where the deceased is domiciled in the Province and the movable property is situate outside. In this case, what is taxed is not the property itself, but its transmission from the deceased to the heirs or legatees, which transmission takes place in the Province because the deceased was domiciled therein, at the time of his death. However, it is necessary in this case that the heir or legatee be himself, at the time of the death, either domiciled or ordinary resident in the Province. Otherwise, the law would not apply in his case, so far as his share in that movable property is concerned.

"The rates are divided in three classes: In direct line, they graduate from 1¼% to 5%, with a surtax graduating from 1% to 3%. In the collateral line, they graduate from 5½% to 15%, with a surtax graduating from 1% to 5%. If the succession devolves to a stranger, the rates graduate from 10% to 20%, with a surtax graduating from 1% to 5%.

"All the rates are calculated upon the real value of the property transmitted, and not upon the market value, as is the case under succession duties acts of most of the other provinces.

"During the same fiscal year, the duties on successions collected by the Province amounted to \$3,005,292.56.

Seizin.

"Whenever the deceased is domiciled in the Province, the movable property is situate outside the Province, and the heir or the legatee is either

domiciled or ordinary resident outside of the Province, the seizure of such property by such heir or such legatee is not effective until the heir or the legatee has been put into possession or has received legal delivery of such movable property, upon payment to the Province of a court fee which is equivalent to 3% of the real value of that property when the transmission is in direct line, to 9%, when it is in collateral line, and to 15%, when the transmission is between strangers.

Licenses on Different Trades.

"The Province exacts licenses for the following trades, for which different fees are charged:

- (a) To keep and operate a hotel, a restaurant or a lodging house.
- (b) To operate places of amusements.
- (c) To operate race meetings.
- (d) To act as an auctioneer.
- (e) To trade as a peddler.
- (f) To operate billiard tables and bowling alleys.
- (g) To operate public laundries.
- (h) To act as brokers in shares, bonds and other securities.
- (i) To keep a loan office.
- (j) To sell powder.
- (k) To act as a pawnbroker.
- (l) To operate automatic distributors.
- (m) To operate employment bureaux.

"In case of race meetings, the revenues are derived from four sources:

1. A daily license fee based upon the mileage of the track.
2. An entrance duty charged to the public, also based upon the mileage of the track.
3. A duty equal to the difference between 12½% of the total amount of bettings and the percentage which the operators of race tracks are entitled to keep under the Federal law concerning race meetings, and
4. A license for each recording machine used on the track.

The revenues derived to the Province from those licenses, for the same fiscal year, amounted to \$1,708,289.14.

Motor Vehicle Law.

The revenues which the Province derives from its motor vehicle law are the following:

1. A tax, in the form of a registration fee, of 90 cents per H.P. on all pleasure cars possessed in the Province.
2. A tax of \$50 per ton capacity on all commercial cars possessed in the Province, and not equipped with pneumatic tires; and of \$25 per ton capacity, when equipped with pneumatic tires.
3. A license fee of \$5 a year is charged to operate a motor vehicle, whether as a chauffeur or as an ordinary driver.

4. Licenses are also issued to garages, which are \$5, \$10 or \$20, according to location.

"The formula used to determine the H.P. of a pleasure car is not, in Quebec, the same as elsewhere. Following in this respect the dictates of physics, the stroke of the cylinder is one of the four factors considered, and the consequence is not only the satisfaction of having a formula based upon scientific principles, but also the one of taxing, to the extent of their available H.P., not only the low-power machines, but also the high-power ones.

"During the same fiscal year, the taxes and licenses under the motor vehicle law have brought a revenue of \$1,982,906.79.

Registration and Law Stamps.

"By means of stamps sold and affixed on documents, the Province charges certain fees for the registration of transfers and other transactions concerning real estate, and also on court proceedings. The revenues which it has derived from the sale of law stamps, during the same fiscal year, amounted to \$579,250.20, and from the sale of registration stamps, to \$263,270.80.

"The Province has a number of other taxes, but they do not deserve any special mention, on account of their lack in importance. It has, however, no general property tax nor any general income tax.

"We will now consider the revenues derived from the operations of the **Alcoholic Liquor Act**.

"The Alcoholic Liquor Act has not been enacted for the purpose of raising money, although it was expected that it would be a revenue producer, but it has been passed as a protective measure against the abuse of alcoholic liquors.

"Before explaining what are the sources of revenue under that act, please allow me a few words as to its origin.

"The Province was under a license system for a great number of years, and under that system the licensees could sell strongly alcoholized liquors as well as light ones. The consequence was that about 84% of the municipalities in the Province had passed local prohibitory by-laws. In 1919, the Province decided to try a prohibitory law for the whole Province, and at the same time, by way of a referendum, asked the people if they would be in favour of the sale of light drinks. Most of the municipalities, which had for the first time the occasion to decide on light drinks independently from strong drinks, declared strongly in favour of the light drinks. The consequence was that in 1919 some licenses were issued for light drinks, that is, beer and wine, to a certain degree of alcohol, and the strong liquors were prohibited, save and except for industries, sacramental and medicinal purposes. The Province remained under this new system for two years, but the people were not satisfied and the abuses in strong drinks were larger than ever.

"The two main factors of the abuse of liquors are the appetite of the vendor for gain and the appetite of the consumer for drinks containing alcohol. It was then realized that the appetite of the vendor could be taken away by legislation, but that the appetite of the consumer could, in most cases, only be sharpened by too prohibitive a legislation, while it could be dulled by a restrictive one. The remedies then consisted, in the first place, in having no more vendors of strong drinks, save the Province itself, and in the second place, in permitting to licensed vendors only the sale of light drinks.

"This is neither the place nor the occasion to discourse upon the advantages of such a policy in the point of view of temperance, but let me tell you that the great majority of our people are satisfied with the liquor law passed in 1921, as it allows the use and prevents the abuse, and that it has already produced good results in this respect.

"As I said before, the act has turned out to be a good revenue producer for the Province.

"There are permits issued to brewers to sell beer exclusively to the retailers.

"There are also permits issued to the retailers to sell beer exclusively to the consumers, and in case of hotels and restaurants in cities, to sell also wine to the consumers, during their meals, which wine they must purchase from the Quebec Liquor Commission.

"There is also a tax of 5% of the gross sales of beer by the brewers.

"The alcohol and spirituous liquors are exclusively sold by the Quebec Liquor Commission directly to the consumers.

"The Quebec Liquor Commission is entirely at liberty to refuse any of those permits, and they cannot grant any in small municipalities, unless the people of the municipality have, by a public vote, asked the Commission to grant permits within their territory.

"The financial results of the operations of the Quebec Liquor Commission are the following for the year expiring 30th of April, 1922:—

"The revenues derived from permits, and duties, less enforcement expenses, form an amount of.....	\$1,140,963.86
And the net trading profits form an amount of.....	2,860,010.64
Forming a total net revenue for that year of.....	\$4,000,974.50

"This net trading profit represents a percentage of 18.80% of the total amount of alcohol, spirits and wine sold by the Commission during the year, and for the purpose of keeping the percentage of profits within reasonable bounds, the Commission revises, once in a while its price list.

"As I said before, the Province derives revenues from sources other than taxes and the Liquor Act, and I will mention only the principal ones, excepting the Federal subsidies.

Mines.

"The revenues derived by the Province from the mines consist in miners' certificates, in mining licenses or concessions based upon the acreage, in transfer fees, and principally in a royalty of 2½% on the gross value of all asbestos produced by the mines and mills in the Province.

"The total revenue derived from those sources, for the fiscal year ending June 30th, 1922, amounted to \$205,707.34.

Fish and Game.

"The revenues derived by the Province from the fish and game consists in rental of lakes and rivers, rental of hunting grounds, fishing licenses, hunting licenses, club registration, and a royalty upon each skin of a fur-bearing animal taken on the territory of the Province, which graduates from 2c. for each weasel to \$15 for each black fox. Royalties were paid, during the same fiscal year, for 404,206 skins. The total revenue derived from fish and game for the same fiscal year amounted to \$345,441.28.

Municipal Contributions.

"The Province has charge of the maintenance of insane, of the reformatory and industrial schools, of the court houses, and of the common gaols, and has enacted laws which force municipalities to contribute towards those expenses.

"Those contributions are the following:—

"For the maintenance of insane, every municipality has to pay half of the expenses of maintaining insane people coming from that municipality.

"For the reformatory and industrial schools, every municipality has to pay half of the expenses of maintaining children coming from that municipality.

"For the building and jury fund, \$12.00 a year by each municipality, and a larger amount for Montreal and Quebec.

"For the maintenance of common gaols, every local municipality has to pay 15c. a day for the maintenance in common gaols of any offender coming from that municipality.

"The total amount of those contributions, for the same fiscal year, amounted to \$902,165.97.

Public Charities.

"The Province has created a special fund for the purpose of helping the poor people. The fund is composed of the following appropriations and contributions:—

1. All the revenues derived from provincial licenses on places of amusement, and all those derived from provincial licenses and taxes, concerning race meetings, are specially appropriated to that fund.

2. The municipalities, where there are places of amusement, have to collect from every person going to them a tax equivalent to 10% of the price of admission, and the municipality shall, every three months, deposit with the Government, in that special fund, half of the gross proceeds from such tax.

"The operations of this law commenced only in the course of last year, but from the results so far obtained, it is conceded that it will give a yearly revenue of about \$1,000,000.

Woods and Forests.

"It is many years now since the Province ceased to make any extensive sale of timber limits, for two reasons: the first one, because the Province derives sufficient revenues from other sources, to keep its property, and the second one, because the Province considers that its forests are increasing in value every year and are therefore worth keeping. Whatever sales are now made are of strips badly wanted by neighbours who are getting short of wood on the river on which they operate.

"Another feature worth mentioning is that all the timber taken from the timber limits sold by the Province must be manufactured in the Province.

"What is called a sale of timber limits, is not a sale of the land and timber thereon, but only a grant to the highest bidder of the privilege of cutting and removing timber from a given territory to the exclusion of others on the following terms and conditions:—

(a) The payment of a premium per square mile, determined by auction, over and above an upset price fixed in advance by the Province. Of late years, the average amount of the premium paid for the few limits sold has been \$450 per square mile.

(b) The payment of an annual ground rent of \$6.50 per square mile, by the holder of the timber limit.

(c) The payment of the following stumpage dues on all timber cut during the year on the limit, graduating from 10c. to 15c. per cubic foot in the case of square timber, and from \$2.70 to \$5.00 per 1,000 feet, board measure, in the case of saw logs.

"Whenever a timber limit is transferred, a transfer fee of \$20 per square mile is also charged by the Government.

"The revenues derived by the Province during the said fiscal year from its woods and forests are the following:—

(a) From premiums.....	\$ 19,166.66
(b) From ground rents.....	430,569.57
(c) From stumpage dues.....	2,972,577.25
(d) From interest on outstanding accounts and fines.....	182,525.17
(e) From transfer fees.....	86,960.00
	<hr/>
	\$3,691,798.65

"Furthermore, for the purpose of encouraging reforestation, the Province maintains a nursery from which it delivered, last year, 579,833 plants.

Water Powers.

"Let me say a few words of the policy of the Province of Quebec concerning its water powers. In years gone by, no value was attached to them, so much so that when the Kings of France were granting large tracts of land, each of them being about the size of a township, the grantee was not only given the water powers in the territory, but was compelled to put up at least one grist mill to grind the wheat raised by the farmers in the territory.

"During the first part of the nineteenth century, another use was found for water powers. It was the putting up of sawmills run by water to saw logs into lumber, but with the opening of the pulp and paper industry in the latter half of the nineteenth century, water powers acquired suddenly a very increased value, and then the Province of Quebec decided to keep the ownership of all water powers which had not been granted, and to lease them under such conditions as would not only bring revenues to the Province, but would create and increase the industries therein.

"The actual policy of the Government in that respect is that any water powers required for immediate development, are leased for a period of years extending from 25 to 70. Those leases are granted by auction, after proper advertising. The leases contain, amongst other conditions, the following: The grantee must pay every year a rental which is composed of two sums: the first one being the upset price fixed by the Government before the auction, and the second one being the amount offered by the highest bidder.

"Another condition is the payment by the grantee of an annual royalty of 50c. per each horsepower developed, such royalty being subject to revision every ten years, and also the payment of an additional annual royalty of 50c. per horsepower, if the energy obtained therefrom is used outside of the Province.

"The lease also states what shall be the minimum power developed, and stipulates, as an essential condition, at what times the work of development shall begin and shall be completed.

"The revenues which the Province already derives under such leases amount to about \$300,000 a year.

Storage Dams.

"The Province has also adopted a special policy in connection with the use of its rivers and water powers. It is well known that industries who put large plants upon a water power cannot operate those plants to their full capacity during the dry seasons, and the consequence is that the capital invested is generally unproductive and sometimes idle during those dry seasons. The remedy consisted in creating dams to store, during the spring,

the excess of water then existing, and use it during the dry seasons. This work cannot generally be undertaken by private industries, because there are other water powers in the same river belonging to other concerns.

• “The Province then adopted the following policy: Whenever a demand to that effect is made by industries on a river, the Government puts up a storage dam at the most suitable place in the river, maintains and administers it, and gets from the users the annual payment of a sum of money which is more than sufficient to cover the sinking fund on the cost of construction, the interest on the capital invested, and the cost of maintenance and administration.

“The Province has already built three large dams under this policy:

“The first one on the River St. Maurice, for which the industries pay, over and above the amount required for the sinking fund and the interest, an annual price of \$2.50 per horsepower.

“The second one on the River St. Francis, where the users pay out to the Government a flat rate of \$7.50 per horsepower utilized by each of them respectively, and

“The third one on the River St. Ann, where the annual amount to be paid by the users to the Government is equivalent to 10% of the total cost of the dam.

“The Province has undertaken, of late, to make two more storage dams on two other rivers, under similar arrangements. Those storage dams are expected to yield a large income to the Province when they are paid for, which will be in about 25 years from now, as the dams are made of permanent material, and the rentals will then continue to be collected.

“By that system, a permanent and regulated flow is assured all the year round to the industries on a river, and their operations are that way made larger and much more remunerative to themselves.

“Gentlemen, whether it is permissible or not, I will not tax your patience any longer and will close my remarks in summing up the situation of Quebec, as regards taxes for provincial purposes, with two statements:—

“The first one is that the Province draws the larger part of its ordinary revenues from sources other than taxation. For the fiscal year ending June 30th, 1922, the total ordinary revenues derived from taxation amounted to \$10,410,434.15, while the total ordinary revenues derived from other sources amounted to \$11,198,962.15.

“The second one is that our taxes are many, but not heavy. We consider that it is better for the people to be taxed until they are dead, than to be taxed to death, and we think with the economist that the multiplicity of taxes compensates for the inequalities of each. This sound principle has not, however, found favour with a satiric poet when he wrote the following verses:—

Taxes on your drinking, taxes on your food,
Taxes on your clothes—and you can't go nude.
Taxes when you're walking, taxes when you ride,
Taxes on the bridegroom and upon the bride.
Taxes on the chickens, taxes on the cow,
Taxes on the eggs in the old haymow.
Taxes on your income, taxes on your breath,
Tax you while you're living, and then tax your death.

“I thank you, gentlemen, for your courteous attention.”

J. A. BÉGIN,
Comptroller of Provincial Revenue,
Province of Quebec.

Discussion.

Mr. White—"Regarding the tax on steamboat companies, I would like to know something with regard to that tax."

Mr. Bégin—"The basis of taxation on steamboat companies is the same as ordinary incorporated companies—it is on the paid-up capital, but there is a provision in the law which says that reduction of the tax may take place whenever the company is only using some port in the Province or is not entirely inter-provincial, either having their head office outside or the head office inside, or just stopping on the way by."

Mr. White—"There would be no tax, I take it, on the Cunard Company, for instance."

Mr. Bégin—"Yes, whenever they come into Montreal or Quebec there is a tax, but there is a deduction made between the total tonnage and the tonnage used in the Province."

Dr. Britain—"The way the Province of Quebec is handling its resources, particularly its water power, is, I think, quite remarkable, and I would like to know a little more, if Mr. Bégin could tell us, as to where the Province gets its revenue."

Mr. Bégin—"As you know, there are a number of rivers in which several concerns may be interested. The Province has made arrangements to the effect that whenever there are sufficient industries on a river, which suffer during dry seasons on account of lack of water, that the Province itself would build the dam at its own expense and charge to the users on the river _____ for all time so long as the industries would be there, so much per horsepower in dry seasons. Three have been built and one is being built on Lake St. John."

Mr. Douglas—"I think I understand you to disapprove of the single land value tax?"

Mr. Bégin—"Yes." (Further discussion, not caught by the reporter, took place between Mr. Douglas and Mr. Bégin regarding single tax.)

Mr. White—"Regarding race tracks. As I understand you, the racing association is required to deduct from the amount of the bets made, 12½%. The racing association is allowed 3% to 7% and the Province gets the balance. As a result of that, have any of the race-tracks been forced to cease operations?"

Mr. Bégin—"No, they have not. They threatened last year to stop operations, but they went full blast all year."

Mr. Frind—"The revenues derived from realization of timber resources. Are they considered to be purely revenue resources?"

Mr. Bégin—"They are not taxation, because a man gets 100% value for what he pays for."

Mr. Frind—"Are they considered a revenue realization or partly a capital realization?"

Mr. Bégin—"We consider the natural growth of timber limits, which is acknowledged to be about 15% a year. We may very well call it revenue. Of course, this is a question which may very well be debated. It is a question of proportion between the natural increase of timber in a timber limit and the natural quantity taken out of that limit."

Mr. Frind—"Where is the dividing line between capital and revenue, or where might it be? In other words, isn't it possible that some of those

revenues should be treated as capital and separately set aside for capital realization?"

Mr. Bégin—"As I said, it is a question of proportion, and I cannot say to what extent the reforestation will fill up the gap. I have not made the calculation to find out on the one hand what has been taken out, and on the other hand what is the natural growth and what is the reforestation, but it is the general impression that with reforestation and with cutting from the ground itself instead of three or four feet from the ground, as it was in the past, and taking out only such trees as are of a certain minimum size, that a forest can remain a great many more years than you or I think for.

"The Province has a law which is to divide the whole timber district of the Province into a certain number of districts, and that wood be taken only from a given district for one year, and no one could go there and take a piece of timber for about fifty years."

Dr. Brittain—"I understand you to say that you planted 575,000 trees last year. Was this done out of revenue from reforestation?"

Mr. Bégin—"Yes, the department pays that."

Mr. L. I. McMahon, Montreal, also took part in the discussion.

"Municipal Taxation in Quebec"—Mr. Oscar Morin, Deputy Minister of Municipal Affairs, Quebec, P.Q.

"Municipal institutions, in Canada, are the outcome of the largest possible exercise of political liberty.

"Under the old French Régime, municipal affairs possessed certain prominent features which are of interest, even though they were radically different in conception and structure from those now in existence.

"Many of the streets of Montreal and Quebec bear witness to the manner of living of the dwellers in those cities under the old régime, and no review of Canadian municipal institutions could afford to ignore this earlier period.

"Samuel de Champlain, who founded Quebec in 1608, informs us that he published ordinances for the good government of the Colony. It is useless to remark here that these ordinances were not subject to the approval of the taxpayers, and the latter had never heard mentioned such a thing as a sufficient fund to redeem bonds at maturity.

"Monsieur de Montmagny, who succeeded Champlain, repaired and strengthened the defences of Quebec. He also traced a plan of the settlement, marking out the streets according to a system. Those who know the narrow and tortuous way in which certain streets in the lower town of Quebec are grouped, may conclude that this system, while not without its picturesque features, was not remarkable for symmetry. De Montagny also erected a pillory which served for the whipping of criminals and for the publication and proclamation of public notices as well.

"The energetic Count de Frontenac, some years later, applied himself to giving municipal government to Quebec. He ordered the election of three aldermen, the senior of whom was to be Mayor. One of the three was to retire annually, his place to be filled by a new election, the Governor reserving his right to approve or veto the same.

"This is the first trace of a municipal organization in the history of the new world (1672-1689).

"Frontenac, also, in conjunction with this rudimentary Town Council, framed regulations for the administration of the settlement destined, as he often declared, to become the Chief City of French Canada. Meetings were

to be held semi-annually to consider matters of public welfare. Colbert, however, shattered all these fine projects and democratic germs by a sharp rebuke which seems to have been effective in its influence, not only upon Frontenac, but upon his successors as well.

"At Montreal, De Maisonneuve, as local Governor, administered municipal affairs himself. Nominally, he was subject to the Governor, but distance, that is, 180 miles from Quebec, five days' travel in those days, made him practically independent.

"Ten local ordinances promulgated by De Maisonneuve (1642-1666) have been preserved; four relate to the sale of liquor, three to the defence of the town, and the others to the construction of a church and the administration of justice.

After the Cession.

"For three years after the cession of French Canada to Great Britain, affairs municipal, as well as those of larger import, were administered by military officers.

"General James Murray was stationed at Quebec, General Thomas Gage at Montreal, and Colonel Ralph Burton at Three Rivers.

"General Murray, as Governor-General, administered municipal affairs with the assistance of an Executive Council composed of the local governments of Montreal and of Three Rivers, the Chief Justice, the Surveyor of Customs and eight leading citizens. This council performed for Montreal and other towns the duties that are now entrusted to aldermen.

"The next controlling power in municipal affairs was the Legislative Council, appointed under the provisions of the Quebec Act of 1774. This Council, which was first presided over by Guy Carleton, afterwards Lord Dorchester, consisted of twenty-three members. Montreal continued still to be governed by Quebec, the council sitting with closed doors in the Castle of St. Louis, on the Citadel rock.

"For some time after the appointment of the Legislative Council, municipal affairs received but scant attention owing to the excitement caused by the Quebec Act.

"In 1791, the Constitutional Act was passed which divided Canada into Upper and Lower, and gave each province a Parliament which included a Legislative Council. The elective branch retained the control of local affairs which the legislative councils had previously exercised. Every municipal statute or ordinance defined and explained the duties of the magistrates in relation thereto.

"The Justices of the Peace formed the local administrative body which carried into effect the ordinances of the Councils or Parliaments. These are indeed the characteristic features of the municipal administration of Montreal and Quebec from the Cession until the cities obtained their first charters in 1832. These charters were the first municipal charters in the history of our country, but were limited to a period of four years, and, owing to the disturbed condition of the country, were not renewed.

"Montreal and Quebec received their second charters in 1840, and, since that time, in common with the leading towns and cities of the Province, look directly to the Legislature for any increase or modification of their corporate powers, and are not governed under the provisions of a general Act as are the towns and cities of Ontario.

"In 1855 (18 Vic., Ch. 100), a most important and elaborate Act was passed: 'The Lower Canada Municipal and Roads Act.' It reformed the

municipal system of the Province and established: 10 county, 20 parish and township, 30 town and village municipalities, all of which were represented by elective councils.

"This Act must be considered as the basis of the actual municipal system in operation at the present time.

"The Government of our cities and towns is the most important problem we are called upon to solve in the interest of efficient democracy. It can only be solved through a general appreciation of this fact by our municipal councils, and through thoughtful, organized, co-operative effort.

"And it is to contribute to such a 'thoughtful, organized, co-operative effort' towards a better municipal administration, that the Government of the Province of Quebec created the new Department of Municipal Affairs.

"The prosperity of the country depends, largely, upon the good administration of municipal affairs, and, in order to promote efficiency, the Government decided to adopt new and modern methods through the creation of the Department.

"It was realized that in the creation of such a Department, there was one danger ahead that had to be avoided: Municipal autonomy had to be scrupulously respected. It was felt that nothing in the new law must be allowed to encroach on the rights of the people to govern themselves. Therefore, the new Department cannot, in any manner or form, interfere with the administration of the municipal councils, inasmuch as the law is respected.

"The officers of the Department, being permanent, will acquire vast experience which will be placed at the service of the local administrators. These officers enter the municipal field in a friendly manner, not to take any power whatever from the thirteen hundred municipalities of the Province, but to aid them with their advice, to urge them to follow the provisions of the law, to repress abuses and to correct errors which might be committed.

"These are the sole objects of the Department, the role of which goes no further.

"This Department was created by the Quebec Act, 8 George V, Chapter 20, sanctioned February 9th, 1918, and was put into operation by proclamation on the 4th of March, 1918.

"Honorable Walter Mitchell was the first Minister of Municipal Affairs, and when he entered the Federal field in 1921, he was succeeded by the present Minister, Honorable Jacob Nicol.

"A Deputy Minister was appointed on the 4th of April, of the same year.

"The Acts 8 George V, Chapters 20, 28 and 60 (1918), and 9 George V, Chapter 59 (1919) have brought about important changes in the municipal law of the Province of Quebec.

"Amongst the most important innovations are the following:—

"10. The law gives a government control over the sinking funds destined to meet the loans contracted by the municipalities.

"This new departure has given to people seeking bond investments increased confidence in the bonds of the Municipalities of the Province of Quebec, and ensures the setting aside for the due date of bond issues, the ready money to meet the obligations of each municipality.

"The sinking fund for each loan is deposited with the Provincial Treasurer, unless otherwise ordained by the Lieutenant-Governor in Council.

"This is allowed if the security is good, such as provided under Article 981-0 of the Civil Code, which requires that money held in trust be invested as follows:—

- (a) In Dominion or Provincial stock;
- (b) In public securities of the United Kingdom or of the United States of America;
- (c) In municipal stock or debentures;
- (d) In the bonds or debentures of any school corporation in any city or town of the Province;
- (e) In real estate in this Province;
- (f) On first mortgage upon real estate in this Province to an amount not exceeding three-fifths of the municipal valuation of such real estate.

"This new departure was, and is still, viewed with much favour upon all sides.

"It is realized and admitted that the sinking fund must be carefully looked after, for it is the taxpayer's saving account for the payment of outstanding bonds. It is, moreover, the bondholder's primal security for his bonds. The real trusteeship, therefore, of the Government is for the taxpayers and for the bondholders. In commercial practice, this is very clearly recognized and defined.

"20. The new law fixes a maximum term for debts incurred by municipalities for certain purposes.

"It was considered by the Legislature that it is only equitable that municipal loans be paid during the life of the work and by the generations which profit by it.

"30. Another important change is the mode of procedure regarding the voting of loan by-laws.

"The old law provided that it was not necessary that the electors should be called upon to register their votes upon a loan by-law, unless a poll was asked for by six electors.

"The new law now requires that there be a vote in every case. Moreover, there must be a certain percentage of taxpayers who register their vote.

"40. Article 5782, as enacted by Section 10, of 8 George V, Chapter 60, is new law.

"It is stipulated that every by-law ordering a loan must mention, in detail, the existing debts of the municipality.

"The object of this enactment is to permit the electors to know the exact financial position of the municipality when they vote upon a proposed loan.

"50. All municipal bonds must now bear a certificate of the Minister of Municipal Affairs, and every such bond duly certified, is valid and its validity cannot be contested 'for any cause whatever.'

"This innovation in the law is much appreciated by the public.

"The experience of the past five years, shows that the public now looks for this certificate which assures the validity of the bond.

"Before this law was enacted, every bond issue was liable to be attacked for some legal technicality, and purchasers were obliged to depend upon legal advice which had no binding authority before the Courts.

"60. The Act 9 George V, Chapter 59, contains further important legislation.

(a) It is now absolutely forbidden to give aid, in any shape or form, to industries, with the sole exception that cities and towns may exempt industries from taxation for a limited period of time. This prohibition was enacted at the request of the municipalities themselves.

(b) Unless otherwise permitted by the Minister of Municipal Affairs, all municipal corporations must now call for tenders through the Quebec Official Gazette for the sale of their bonds.

This is an important new departure. Municipal bonds were frequently sold at a sacrifice by administrators who did not realize the value of their bonds, or who were not familiar with the market prices.

We have good examples of the excellence of this legislation in the recent sales of municipal bonds, which have attained as high as 105 for municipalities which would have been delighted to accept par at private sale.

(c) Municipalities must now provide for the payment of improvement works before they can give out a contract for same.

"In the past, it had become the custom for certain municipalities to have public works done before any provision was made for their payment.

"They would pass a by-law to provide for a loan to pay for the work, and the electors and the Lieutenant-Governor in Council were face to face with the anomaly of having to approve or disapprove of a loan after the money was expended, whether they approved of the urgency or the opportuneness of the disbursement, or not.

"Such is the municipal organization in the Province of Quebec. I do not contend that it is perfect, but, such as it is, the Government places this organization at the disposal of the Canadian Tax Conference, in case you may consider that our services would contribute, in any way, to the attainment of the high ideals formulated in a Summary published in one of the bulletins of your association, as follows:—

1. Better provincial legislation;
2. More nearly uniform legislation;
3. Better methods in actual practice;
4. Higher professional attainments among assessors.

"One of the great evils from which the Province of Quebec suffers, so far as taxes are concerned, is, low assessment.

"More especially in rural municipalities, real estate is assessed at less than 40% of its value.

"It is quite unnecessary to point out to you, gentlemen, the evils of this practice.

"These evils are provincial, municipal and personal.

"10. From a provincial point of view, real estate of the municipalities of the Province of Quebec was assessed, in 1921, at \$1,681,401,548 (one billion, six hundred and eighty-one millions, four hundred and one thousands, five hundred and forty-eight dollars).

"I have no hesitation in saying that the assessment could have been made over two billions of dollars, had the assessors simply done their duty or known their business.

"Naturally, the credit and the standing of the province would be increased in proportion to the new assessment.

"20. Municipally, the borrowing power is affected by a too low assessment, and we, of the Department of Municipal Affairs, hear every day, expressions of regret when loan by-laws are refused because of a too low assessment of the municipality's real estate.

"The authorities very naturally point out that the assessment does not show up the real value of the property, and the proportion of the proposed debt is not as bad as it would appear from the valuation roll, but the law binds us to the valuation roll, and they have either to increase the assessment or abandon the loan.

"30. Even individuals are affected by this practice in their private credit, for, no serious money lender would consent to a loan without consulting the valuation roll, and if a loan of \$5,000 is applied for on a property which is really worth \$10,000, but is assessed at \$5,000 or \$6,000, I am very much afraid that it would be refused.

"The Department has, during the last few months, undertaken a campaign throughout the Province to educate the people on this point.

"Several municipalities have been converted to the true faith, and we have hopes that in the near future all municipalities will be assessed according to law.

"The law says that all real estate shall be assessed according to its real value.

"In Quebec, the following property is not subject to taxation:—

- (a) Lands belonging to His Majesty; the property of the Federal or the Provincial Government and of the municipal corporations;
- (b) That belonging to religious, charitable or educational institutions;
- (c) Immovables used for public libraries, as well as all educational establishments.

"All proprietors and occupants of property not belonging to His Majesty are nevertheless, subject to taxation for the cost of certain local improvements, but only the actual value of the lands shall be considered to establish the tax to be imposed upon the property.

"In Quebec, in cities and towns, a tax of not more than 2% may be imposed and levied on immovables.

"When the tax imposed amounts to 2%, the council cannot impose further taxes without the authority of the Lieutenant-Governor in Council upon the recommendation of the Minister of Municipal Affairs.

"All farm lands may be taxed to an amount of not more than 1%.

"A tax of not more than \$200 may be imposed and levied on all trades, manufactures, commercial establishments, occupations, professions, callings or means of earning a livelihood.

"Taxes on non-residents may exceed the others by 50%.

"I consider that one of the soundest means of securing progressive municipal administration, is to have local improvement taxes for works of local interest.

"If you adopt that system, you get first the paramount condition, which is that no works will be asked for until necessary, and will be asked only when they are to be paid by the people asking them, and who will benefit by them. It has for effect the development of certain streets or districts which are ready to pay for the improvement, and can afford to do so.

Otherwise, when the improvements are paid for by the town or city at large, the petitioners consider that they are not paying for these improvements, because of the very erroneous idea that what is paid by the town at large is paid by nobody. Works are consequently asked for unnecessarily, and burden the town to such an extent that in many cases the municipality is unable to meet its obligations.

"Evidently, this applies to works of purely local interest. A trunk road, a trunk sewer and a trunk water main, which are partially of general interest, should be paid out of general funds, in proportion to that interest. In other words, the law must be applied with common sense.

"A condition which is peculiar to the Province of Quebec, is the separation of school and municipal administrations. These taxes are imposed in all cases by two separate bodies, the school board and the municipal council. Except in the three or four larger cities of the Province, the school taxes are collected by the school boards themselves, who have full control of all matters appertaining to public instruction under the supervision of the Superintendent of Public Instruction, assisted by the Catholic and Protestant Committees of Instruction, respectively.

"As you are aware, we have separate schools, and, let me tell you, they get along very nicely. I may mention a very interesting case which happened during the last Session of the Legislature, when, in the City of Montreal, and a few other cities, the Catholics consented to increase their taxes in no small degree, in order to come to the assistance of the Protestant Board.

"I have attempted a brief résumé in the short time placed at my disposal, of municipal law and municipal taxation in the Province of Quebec.

"Dillon says: 'The subject of municipal government naturally suggests thoughts and reflections of wide, deep and permanent interest.'

"By our longstanding, uniform and settled policy, and all our sentiments, traditions and usages, every distinct community in our land is self-governed in all its local concerns. This policy is based upon these solid and rational foundations; that the control of local affairs and the consequent responsibility should be vested in those who are immediately and directly interested, and who will, therefore, reap the advantages of care and good management, or suffer the consequences of neglect or mismanagement; that the possession and exercise of such powers by the citizen develops his capabilities for self-government, whereas, if the power of local control is not possessed or exercised, the interest of the citizen will cease, and his capacity for self-government, both local and general, will become atrophied and inefficient.

"The cultivation and practice of civic patriotism are among the chief duties of Canadian citizenship.

"By civic patriotism is meant the feeling and the taking of a deep, unselfish, earnest, ever wakeful, active interest in the affairs of one's own city or local community, a name and interests of its own, and, if one pleased, endowed with a sense of personal honour, and with all laudable ambitions for the promotion of the welfare of the people.

"Where such civic virtues exist, the local community will neither suffer from the dry-rot of public indifference and neglect, nor become tainted with graft and corruption. Its life will be healthful, and, like the ocean, will be kept pure by its own ceaseless flow and movement.

"All life-giving patriotism is local. Show me a good municipal citizen, and I will see a citizen who loves his Province, who loves his country, and who will discharge all the duties of this triple relation. Good government in local affairs is the best assurance of good government in provincial and national affairs.

"Happily, our experience in our country has demonstrated, time and time again, that misrule or neglect cannot go beyond a certain limit, that our community is sound at the core, and that there is in every municipality of this Canada of ours, enough civic virtues which, whenever called into activity, cannot but ensure well-ordered and honest municipal rule."

Discussion.

Mr. White—"May I ask how you state the rate of interest which the Government is paying for money deposited with the Government?"

Mr. Morin—"We pay 3½% on all sinking funds deposited with the Provincial Treasury, but the municipalities, instead of depositing the money in cash, may purchase Provincial bonds."

Mr. White—"I presume the machinery in the Act is sufficiently strong to compel the depositing of money with the Provincial Treasury?"

Mr. Morin—"Yes. Mr. Bégín's department has charge of this, and if they do not deposit with the Provincial Government, he gets after them."

Mr. Armstrong—"You allow the municipalities 3½% on sinking funds deposited with the Government. Supposing you make more than 3½%?"

Mr. Morin—"That would compensate only very slightly for the cost of operation of the sinking fund."

Mr. White—"Do the municipalities buy these bonds themselves?"

Mr. Morin—"They do buy them."

Mr. White—"Will the Government assume any loss in connection with these bonds?"

Mr. Morin—"If it is the Government's fault, yes."

Mr. White—"Presuming that the bonds will not realize their value?"

Mr. Morin—"No, the Government accepts the bonds on the municipality's own responsibility. We accept no industrial bonds, only municipal bonds."

Mr. Geo. C. Copley (Hamilton)—"What powers are exercised by the Provincial Board of Health?"

Mr. Morin—"The Provincial Board of Health has every power to force municipalities to do anything that is considered by the Board of Health to be in the interest of the municipality. . . . I only want to point out that the decision must be taken by the Provincial Board of Health, not the local one."

"It may interest you to know that there is now no Provincial Board of Health. Dr. Lessard has all the powers of the Board of Health."

Mr. Voizard—"Is an industry allowed to vote on a money by-law?"

Mr. Morin—"The general law does not permit an industry to vote on a money by-law."

"I am speaking in a general way of the general law. You take Westmount, for instance. Everything is special in Westmount."

Mr. Frind—"Has the Department attempted to place the facilities of higher education at the disposal of officials for special education and special preparation in the way of municipal laws, etc., or anything in that line?"

Mr. Morin—"Nothing done yet, but the question has been studied for some time."

Delegate—"In the Province of Quebec do the municipalities tax income?"

Mr. Morin—"No, the only income tax is collected by the Dominion Government."

It was duly moved, seconded and carried, that a hearty vote of thanks be extended to Mr. Bégin and Mr. Morin for coming and speaking to the Convention and answering so many questions.

**Paper on "Taxation and the Ordinary Citizen"—Horace L. Brittain,
Director, Citizens' Research Institute of Canada.**

"1. Why the Ordinary Citizen Should be Interested in Taxation.

"Government exists for one reason, and one reason alone, i.e., to obtain for citizens collectively services which they cannot better obtain or perform for themselves individually. In rendering these services, expense is incurred. This expense is defrayed from taxation. When a citizen pays taxes, therefore, he is paying for services just as when he purchases services from the butcher, baker and candlestick maker. The ordinary garden variety of citizen is the one most vitally interested in how he shall be taxed, i.e., in how he shall pay for services rendered by his agents, the Municipal, Provincial and National Governments. But some citizen may say he does not pay taxes. This is a fallacy. If he eats, drinks, wears clothes or occupies a room, or all four, he pays taxes if only indirectly through the cost of the things he buys in order to sustain life.

"2. The Gradual Awakening of Citizen Interest in Taxation.

"For many years there have been organizations in many cities and towns of Canada and the United States known as Ratepayers' Associations, Taxpayers' Associations, Municipal Improvement Associations; etc. These have been increasing in number and activity during the last two decades. In the United States the interest has become so general that a National Tax Association was formed, which from the beginning has had the co-operation of many leading students of taxation and many officials engaged in the practical administration of taxation and assessment. This organization has specialized on state and municipal taxation, on various phases of which its various committees, after prolonged study, have issued many valuable reports which have been very influential in bringing about tax reforms in several states of the Union. For many years the National Tax Association of the United States has held annual conventions, which have been attended by many Canadian citizens interested in tax problems. Various Canadians have acted on committees of the Association.

"In Canada, while until now no general clearing house on taxation matters has been established, there has been ever-increasing interest. Local organizations have sprung up sporadically all over the country. Their work and influence have been handicapped by the absence of any avenue of direct and continuous communication between them and of any national fact-gathering and fact-distributing agency with which they could co-operate.

"3. Change in Emphasis.

"At first most of these organizations were concerned principally with the amount of taxation, i.e., the amount of public expenditure. The increases in public expenditure have been so huge during the last decade that inequalities in the incidence of taxation began to become apparent. When a tax is light and easily borne, the question of incidence rarely becomes insistent. When it becomes heavier, though easily supportable, the feeling that something is wrong grows. But when taxation begins to absorb a large part of individual incomes, the question of incidence is projected into the

consciousness of large groups of citizens, who begin to feel that not only must something drastic be done to control the amount of taxation, but that immediate attention must be given to the forms of taxation and the distribution of its burden over the body politic in the most equitable manner possible.

"4. The Evolution of Interest in Taxation Problems in Canada.

"Nine years ago a group of public-spirited citizens established in Toronto a Bureau of Municipal Research, for the purpose, among others, of analyzing the expenditures of the City, measuring the results, and giving the facts in clear and non-partisan language to the people who pay the bills.

"Not long afterward the Citizens' Research League of Winnipeg was established, under the leadership of the late, much lamented, Mr. R. S. Farr. More recently, the Citizens' Research League of Calgary was established. All these organizations conducted their work in a restricted field, and naturally paid more attention to the amount of taxation rather than its form or incidence.

"Three years ago some of the group which originally established the Toronto Bureau decided that a national organization should be established for the study of the whole field of public administration, National, Provincial and Municipal, and which should co-operate with local citizen organizations and with governments and departments of governments in increasing efficiency in public administration. The organization resulting is the Citizens' Research Institute of Canada. Since its inception, the Institute has issued 42 publications on a wide range of topics, and has conducted nine surveys of various sorts for interested groups of citizens, Chambers of Commerce and Municipal Councils. Three of these surveys have dealt directly with taxation, with particular reference to its incidence.

"It will be seen, therefore, that from the start the Institute has interested itself in problems of taxation; but as time went on it became very apparent that it should have a separate department for research and publicity in taxation. Representations along this line were made to the Institute by several readers of its bulletins. Although funds were not available at the time, the National Board of the Institute authorized the foundation of such a department, trusting to the public spirit of Canadian citizens for its support. Recognizing the necessity of the co-operation of many citizens and all citizen organizations and government departments, the new department was named the Canadian Tax Conference of the Citizens' Research Institute of Canada. It was called a Conference because it was recognized that if the organization was to have its full effect, its work should take the form of a continuous conference by mail between the Institute and those interested in taxation. This arrangement offers all the advantages of an open forum for the discussion of taxation matters without building up an additional research staff with an additional overhead. By utilizing the present organization, and avoiding duplication of machinery, it was hoped that a national tax organization could be financed.

"Results are justifying the faith of the Board. So far, 278 memberships have been taken out, including individuals, citizen organizations, public financial officers and governmental departments from all over Canada from Halifax to Vancouver. Following is a summary:—

Government Ministers.....	14
City Officials.....	26
Libraries	5
Chambers of Commerce.....	9
Press	8
Organizations	5
Financial Houses.....	9
Banks	6
Chartered Accountants.....	8

Trust Companies.....	6
Insurance Companies.....	4
Individuals	68
Industrial firms and others.....	110

"In addition to having full membership in the Institute, 76 in number are in virtue of that fact also members of the Conference. The total membership, therefore, is 354. That this result has been attained in a few months is extremely encouraging to the National Board.

"As might be expected in the first year, the expense involved in tax research and printing and distributing the reports has been greater than the direct revenues of the Institute's taxation branch, but with the loyal support of all members the relative cost of overhead can be cut down by increased membership, the amount and value of the product increased, and the Conference placed on a self-sustaining basis. The fees received since the beginning have amounted to \$2,600.00, and the expense incurred \$4,200, the balance of \$1,600.00 being borne by the contributions of the general membership of the Institute.

"5. Stages in the Solution of Canada's Tax Problems.

"The first stage is obtaining a grasp of how taxation is carried on now in Canada and in other civilized countries. It is very unwise to attempt reforms until we have a very accurate and comprehensive view of present conditions and past experience.

"The second stage is the stimulation of co-operation between governments, municipalities and citizen organizations. In no country is co-operation more essential than in Canada.

"The third stage should grow directly out of the first two—the placing of discussions concerning taxation on a national, rather than a sectional plane."

ROUND TABLE CONFERENCE.

A large number of delegates took part in the round table conference. Matters for the discussion of which there was not adequate time in the ordinary discussions after the various papers, were taken up in this general discussion, which was very interesting and instructive. It is quite impossible, on account of the large amount of "question and answer" discussion, to give a verbatim report.

MORNING SESSION, APRIL 27th.

Paper Entitled, "Where Are We Drifting?" The Problem of Taxation, with Particular Reference to the Four Western Provinces.
By C. J. Yorath, City Commissioner, Edmonton.

(In Mr. Yorath's absence, his paper was read by Alderman K. A. Blatchford, of Edmonton.)

"Where are we drifting?" How often that remark is heard when the question of Dominion, Provincial and Municipal expenditures are under discussion, and the taxpayer sees the taxation of the country soaring higher and higher. Business men, now that business conditions are so poor, are not only endeavouring to put their own house in order, but are demanding that all governments should adopt a similar attitude towards the business of the country.

"The purpose of this thesis is not to criticize any particular government or governments, but if possible to focus public attention upon some of the

salient features of our debt, annual revenue and expenditures and our municipal system of assessment and taxation in relation to other governing bodies. In order that a proper perspective of the whole situation may be obtained we must consider how local municipal revenues and expenditures are affected by those of the Dominion and the Provinces.

"Has the increase in population of the country been sufficient to warrant increasing expenditures? According to the Dominion census of 1911 and 1921, the population of Canada was 7,206,643 and 8,769,489 respectively, an increase of 1,562,846, or approximately 22%. For the purpose of comparing the debt the figures for 1913 (the year before the war) will be taken, but as there was no census in that year the population will have to be estimated. The Dominion Bureau of Statistics estimates the population in this year at 7,500,000, but it is doubtful if this is a sufficient increase over the census of 1911 if the conditions of to-day are compared with those of 1913. It has therefore been decided after careful consideration to estimate the population for 1913 at 8,000,000.

"Dominion Government Debt, Revenue and Expenditure, 1913 and 1922."

"The debt of the Dominion of Canada before the war (1913) was \$314,-301,626, compared with \$2,422,135,802 in 1922, or \$39.29 and \$276.20 per capita respectively.

"The current revenue in 1913 was \$168,689,903, and in 1922 \$381,952,387, or \$21.08 and \$43.55 per capita respectively.

"The current expenditure in 1913 was \$111,824,303, and in 1922 \$347,560,690, or \$13.98 and \$39.63 respectively.

"The interest payable on the above debt in London and Canada in 1913 and 1920 was as follows:

	1920	1913
In London	\$ 12,237,780.00	\$ 13,239,099.00
In Canada	111,871,213.00	5,010,596.00
	\$124,108,993.00	\$ 18,249,695.00

"It will be noticed from the above figures that the interest on the debt has increased from 1913 to 1920 by \$105,859,298, or an amount very nearly equal to the total expenditure of the Dominion Government during 1913, i.e., \$111,-824,303.

"While the increase in the debt of the Dominion Government was unavoidable on account of the war, although perhaps it might not have been so large, only part of the increase in other annual expenditures during the same period, i.e., \$235,736,387, can be attributed to increased expenditures arising out of the war, i.e.:

Pensions	\$ 36,178,172.00
Soldiers' Civil Re-establishment	17,781,303.00
Soldier Land Settlement	2,282,713.00
	\$ 56,242,188.00

"The balance of the increase in the annual expenditure over 1913, i.e., \$179,494,199, can only be explained by increased departmental expenditures, and these increases are more than the total expenditure of the Dominion (including interest on the funded debt) in 1913, i.e., \$111,824,303.

"The question might well be asked 'Where are we Drifting?'"

"Combined Debt, Revenue and Expenditure of Four Western Provinces.

"While there may be a partial explanation for the increase in the debt, revenue and expenditure of the Dominion due to the war, the same cannot be said for the expenditures of the four Western Provinces.

"A tabulated statement comparing the population, funded debt, revenue and expenditure of the four Western Provinces for the years 1912-13 and 1921-22 is attached hereto, a synopsis of which is as follows:

"The population of the four provinces has increased since 1913 from 2,150,000 (estimated) to 2,479,451, an increase of 329,451, or 15.32%.

"The gross debt of the four provinces shows an enormous increase from \$62,499,678 to \$264,728,195, an increase of \$202,228,517, or 323.57%.

"The annual revenue of the four provinces has increased from \$27,509,027 in 1913 to \$49,321,782 in 1921-22, an increase of \$21,812,755 or 79.29%, and the expenditure has increased during this same period from \$33,833,854 to \$51,702,321, an increase of \$17,868,467, or 52.81%.

"The increase in the combined debt and the annual expenditure which the four Western Provinces are responsible for since 1913, plus the increased responsibility due to the increased debt and annual revenue required by the Dominion Government calculated upon a per capita basis is made up as follows:

	Combined Four Western Provinces		Proportion of Dominion based on Population	Total for which Four Western Provinces Responsible for 1922
	1913	Increase in 1922		
Debt	\$ 62,499,678.00	\$202,228,517.00	\$687,500,000.00	\$952,228,195.00
Expenditure.....	33,833,854.00	17,868,467.00	100,000,000.00	151,702,321.00

"The per-capita combined Provincial and Dominion debt and annual expenditure is as follows:

Debt \$384.00 per capita
 Expenditure 61.00 per capita

"In the four Western Provinces a family of five is responsible for a combined Provincial and Dominion debt of \$1,920 and an annual contribution towards Dominion and Provincial expenditures of \$305.

"Province of Alberta, Debt, etc,

"The figures for the Province of Alberta show that with an estimated increase in population from 500,000 in 1913 to 588,454 in 1921 the gross debt has increased from \$22,633,532 to \$67,537,986, or from \$45.26 to \$114.77 per capita respectively.

"The expenditure shows an increase from \$4,409,795 in 1913 to \$10,605,156 in 1921, or from \$8.81 to \$18.02 per capita respectively.

"A comparison of some of the expenditures in 1921 with 1913 will partly explain where the large increase has occurred:

	1913	1921
Public Debt.....	\$ 576,582.00	\$1,939,634.00
Civil Government.....	392,400.00	730,783.00
Legislation.....	183,056.00	211,330.00
Administration of Justice.....	703,430.00	1,639,161.00
Public Works.....	515,062.00	1,832,047.00
Education.....	713,733.00	2,320,001.00
Agriculture and Statistics.....	428,820.00	692,670.00
Public Health.....	117,657.00	517,296.00
General Administrative Purposes.....		510,576.00
Municipal Affairs.....		126,868.00
Miscellaneous.....	569,107.00	61,634.00

"The debt and annual expenditure which the Province of Alberta is responsible for in 1922 compared with 1913, plus the increased responsibility due to the increased debt and annual expenditure incurred by the Dominion Government upon a per capita basis with a population in the province of 588,454 is made up as follows:

Provincial debt in 1913	\$ 22,633,532.00
Increase in Provincial debt since 1913.....	44,904,454.00
Total Provincial debt 1922	\$ 67,537,986.00
Dominion debt 1913 for which Province of Alberta is responsible upon a per capita basis	19,643,851.00
Increase in Dominion debt for which Province of Alberta is responsible to 1922.....	142,156,149.00
Proportion of Dominion debt for which this Province is responsible according to population	161,800,000.00
• Total Provincial and proportion of Dominion debt 1922.....	\$229,337,986.00
Expenditure—	
Provincial expenditure in 1913.....	\$ 4,409,795.00
Increase since 1913.....	6,195,361.00
Total Provincial expenditure 1922.....	\$ 10,605,156.00
Dominion expenditure 1913 upon a per capita basis	6,989,019.00
Increase since 1913.....	16,261,214.00
Proportion of Dominion annual expenditure for which this Province is responsible.....	\$ 23,250,233.00
Total annual Provincial and Dominion expenditures 1922....	\$ 33,855,389.00

"When one analyzes the above figures and realizes that this province with a population of 588,454 is responsible for a combined debt of the Dominion and Province of \$229,337,986 and an annual expenditure of \$33,855,389 plus municipal debt and expenditure, is it any wonder that the remark 'Where are we Drifting?' is so often heard.

"Municipal Debt and Tax Levies of Twenty-two Cities and Towns in Province of Alberta.

"In the majority of cases urban municipalities were able to reduce their annual tax levies between 1913 and 1915 and the tax levy of the latter year was

about the minimum. For the purpose of comparison, therefore, a statement has been prepared showing debt, assessment and tax levies of twenty-two cities and towns throughout the province for the years 1915 and 1922.

"A synopsis of the information thus obtained is as follows:

	1915	1922	Increase	%
Debt.....	\$ 51,577,485.00	\$ 68,023,329.00	\$ 16,445,844.00	33%
Assessed value of property.....	349,508,962.00	173,190,390.00	176,318,572.00	50%
Tax Levy—				
General.....	5,221,283.00	4,666,565.00	554,718.00	11%
Education.....	1,742,112.00	2,908,593.00	1,166,481.00	67%
Total Tax Levy.....	6,963,395.00	7,575,158.00	611,763.00	9%

"The estimated population of the twenty-two towns and cities represented in the above in 1915 was 208,636, but according to the 1921 census it was only 174,072. Information is not available as to debt, revenue and expenditure of the remaining municipalities in the province, but it would be comparatively small after deducting all the cities and towns. It is estimated that it would not exceed ten per cent. of the above.

"On this basis of calculation the total provincial debt, proportion of Dominion debt upon a per capita basis, and the population of the province, and the municipal debt, also the annual revenue and expenditure calculated upon the same basis, is as follows:

	Provincial	Dominion (Proportion based on Population of 588,454)	Municipal	Total
Debt.....	\$ 67,537,986.00	\$161,800,000.00	\$ 74,825,661.00	\$304,163,647.00
Revenue.....	10,108,021.00	25,627,121.00	8,332,673.00	44,067,815.00
Expenditure.....	10,605,156.00	23,250,233.00	8,332,673.00	42,188,062.00

"The tax levy has been taken for the municipal expenditure, but in the majority of cases it is increased by miscellaneous revenue, so that the expenditure would be even greater than the amount shown above. Coming down, therefore, to the final analysis the above figures show what debt and expenditures the people in this province have been made responsible for by the various governing bodies, i.e.:

A per capita debt of.....	\$ 517
An annual per capita expenditure of.....	72
or	
A family debt of (allowing 5 to a family).....	2,585
A family annual expenditure of.....	360

"Has the Wealth of the Country Increased to Warrant such Taxation?

"In the years 1913 and 1914 following the financial boom in Western Canada, it was realized that municipalities had increased their debts far beyond their ability and the normal expansion of the community, and in addition it was realized by students of assessment and taxation that the system adopted

during boom days would not produce the necessary revenue during a financial depression to pay the heavy fixed charges on the debts incurred, and at the same time provide funds to carry on the ordinary municipal services. If the business conditions of 1914 had continued for a period of years there is no question of doubt that the majority of municipalities in Western Canada would have gone into liquidation. The war and the conditions arising out of the war saved the situation. That statement may sound somewhat of a paradox when we realize now that the war and its attendant prosperity in this country is responsible for the very serious financial situation in which we find ourselves to-day.

"Business conditions during the war were exceptionally good, business men did not care about and did not mind paying increased taxes, but now that the period of adjustment has arrived, they realize what the various governments of the country have made them responsible for.

"It's the same old story of locking the stable door after the horse has run away, and it is a terrible indictment of democratic government.

"The reason why we have been able to carry the load is largely explained by the following:

The exports of Canadian produce—

in 1913 were.....\$ 355,754,600
in 1921 were..... 1,189,163,701

"Excess of imports entered for consumption over exports of Canadian produce and vice versa since 1913 is as follows:

	Excess of Imports	Excess of Exports
1913.....	\$315,452,634.00	.....
1915.....	46,537,072.00	.....
1916.....	.....	\$233,409,504.00
1917.....	.....	304,924,890.00
1918.....	.....	576,495,210.00
1919.....	.....	296,732,101.00
1920.....	.....	174,963,975.00
1921.....	29,730,763.00	.....

The value of field crops in Canada—

in 1913 was.....\$ 886,494,900
in 1920 was..... 1,455,244,050

The value of field crops in Alberta—

in 1913 was..... 46,712,000
in 1920 was..... 204,291,500

"The increase in value, however, has been offset somewhat by the increase in cost of production. The average wages, including board for farm labor, in Alberta in 1913 and 1920 was \$364 and \$734 respectively.

"The above figures speak for themselves. Who cared about taxes when the country was so prosperous from 1916 to 1920? But now that the tide has turned and we have an unfavorable instead of a favorable trade balance, the people realize, as one recovering consciousness, what their representative governments have made them responsible for.

"The same short-sighted policy which was pursued by our governing bodies during the financial boom of 1911-13 has again been repeated during 1916-1920.

"Are We Overloaded with Government and Regulations?"

"The question has recently been asked 'Is too much attention being paid to government and not enough to individual enterprise?' In the Prairie Provinces with a population of approximately two million we have three State Governments with all their attendant dignity and expense, three Lieutenant-Governors, Premiers, Attorney-Generals, Ministers of Public Health, Public Works, etc., over 160 Legislators and a duplication of numerous executives. The function of each Government appears to be to keep its legislation on a par with one another, so that the legislation of the three is practically the same."

"In the three Prairie Provinces the cost of administration of justice during 1913 and 1921 was as follows:

	1913	1921
Manitoba.....	\$ 563,490.00	\$ 1,075,000.00
Saskatchewan.....	678,584.00	(approx.) 1,274,434.00
Alberta.....	703,430.00	1,428,574.00
Total.....	\$ 1,945,504.00	\$ 3,778,008.00

"In addition to the Provincial Police force there is the Royal North-West Mounted Police and municipal police. The following is a comparison of the number of Provincial and Mounted Police in the Province of Alberta in 1913 and 1922:

	1913	1922
Mounted Police.....	290	166
Provincial Police.....	...	199
Total.....	290	365

"Each province has a very fine University and provides practically a free University education. Each turns out every year qualified professional men to compete with the already over-crowded professions, the members of which owing to the small increase in the population during the last ten years find it difficult to make an adequate living. Are we educating these young men for the purpose of serving the province; or do they find, after taking their degree that they must go elsewhere to earn a living?"

"It is difficult, now that the provinces have been created, to suggest a remedy to a condition, which, to the most casual observer, is obviously bordering on the ridiculous.

"Provincial Government Encroaching Upon Municipal Revenues and Not Assuming Cost of Provincial Services.

"As previously stated, the annual expenditure of the Provincial Government of Alberta has increased from \$4,409,795 in 1913 to \$10,605,156 in 1922. Naturally the sources of obtaining revenue also had to be increased and in order to attain that end new taxes were imposed which have naturally curtailed the ability of the taxpayer to pay both local and provincial taxation.

"The main source of revenue of the municipality has been the tax on property, i.e., land and buildings. In consequence of the very large debts

incurred by the municipalities during the financial boom of 1911-13 they are compelled to pay very heavy fixed charges on their debts and in addition take care of increased cost of administration and maintenance due to increased wages and higher cost of materials, but they have been unable to broaden the basis of taxation owing to the superior legislative power of the Provincial Government.

"The local government has to assume practically the whole cost of education, although it is at least a provincial service, if not a national service, and in addition increased burdens have been placed upon the local government which should have been carried by the province as a whole, such, for instance, as the payment of Mothers' pensions, the maintenance and care of patients suffering with tuberculosis, and the care and maintenance of the old and infirm.

"In addition to curtailing the sources of revenue of a municipality legislation has been enacted which compels the local authority to pay to school boards one hundred per cent. of their tax levy.

"The following situation which has been created is an impossible one and cannot continue:

- (1) To impose upon the local authority the ever increasing burden of the cost of education;
- (2) To curtail a local authority's sources of cash revenue and impose additional taxes which reduces the ability of the property owner to pay his taxes to the local municipality;
- (3) To compel and expect the local authority to pay 100 per cent. of the school tax levy and the interest on its debt when, owing to its limited sphere of taxation it can only collect 60 to 80 per cent. of its current revenue; and
- (4) At the same time allow a system of taxation which instead of producing revenue confiscates property.

With municipalities obtaining title to property instead of taxes, thereby reducing its revenue base, it is impossible, utterly impossible, to meet increasing expenditures on education or anything else.

The system cannot and must not be allowed to continue in the best interest of this province.

"By increasing taxation on property it has the effect of reducing its value. In an interesting memorandum prepared by Mr. A. W. Fraser, of Winnipeg, he shows the effect of increasing taxation on property in that city with the following illustration:

In 1906 the general taxes were.....	\$1,441,813
In 1922 the general taxes were.....	8,894,587

"The increase in taxation being..... \$7,452,774

"Capitalizing this increase at 6%, the land value has been depreciated by the increase in taxation to the extent of \$124,212,900, or in other words the land value to-day would (other things being equal) have been worth, but for the increase in the taxation, \$124,212,900 more than it is at present.

"In spite of the depreciation due to increased taxation, the land assessment has increased from \$42,253,060 in 1906 to \$144,122,340 in 1922, an increase of \$101,869,280, or 240 per cent., presumably due to increase in population and business, yet the population during that same period has only been increased by 100 per cent.

"Professor Ely in his paper on 'Taxation of Land,' reprinted from the proceedings of the National Tax Association, says:

"When the tax on land becomes very heavy it forces land into premature use and destructive exploitation on the one hand, and on the other it leads to the abandonment of land and the forcing of land back into public ownership, an outcome for which no preparation has been made."

"Professor A. B. Clark in his paper on 'Recent Tax Developments in Canada,' says:

"Lavish expenditure is too often the most direct route to a great if short-lived popularity; and wasteful extravagance is the certain outcome of a system under which the majority of citizens who are responsible for sanctioning expenditure do not themselves provide the funds.

"The contraction of land values since 1913 has presented a serious financial problem to all the urban municipalities of Western Canada. For it has been necessary to make heavy reductions in the assessments in order to bring them more nearly into accordance with actual values; and the contraction of the tax base has necessitated a rapid rise in the tax rate."

"In the twenty-two cities and towns in Alberta before referred to the assessed value of property for taxation has been reduced from \$349,508,962 to \$173,190,390, a decrease of \$176,318,572, or 50.44 per cent., and during the same period while the general tax levy has been decreased by \$554,718, or 10.62 per cent., the school taxation has increased by \$1,166,481, or 67 per cent.

"Professor Ely in the paper before referred to also states:

"There is an increasing feeling on the part of fair and impartial experts that land is bearing too heavy a burden. I believe this feeling is warranted in many places, and in saying this I take into account capitalization of taxes and their anticipation in purchase price. While holding to the American system of taxation on land values, or capital value, on account of the stimulus it gives to land utilization, I would recommend as a subject of investigation the possible modification of our American system by taking some account of the income yielded by land.

"I believe that it can be safely said that no other civilized country places such a burden upon land as rests upon it in the United States."

"Professor A. B. Clark has sarcastically called the system of taxation 'the gentle process of theft.'

"Why," asks Mr. Fraser, of Winnipeg, in one of his articles on taxation, 'should a man who invests his money in property be taxed for the educational needs of a community any more than the man who invests his money in stocks, bonds, shares, and mortgages? Why in addition to costs of education should fire and police protection, public libraries, free school books, parks, bath houses, street lighting, patriotic and provincial levies, soldiers and unemployment relief, be provided by and at the expense of real property owners for the benefit of the whole community?'

"The system is so absurd that one can hardly conceive how it has been tolerated for so long a period. It is a peculiar anomaly, but nevertheless true, that those who are the most persistent advocates of the property tax, particularly on vacant land, are also at the same time the strongest advocates of all the costly 'frills' of education and social betterment, and little do they realize that if the present system of taxation is persisted in the revenue base will soon be confiscated, and there will be no revenue to finance all the pet theories of education, social uplift and community service.

"The time will come, if this unfair system is continued, for the municipalities to close up their schools and say to the Dominion and Provincial Govern-

ments: 'This is a national service which you should provide for, we have gone the limit with the sources of revenue at our disposal.'

"While the sources of revenue of the local municipality have been confined chiefly to property, the Provincial Government has expanded some of its sources of revenue in the following manner:

Sources	1913	1921
Dominion of Canada, Subsidy and School lands...	\$ 1,688,244.00	\$ 2,263,902.00
Corporations Taxation Act.....	143,413.00	339,839.00
Motor Vehicle Act.....		718,527.00
Amusement Tax Act.....		181,102.00
Mine Owners Tax Act.....		275,928.00
Liquor Act.....		250,755.00
Supplementary Revenue Tax.....		1,102,046.00
Wild Lands Tax.....		652,409.00
Attorney General's Department.....	586,266.00	1,177,819.00

"What is the Remedy?."

"The local municipalities feel that they would receive considerable relief, and no doubt they would, if the Provincial Government handed over to them part of the revenue which it receives from the following:

- (a) The Automobile Tax;
- (b) The Amusement Tax;
- (c) The Corporations Tax;
- (d) The Gasoline Tax;

and that a larger contribution be made by the Provincial Government towards:

- (a) The cost of Education;
- (b) The cost of Hospitals;
- (c) The cost of Mothers' Pensions, the care of unemployment and patients suffering from tuberculosis.

"But the above will not provide any actual relief to the taxpayer unless there is a radical readjustment of Dominion and Provincial expenditures so that the relief can be given without moving the tax burden from one taxing authority to another.

"A huge civic service has grown up under our multifarious forms of government in a country which requires for its expansion PRODUCTION. In consequence production is being retarded by excessive government expenditures which have to be provided out of taxes levied on the producer.

"In other words, we are endeavoring to bolster up the prosperity of the country from the wrong end.

"We have been proceeding like a lot of children building castles on the sea shore with an incoming tide.

"The only permanent remedy for our financial difficulties will be found not by finding other sources of revenue, but by—

"First, an entire reconstruction of all our government services and a radical reduction in expenditures;

"Then, Secondly, by a readjustment of our system of taxation, a redistribution of what are national, provincial and local services, and expenditures, and then to decide what shall be the sources from which each governing body is to obtain its revenue.

"In dealing with the reduction of expenditures we must not lose sight of the fact that in the Province of Alberta alone the annual fixed charges on the provincial and local debts and our share of the Dominion debt, has increased by approximately \$10,002,678 and the total annual increase in the fixed charges on our Dominion debt, compared with 1913, is \$105,859,308.

"It is rather a peculiar situation that the people of Canada must raise \$111,871,213 annually by way of taxation in order to pay to themselves interest on a debt which is secured by the credit of their country and to continue taxing themselves each year until they will probably pay in interest many times more than the actual amount of the debt, i.e., \$2,442,135,802. The greater part of this debt was incurred by war expenditures during the period of the war when the purchasing value of the dollar was approximately fifty cents, which means that the taxpayer of the future will probably have to give at least twice the amount of his goods and labor to meet his taxes.

"At first when the Dominion Government Bonds were fairly evenly distributed amongst the people, taxing ourselves to pay ourselves back may not be a serious calamity, but when these bonds are gradually surrendered by the small holder and get into the hands of the large financial houses, it will be realized what a tremendous burden will be placed on the people.

"Great Britain has paid the actual cost of the Napoleonic Wars in interest charges alone at least ten times over without seriously reducing the original debt. Are we to adopt the same policy in respect to the debt incurred by the Great War? If we are then it can easily be realized what an enormous retarding effect it will have upon the development of this country.

"Prior to the Great War the gold standard was considered as something sacred which could not under any circumstances be altered. Can any one say to-day that there is the same relationship between the gold reserve and credits and loans?

"At the beginning of the war Great Britain was denuded of its gold reserve by astute German financiers with the view to keeping her out of the war, for it was thought that if the first stroke of the war should involve the wreck of the Bank of England, then England would 'stay out.' The situation was only saved by the British Government issuing two hundred million pounds of paper currency, a method which, if it had been suggested before the war, would have been rejected with scorn.

"The situation in regard to our Dominion, and perhaps Provincial, debts, may require some equally drastic, and what were considered before the war, to be unorthodox measures.

"Sir Edward Holden in an address on the 'Depreciation of Securities in Relation to Gold,' stated:

"That the business of the world is carried on by means of loans, that loans create credits, that the standby for protection of credits is gold and that therefore gold controls trade.'

"Arthur Kitson in his book on 'A Fraudulent Standard' states:

"That according to Sir Edward Holden, "the gold basis is a brake upon the wheels of industry which is continually checking the pace of production. Here also is the explanation of the phenomenon that periods of prosperity are inevitably followed by periods of depression. In short, our financial system destroys prosperity and reduces trade to the amount of gold available."

"As the debts of all the nations in the world have increased so enormously during the war, the pre-war standard of gold has of necessity, in a measure, been discounted. It is possible that a solution of our own and the deplorable economic condition of other countries may be solved by the adoption of some other standard than that of gold.

"Until these larger problems which so vitally affect the prosperity of our country are solved by those who should control—not the bankers—the finances of the British Empire, we must endeavor to solve those problems of finance which are within our jurisdiction.

"There is no doubt that by consolidation and reconsideration of present government services, considerable economies can be effected.

"Municipal governments have since 1913 been working strenuously with this end in view and this will be appreciated if a comparison is made of the tax levies of the local municipalities and the Provincial Governments in 1913 and the present.

"It is impossible to effect any considerable economy in government services without making a substantial reduction in wages. Having regard to the substantial advance in wages and salaries made since 1919 and as a commencement in a uniform reduction every governing body throughout the province should unanimously decide, if not this year at least with the commencement of next year, to make a reduction of ten per cent. in all wages and salaries paid from the highest to the lowest except those earning \$100 per month or less.

"The question of whether expenditures to be incurred upon our fire department shall be so arbitrarily controlled by the Underwriters' Association will have to be carefully considered. Why should it be necessary to keep such a large fire-fighting staff for 365 days in the year with the view to fighting some exceptionally large fire or conflagration which so seldom occurs, with a combined police and fire department in the larger cities, the members of the former being trained to fight fires, there would be just as many, if not more men available for dealing with a serious fire than under present conditions.

"In regard to education, it has been previously stated that the municipalities have come to the end of their financial resources, they cannot finance the present school expenditures and it is certain that they will be totally unable to finance any increased expenditure in the future.

"By substantial economies in government expenditures, by a total revision in the requirements of education, by proper redistribution of provincial and local government expenditures with a readjustment of what should be provincial and local government sources of obtaining revenue it is possible that the serious situation which has arisen can be greatly improved, but if the present haphazard policy of incurring expenditures and levying taxes is allowed to drift then a far more serious accounting will have to be made in the very near future.

"While in the past each individual government has ignored the responsibilities incurred by the other, a situation has arisen which demands the co-operation of all if the best interests of the Dominion, the province, and the local communities are to be safeguarded."

**Comparative Summary of Debt, Assessment and Tax Levies in Twenty-Two Cities and Towns
of Alberta, 1915-1922**

Description	1915	1922	Increase	Decrease	Percentage Increase	Percentage Decrease
Population.....	208,636	174,072	.....	34,564	.....	16.56
Debt.....	\$ 51,577,485.00	\$ 68,023,329.00	\$ 16,445,844.00	.....	31.89	.....
Assessed value of property for taxation	349,508,962.00	173,190,390.00	.....	176,318,572.00	.....	50.44
Tax Levy General.....	5,221,283.00	4,666,565.00	.....	554,718.00	.....	10.62
Education.....	1,742,112.00	2,908,593.00	1,166,481.00	67.
Total Tax Levy.....	6,963,395.00	7,575,158.00	611,763.00	8.79

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**Comparative Statement Showing Debt, Revenue, Expenditure, etc., of the Four
Western Provinces, 1913-1921-1922**

Description	MANITOBA		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA	
	1913	1921-22	1912-13	1921-22	1913	1921-22	1912-13	1921-22
Population.....	455,869 (1911 Census) 550,000 Estimated	610,118	492,432 (1911 Census) 650,000 Estimated	757,510	374,663 (1911 Census) 500,000 Estimated	588,454	392,480 (1911 Census) 450,000 Estimated	523,369
Gross Funded Debt....	\$ 16,955,000	\$ 66,331,121	\$ 12,133,000	\$ 52,772,777	\$ 22,633,532	\$ 67,537,986	\$ 10,778,146	\$ 78,086,311
Funded Debt per capita.	30.83	108.72	18.67	69.67	45.26	114.77	23.95	149.19
Annual Dom. Subsidy..	1,349,895	1,468,685	1,555,452	1,753,075	1,260,105	1,621,075	732,489	623,135
Revenue.....	6,271,053	9,800,860	4,172,111	11,801,898	4,555,648	10,108,021	12,510,215	17,611,003
Revenue per capita.....	11.40	16.06	6.42	15.58	9.11	17.18	27.80	33.64
Expenditure.....	9,750,255	10,401,895	4,046,999	13,258,784	4,409,795	10,605,156	15,626,805	17,436,486
Expenditure per capita..	17.73	17.06	6.22	17.50	8.81	18.02	34.72	33.31

Summary of Above

	1913	1921-22	Increase	Percentage Increase
Population.....	*2,150,000	2,479,451	329,451	15.32
Funded Debt Gross.....	\$ 62,499,678	\$ 264,728,195	\$ 202,228,517	323.57
Funded Debt, per capita.....	29.07	106.77		
Revenue.....	27,509,027	49,321,782	21,812,755	79.29
Revenue, per capita.....	12.83	19.81		
Expenditure.....	33,833,854	51,702,321	17,868,467	52.81
Expenditure, per capita.....	15.74	20.85		

*Estimated.

Paper on "Depreciation or Confiscation of Land Values in Winnipeg by Taxation"—Mr. Arthur M. Fraser, President, Winnipeg Taxpayers' Association.

"We were glad to hear yesterday from Mayor Maguire that his Worship considers the system of taxation in vogue in Toronto as nearly perfect as possible. I am sorry to say that we cannot say the same thing about the system which prevails in Winnipeg. I do not think you could find a single citizen of Winnipeg with an open mind who would defend the present system of municipal taxation, under which our properties are being rapidly confiscated and our tax-base is rapidly dwindling.

"Since 1910, while our population and assessment have each increased only about 50%, our taxes have increased 300% and our tax-arrears 500%, now amounting to over \$5,000,000, as against \$750,000 only in 1910.

"Please understand that the city so far is perfectly solvent, notwithstanding this confiscation; but a limited class of citizens, namely, the real property owners, who are practically synonymous with the taxpayers, are nevertheless, speaking generally, feeling the burden so intolerable that they are being compelled to abandon their properties, and several whose all is invested in real estate are to-day facing ruin. Real property, especially unimproved property, is, speaking generally, no longer an asset, but a liability.

"This state of things is notorious, and we are only living in hopes that Dr. Brittain's investigation, recently made, and his report, for which we are eagerly looking, will suggest some feasible methods for relieving the situation, and providing a more equitable distribution of our tax-burden.

"The short memo. or paper which I have the honour of presenting this morning, was prepared for the use of our Winnipeg Taxpayers' Association (whom I represent here), and is the result of an effort to evaluate or measure the rate at which this confiscation is proceeding. It was suggested by the reply given by our Assessment Commissioner to a question put to him, on the occasion of recent numerous appeals against his assessment this year, by counsel for the appellants. The question put was: 'Does taxation, in your opinion, have any effect upon values?' And the reply he made was to the effect that 'Taxation has little or no effect upon values.' In this paper I venture to take issue with the Assessment Commissioner, the object of my paper being to question the correctness of his statement and, as a consequence, to question the correctness of all existing and past assessments based upon the ignoring of the, in my judgment, important factor of increase in taxation in determining values.

"Taxation Depreciates Values.

"Land values may be destroyed by taxation, and, other things being equal, every change in taxation results in a proportional change in land values.' (per Professor Richard T. Ely, Director, Institute for Research in Land Economics. See 'Administration,' December, 1921.)

"Now to comply with the Charter land in Winnipeg must be assessed at its value at the time of assessment, i.e., its value in any given year.

"It follows that if, owing to any cause, values are depressed the assessment must follow suit and be reduced accordingly.

"Value is defined in the dictionary to be 'That property of a thing which renders it useful or desirable or capable of producing some good or revenue.'

"If therefore the productivity of land, or capacity for yielding a revenue, is reduced by any cause the land value is reduced thereby, and consequently, in compliance with the Charter, the assessment.

"Any burden placed upon land reduces its productivity or usefulness. Taxation is a burden, being a first overhead charge upon the land, therefore taxation reduces its value.

"The Measure of Depreciation.

"Further, it is obvious that the measure or extent of the reduction is the capitalized value of the increase in the tax, and this depreciation (as, of course, also, any appreciation by any decrease in taxation) can therefore be mathematically and accurately determined.

"Take, for example, a simple illustration:

"Suppose, for instance, a parcel of land in a given year has been assessed, in accordance with the provisions of the Winnipeg Charter, 'at its value at the time of assessment' say \$10,000, and let us further suppose that the mill-rate that year is 10 mills, and the resulting tax therefore \$100. Now, suppose that the following year, the assessment still remaining the same, the mill rate is advanced to 30 mills and the resulting tax is \$300, an increase of \$200.

"It is quite clear (is it not?) that the value of the land (other things being equal) has been reduced by the capitalized amount of this \$200 increase, which at 6% would be \$3,333.33. The value has therefore been reduced from \$10,000 to \$6,666.66, or, in other words, the property has been depreciated to the extent of one-third.

"Has Assessment in Winnipeg Complied with Charter?

"A. Compare 1919 with 1922.

"And let us apply this simple example to solve the more complex problem as to the amount by which the value of all land and buildings in Winnipeg has been depreciated by recent increase in taxation. And let us take for a starting point the year 1919, since which year the assessment of the land has remained practically stationary, and the building assessment has only been increased by the value of new buildings.

"And, first, as to the land—I find, on referring to page 104 of the City Comptroller's report for 1921, that all assessable land within the city limits was assessed in 1919 at \$144,184,640, and that in 1922 it was assessed at \$144,122,340, showing only a small reduction of \$62,300.

"I find also that the general rate in 1919 was 23 mills, and in 1922 30.5 mills, an increase of 7.5 mills. The increase in the land value taxation therefore, in 1922, as compared with 1919, was 7.5 mills multiplied by \$144,184,640, or \$1,081,385.

"To this must be added the increased taxation due to the water district levy, or \$144,184,640 multiplied by 2.95 mills (being the difference between the water district rate in 1919, viz., 4.22 mills and that in 1922, viz., 7.17 mills) or \$425,345, making in all \$1,506,730.

"Capitalizing this latter amount at 6% we find that the land value in 1919 has been decreased by the increased taxation to the amount of \$25,112,167, or about 17½%.

"Now, secondly, as regards the buildings—multiplying the 1919 building assessment of \$91,838,880 by the difference of 7.5 in the general rate, we find that the increased taxation on the buildings amounts to \$688,792, and capitalizing again at 6% that the value of the buildings in 1919 has been depreciated to the amount of \$11,479,866, or 12½%.

"The general effect of the increased taxation, on land and buildings combined, is therefore that the value of the assessable real estate within the city

limits, viz., \$236,023,520, has since 1919 been decreased by taxation to the tune of \$25,112,167, plus \$11,479,866, or together \$36,592,033, or more than 15%, an average annual depreciation of over \$12,000,000.

"B. Now compare 1910 with 1922—During these twelve years (it should be noted) taxation and the mill rate have increased 300%, and tax arrears 500%, while population has only increased 50%.

"And, first, as to the land. In 1910 it was assessed at \$108,674,070, and in 1922 at \$144,122,340, an increase of \$35,448,270.

"The general rate in 1910 was 10.80 mills, and in 1922 it was 30.5 mills, an increase of 19.70 mills, to which must be added the Water District levy of 7.17 mills on the land, making together an increased rate of 26.87 mills.

"The increase in the land value taxation in 1922, as compared with 1910, amounts therefore to \$108,674,070 multiplied by 26.87 mills, or \$2,920,072, which, capitalized at 6%, equals \$48,667,871.

"And, secondly, the increase in the taxation on the buildings, which were assessed in 1910 at \$48,934,150, amounts to the latter sum multiplied by 19.70 mills, or \$964,003, which, capitalized in the same way, equals \$16,066,713.

"Therefore the general effect of the increased taxation on land and buildings combined is manifestly that the value of the assessable real estate within the city limits, viz., \$157,608,220, has since 1910 been decreased by taxation \$48,667,871 plus \$16,066,713, or together \$64,734,584, or more than 41%, an average annual depreciation of over \$5,000,000.

"We find, therefore, that to justify the present assessment, it must be shown that other factors (such as increased population, better trade conditions, the law of supply and demand, etc.) have been sufficient not only to counter-balance the depreciation by increased taxation, amounting to \$64,734,584, but also to warrant, in the face of such depreciation, an increase in the land assessment of \$35,448,270, although, be it remarked, the population has only increased from 132,720 in 1910 to 199,129 in 1922, or less than 50%.

"Can it be maintained, in view of the above figures, that the assessment has complied with the requirements of the Charter? We think not, and we infer, on the contrary, from these comparisons that the factor of depreciation (or confiscation) by taxation has been almost entirely neglected or ignored, and that consequently the value of the land within the city limits, taken in its entirety, is greatly over-assessed to-day.

"They, at least, I think, serve to illustrate the destruction of values by taxation referred to by Professor Ely, and to prove, as Professor A. B. Clark has pointed out in a recent paper on 'The Tax Problem in Manitoba,' that 'increasing taxation on capital value is certainly a most effective method of cheapening land, and of attaining its nationalization or municipalization by (what he calls sarcastically) the gentle process of theft.'

"Is it not, I ask, high time for an examination into the soundness and equity of the real property tax in relation to land and buildings locally assessed, in its present form of an annual tax on assessed capital values, having regard to basic principles?

Discussion on Two Preceding Papers.

Alderman Blatchford—"As far as Edmonton is concerned, we are behind you on that score for the good reason that the Provincial Government of Alberta collects from Edmonton \$1,000,000, for instance, they collect automobile tax, gasoline tax, amusement tax, supplementary revenue tax and numerous other taxes running into, as I say, \$1,000,000, and the profits on the regular trade which are also collected by the Province. We in the West

think that we are entitled to the same consideration that Vancouver and other municipalities are getting from their Government."

Mr. Bunnell, Brantford—"As an engineer I would like to draw out this idea. Is it not within the purview of the Conference to discuss results that might be taken before the horse has flown from the stable? It seems to me the discussion has largely been based on how we are going to raise money for works and administrative policies that have already been carried on, and it does seem to me that any tax conference should give emphasis to the formulation of a policy which is going to discuss ways and means of cutting down the tax burdens, of deciding the proper financing of improvements, and the need of certain administration policies, so that the amount of money we have to raise will decrease instead of increase."

Dr. Brittain—"Mr. Bunnell is particularly interested in town planning."

Mr. Frind—"Has the selling value of land in Winnipeg increased during the interval you referred to in your paper, from 1919 to 1922?"

Mr. Fraser—"I should say if anything it has depreciated since 1919. We cannot sell; no one wants it."

Delegate—"My idea of assessment is to keep it general and keep within bounds so that there is no necessity of reduction. I realize that land values are a problem. People say that they cannot sell. Yet at the same time we occasionally find that these people refuse to sell when offered the assessed value. If we follow that line out and keep on reducing we will have no assessment, if we have to reduce assessment according to taxation."

Delegate—"I recognize the force of what has been said, but it seems to me that we have to follow the Charter."

**Paper on "Municipal Assessment in Ontario."—Mr. James C. Forman,
Assessment Commissioner, Toronto.**

(Paper read by Mr. G. Hurst, owing to the absence of Mr. Forman on account of illness).

"Mr. Chairman and Gentlemen:—

"I have been requested to submit a paper on the subject of "Municipal Assessment."

"The assessment of the City of Toronto, on which taxes for the year 1923 are based is \$823,360,672, which provides a revenue of \$24,333,313. Exclusive of this are the exemptions under Section 5, which amount to \$108,864,308, or a total assessment of over \$930,000,000. Population, 529,215.

"This is an entirely different showing from that of the first year of the city's incorporation, 1834. The value of the real and personal property for that year amounted to £186,496. The tax rate was fixed at three pence in the pound. The revenue from taxation thus equalled £2,331. These figures are equivalent to an assessment of \$907,613; the tax rate 12 5/10 mills on the dollar; the revenue \$11,345. Population, 9,254.

"The very crude system of assessment then in vogue, (Chapter 7, 59 George III, 1819) came into force January, 1820, and applied throughout the Province of Upper Canada.

"The assessors were required to make an annual assessment, 'so that every person shall be assessed in just proportion to the list of his, her or their rateable property, real and personal, according to the rates hereinafter specified."

'Every acre of arable pasture, or meadow land, twenty shillings; every acre of uncultivated land, four shillings; every town lot (in York, 1 acre), fifty pounds; every house built with timbers squared or hewed on two sides, one storey in height, with not more than two fireplaces, thirty pounds; every additional fireplace, eight pounds; every dwelling house built of squared or flatted timber on two sides, of two storeys in height, with not more than two fireplaces, thirty pounds; and for every additional fireplace, eight pounds; every framed house under two storeys in height, with not more than two fireplaces, thirty-five pounds; and for every additional fireplace, five pounds; every brick or stone house of one storey and not more than two fireplaces, forty pounds.'

"These rates increased, so that a brick or stone house of two storeys in height was rated at sixty pounds and every additional fire-place (over two), ten pounds; grist mills, one hundred and fifty pounds and over; saw mills, one hundred pounds; every merchant's shop, two hundred pounds; warehouses, two hundred pounds. Horses of the age of three years and over, eight pounds; oxen of the age of four years and upwards, four pounds; milch cows, three pounds; cattle from two to four years of age, twenty shillings; four-wheeled carriages kept for pleasure, twenty-five pounds; two-wheeled, twenty pounds; wagons kept for pleasure, fifteen pounds; 'provided, however, that any property, goods or effects or things herein mentioned which shall belong to or be in the actual possession or occupation of His Majesty shall not be assessable.'" This is very fair evidence that wealth was then the basis of taxation, which is further evidenced by the following penalties:—

"If any person or persons liable to the payment of the rates by this Act imposed shall neglect or refuse to deliver in a true list of his or her rateable property, real and personal, to the assessors, in the manner and form herein specified, or shall wilfully mis-state such rateable property, every such person or persons shall forfeit and pay a sum of money, not less than two pounds or more than five pounds for the first neglect or refusal and ten pounds for the second, to be levied by distress, etc.

"Without delving into further details, we might pass on until the Consolidated Assessment Act of Upper Canada passed in 1859. A brief reference to this Act seems advisable, so that it may be compared with the Assessment Act, R.S.O. 1897, the latter Act being in force until the present Act came into operation in 1905.

"Land and Personal Property were defined in the 1859 Act as follows:—

"The terms 'Land,' 'Real Property' and 'Real Estate' respectively include all buildings or other things erected upon or affixed to the land, and all machinery or other things so fixed to any building as to form in law part of the realty, and all trees or underwood growing upon the land, and all mines, quarries and fossils in and under the same, except mines belonging to Her Majesty."

"The same definition, word for word, continued in the Statutes until the year 1903, a period of forty-four years.

"The terms 'Personal Estate' and 'Personal Property' include all goods, chattels, shares in incorporated companies, money, notes, accounts and debts at their full value, and all other property, except land and real estate and real property as above defined and except property herein expressly exempted.'

"No mention is made of the word 'Income' in the inclusion of what is termed 'Personal Estate' and 'Personal Property.' Income, however, was liable to assessment and assessed and a separate column provided in the roll, although no expressed definition of income was given.

"In the assessment of income, where the same exceeded \$200 per annum, the total income became assessable, 'unless he has other personal property to a greater amount.'

"An assessment scale was provided for the assessment of personal property, beginning at \$100, but where the amount did not exceed \$200, the smaller sum only. From \$200 to \$400; from \$400 to \$1,000; from \$1,000 to \$2,000; from \$2,000 to \$4,000; from \$4,000 to \$10,000; from \$10,000 to \$20,000; from \$20,000 to \$40,000; the sums thenceforth increasing by \$20,000. In every case, the smaller sum was assessable.

"Briefly, the exemptions were:—

All property vested in or held by Her Majesty or in trust for Her Majesty or for the public use of the Province.

Every place of worship, church-yard or burying ground.

The real estate of every University, College, Grammar School or other incorporated seminary of learning.

Every public school, public hospital and the property belonging to a county, city, town, township or village.

Every industrial farm, poor house, alms house, house of industry, lunatic asylum, and every house belonging to a company for the reformation of offenders.

The property of every public library, mechanics' institute, and other public literary or scientific institutions. The personal property and official income of the Governor of the Province, the full or half-pay of anyone in any of Her Majesty's naval or military services, or any pension, salary or other gratuity derived by any person from Her Majesty's Imperial Treasury. All pensions under \$200 a year payable out of the public monies of this Province.

The income of a farmer derived from his farm.

The stock held by any person in any chartered bank or in any railroad company, and all property, stocks or other securities which any party may own out of the Province.

So much of the personal property of any person as is equal to the just debts owed by him, except such debts as are secured by mortgage upon his real estate or may be unpaid on account of the purchase money therefor.

The net personal property of any person, provided the same be under one hundred dollars in value.

The stipend of a minister of religion, as long as the same does not exceed twelve hundred dollars, and, finally, household effects, books and wearing apparel.

'Real property shall be estimated at its full value as it would be appraised in payment of a just debt from a solvent debtor, and the yearly value of such property in cities, towns and villages shall be the real rack rent for each separate tenement, unless such rent is less than six per cent. on the full and real value thereof; in which case the property shall be assessed at the full yearly value, calculated at six per cent. upon the real value.'

"For the year 1859, the annual value of the real and personal property and income amounted to \$1,830,484, which, capitalized at 6%, produced a total actual value of \$30,508,067. The rate of taxation was fixed on this

valuation at 10 cents on the dollar, including school rates of 1½ mills on the dollar.

Real Property showed..... \$26,845,600

Personal Property and Income..... \$ 3,662,467

Personal property and income thus contributing 12% of the taxes on the total assessment. The population as per census for 1861 was 45,288.

“The assessment rolls were prepared and certified to in much the same manner as at present.

“Every person assessable was required to give all necessary information to the assessor and, if required by the assessor, such person was to deliver to the assessor all the particulars respecting the property or income assessable against such person. For failure so to do, such person was liable to a fine of twenty dollars.

“The right of appeal was given to the Court of Revision and to the County Judge on the same grounds as is provided for in the present Act.

“The Act further provided for the collection of taxes and the sale of land for unpaid taxes, the details of which it is not now necessary to go into.

“We now come to ‘The Assessment Act, R.S.O. 1897.’

“Real Property was defined as in 1859. The definition of Personal Property was extended and included all goods, chattels, interest on mortgages, dividends from bank stock and on shares or stocks of other incorporated companies, money, notes, accounts and debts at their actual value, income and all other property, except land and real estate, and except property herein expressly exempted.

“The exemptions were increased to some extent. For instance:—

All horses, cattle, sheep and swine, which were owned by any owner or tenant carrying on the general business of farming or grazing, and all farming implements and vehicles, and all hay, grain, and other farm products being the property of the said tenant or owner were exempted from taxation.

Vessel property, such as steamboats, sailing vessels, tow barges and tugs, was exempt, but the income from such property was liable to assessment.

Rental or other income derived from real estate, except interest on mortgages.

“These were the chief additions to the exemption clauses, all of which property and income were liable to assessment under the Act of 1859.

“The 1897 Act provides that Real and Personal Property shall be estimated at their actual cash value, as they would be appraised in payment of a just debt from a solvent debtor. The assessment last made under this Act is as follows:—

For 1905—Real Property.....\$131,481,345

Personal Property..... 17,337,726

Total\$148,819,071

Personal Property thus contributing 11 65/100% of the general taxes, as against 12% in 1859. The population was 226,045.

“Prior to the operation of the present Act, which came into force January 1st, 1905, grave and general dissatisfaction existed with the Personal Property

Tax. The mercantile community opposed it, particularly the manufacturer and wholesale and retail merchants, on the ground that it was unfair, inquisitorial, inequitable and unjust. As the result of the general clamor for a change, the Ontario Government appointed a Commission on September 10th, 1900, to enquire into and report upon the law in force relating to the "different classes of property for the purposes of municipal taxation." Statistics were obtained from seventy-two municipalities in Ontario and, after much deliberation, the 'Business Assessment' was brought forth. The effect of this change meant that the amount of the business assessment was representative of the amount of capital required to carry on such business, or, in other words, the amount of such assessment was estimated generally to be or equivalent to the total amount of Personal Property formerly assessed. As a matter of fact, the Business Assessment for 1906 totalled \$19,224,628, as against the Personal Property assessment for 1905 of \$12,386,713.

"There have been attacks made against the system of business assessment, the chief argument being that it is inequitable. There is force in this, but, as it seems to me, this is not a sufficient reason why the assessment now levied against businesses should be abandoned, particularly when a remedy has been granted and such inequalities largely removed. It would be a serious matter to the municipality if the business assessment were removed from the Act and no substitute given. In twenty-four municipalities, the loss in assessment would amount to over \$152,000,000, of which assessment Toronto would lose over \$90,000,000, and it must be borne in mind that this method of assessment is in accordance with the wishes of those who heretofore have strenuously objected to Personal Property being assessed. 'Business Assessment' is only mildly representative of Personal Property which, if it again became assessable, would increase the assessment roll by many millions of dollars.

"There is much in favor of business assessment from the municipal standpoint. It is easy of application. Anyone embarking in business has but to examine the assessment roll to ascertain the assessment of the premises he is about to occupy, and from the nature of his business apply the percentage on the assessment, thus enabling him to find within a few dollars the amount of taxes he would be liable for in respect of business assessment.

"It is not now the duty of the assessor to question the person assessable as to the amount of capital he has employed in his business, or any like question, and no one carrying on business escapes taxation and, thus, all contribute more or less to the burden of taxation.

"Prior to 1920, the dividends of all companies carrying on mercantile or manufacturing businesses were exempt from taxation, but such exemption was not enjoyed by the shareholders of banks, insurance, loan and land companies or street railway, gas, telephone and electric light companies. This was manifestly unfair, not that the shareholders of financial companies should be taxed on their dividends, but that shareholders in commercial companies should receive exemption on theirs.

"An assessment against the shareholder who is in receipt of income from any of these companies, as compared with the assessment on income derived from personal earnings, is entirely favorable to the shareholder, inasmuch as the capital of the shareholder is not involved, while income from personal earnings ceases on the death or inability of the person to earn such income.

"The matter was, therefore, taken up by the Ontario Municipal Association and, after it had been very carefully considered, it was decided that the only way to have an equitable assessment with respect to income was for all dividends from incorporated companies to be taxable against the shareholder in the municipality where he resided. Representations were made to the Legislature, asking for the necessary amendment to the Act, but it was only after repeated efforts that we were successful, the present Government granting our request in 1920.

"Some idea is given of the amount of such income formerly escaping taxation when I say that, in the City of Toronto alone, our income assessment increased from \$41,000,000 in 1920 to \$74,500,000 in 1922.

"A second proposition, brought forward last year by the Ontario Municipal Association and granted by the Legislature, is that where a business is carried on by a person or partnership, there shall be levied, first, the business assessment and, second, an assessment on the income derived from such business, to the extent by which it exceeds the amount of business assessment, the statutory exemption to be allowed to the person or members of the firm. Such income is the net income or profits derived from the business, and is, therefore, treated as income from personal earnings.

"This section came into effect on January 1st of this year and is being applied in the assessment now being made, that is, for 1924 taxes. The increase in taxable income by reason of this amendment cannot be readily estimated, but it is expected that a substantial amount will be shown. The main point, however, is that the Act, as it now stands, provides that no income, which is above the exemption provided, shall escape taxation.

"It will be seen that the result of the above amendments has removed an objection raised against the business assessment, namely, that the earning power of certain businesses is much in excess of other lines of business, while the business assessment varies little, if any.

"It might not be amiss to mention the exemptions applicable on income in the City of Toronto. On personal earnings, a householder or head of a family is exempt up to \$2,000, and a non-householder receives an exemption of \$1,000. In addition, there is an exemption of \$200 allowed to the householder for each dependent child, and a further exemption of \$200 for a dependent father or mother of the person assessed.

"As a person receiving income from investments is in a more favorable position than one depending on his personal earnings, the exemptions on investment income are, naturally, not so generous. A person with this class of income is granted an exemption of \$800 where the total income from all sources does not exceed \$1,500, but, where the total income exceeds this amount, no exemption is granted. An exception to this rule is the case of any person over sixty years of age or of any widow, in which case an exemption of \$2,000 is granted where the total income from all sources does not exceed that amount. This makes ample provision for widows and elderly people with small incomes.

"In several of the American States, the basis of exemption, as provided by the Constitution, is as follows:—

'No man or set of men are entitled to exclusive separate public emoluments or privileges but in consideration of public services.'

"The general provision of the Legislatures throughout the American States provides for a uniform and equal rate of assessment and taxation.

"It is generally agreed by authorities that perfect equality of taxation is unattainable, and, while this must be admitted, yet there appear cases which are manifestly unequal. Private seminaries of learning are property assessable, inasmuch as they do not appear to grant public services. There may be reasons advanced why such institutions should be exempt. Reasons given in the past have been that to tax them would result in the closing of such schools and thus place extra burdens on the general taxpayer, by reason of the municipalities having to provide additional school accommodation. It was also argued that these schools, wherever located in the Province, were the means of bringing a no small addition to the population, with a considerable purchasing power, which inured to the benefit of the municipality.

"My feeling is that the education now provided by the people is all that the general taxpayer should be called upon to pay for. The exemption of private seminaries of learning for the year 1923 in this municipality amounts to almost \$2,500,000, and is ever increasing. They are able to purchase valuable properties from time to time, in order to meet the ever-growing number of pupils.

"Those who can afford to send their children to these schools, it may be argued, can also afford to pay a slight increase in the tuition fees, and which will provide the taxes properly payable by them, unless it can be proved that they are entitled to exclusive public emoluments.

"I also wish to say that there does not appear to be any desire on the part of the general taxpayers for any drastic reform of the present system of taxation. Our Assessment Act was, and is, the result of special and well considered thought and experience on the part of the Ontario Government Commission and the Special Committee on Taxation appointed by the Government. It has been in force for a period of eighteen years and comparatively few amendments have been made. It is only lately, by reason of the increased wants of the municipality, that special efforts have been made and suggested changes in the Act, by which additional revenue may be raised, have been asked for and granted. There should be no reasonable objections to these changes, as the same are fair and reasonable and a great step towards our ultimate goal, which is taxation according to ability to pay.

"On April 24th, 1919, Section 40-a of the Assessment Act was passed. This provides for a partial exemption from all taxes except school rates on small dwelling houses, the exemption ranging from 50% on houses assessed for \$2,000 or less to 10% on houses assessed for \$4,000. On January 1st, 1921, a by-law based on this section was submitted to the property owners and approved by them.

"This, in my judgment, was a retrograde step, as it is palpably nothing more or less than class legislation. It was passed by the Legislature towards the close of the session of the year 1919, and the municipalities were not given an opportunity to protest or to show the result. It was only after it had become law that we knew of the matter, and it was put through so hurriedly that no provision was made for the repeal of any by-law passed under its authority.

"It might be interesting to state that Toronto is the only city in which such a by-law is in effect. Ottawa has refused it. Were it not in force, our tax rate for this year, instead of being 30.8 mills, would have been reduced to 29.3 mills, a decrease of one and a half mills.

"For the year 1923, an exemption of \$53,000,000 has resulted, and dwellings assessed for more than \$4,000 are, therefore, more heavily taxed to provide for this exemption. When it is considered that landlords, as well as the owners, are thus exempted, notwithstanding the rents now demanded and received, the glaring inequality and injustice is at once apparent.

"In the above remarks, I am not forgetting the claim of those who contend and insist that land only should be the basis of taxation. Provision for such an assessment is made in the Municipal Tax Exemption Act, 1920. Immediately, the Single Taxers made representations to our Council that a by-law to provide for this system should be submitted to the people, but Council wisely refused to have anything to do with anything which would so materially affect the financial standing of our city. Last year, a further effort was made, but the petition which accompanied the request could not be checked within the time specified in the Act and, therefore, the proposition did not go before the ratepayers.

"In my report to the City Council, November 21st, 1912, on the subject of Single Tax, I was obliged to report against the proposition. I quote therefrom in part as follows:—

'Why should such improvements be exempt from taxation? These very buildings, whether residential or otherwise, are responsible (largely) for the present rate of taxation, rendering necessary as they do fire and police protection, schools, and, in fact, all civic services.'

'If taxes are removed from improvements, the municipality will be waiving a large share of its income, or, at least, will be in a very uncertain position as to its actual revenue from taxation. With land overtaxed, the city will become, in times of depression, possessed of an asset, but not producing revenue.'

'It seems to me further that to exempt building (and improvements) from taxation is, in a measure, to drop the substance for the shadow, and from past experience, it would seem to me wiser to hold what we have than to experiment with an academic question which has not been tried out. Cities which now exempt improvements can only prove the wisdom of such system after a trial of prosperity and a period of depression, and until then it does not appear advisable to make any change in the present method of assessing land and improvements.'

"These statements were made over ten years ago. Vancouver, a city of 123,900 in 1911, was heralded by Single Tax Associations, both here and in the United States, as a shining example of the benefits derived by the municipality, through great building operations, because of the total exemptions of improvements on land. The improvements were eliminated from taxation in 1910, although the value of the improvements were shown by the assessor to be \$53,515,295, and land \$138,557,595.

"In Edmonton, a city whose population in 1912 was returned at 53,611, the revenue from general taxation was based entirely upon land values, and, from many enquiries made by me, the consensus of opinion was largely in favor of the single tax. This was another city upon which many founded their arguments that the single tax was entirely successful, largely because of building operations claimed to be due to the single tax system.

"Why is Vancouver this year assessing 50% of the value of improvements?

"Why is Edmonton now assessing 60% of the improvements?

"I might go on and mention almost every city in the Canadian West, but special reference must be made to the City of Victoria, B.C. This was the last city to give up the principle of taxation on land values only, an assessment of 33 1/3% being made in 1922 for the first time. To show how far they have gotten away from this system, I quote in part a recent letter from a correspondent in that city:—

'It is quite true that our assessor is an out-and-out follower of Henry George, but so was our Mayor for 1922, and the Chairman of the Finance Committee, and the Reverted Lands Commissioner, but all this has changed. Single Tax is a thing of the past, so far as Victoria is concerned, and it is altogether probable that improvements will be assessed for 50% of their value this year, thus bringing us into line with Vancouver and other Western cities.

'It did seem incredible that we were supplying a splendidly equipped modern fire department, police protection, free scavenger service, and all other incidental services that go with municipal government, and the unfortunate land owner was expected to pay for everything, and the improvement owner, who really benefitted entirely, escaped taxation.'

"Let us see what the application of single tax means to this city. The assessment for the year 1923, as revised by the County Judge, is as follows:—

Land	\$338,352,921
Buildings and Improvements.....	325,450,041
Business	89,537,797
Income	70,019,913
Total	\$823,360,672

"As previously mentioned, the tax rate this year would have been only 29.3 mills instead of 30.8 mills, had no partial exemption been in effect.

"If land only were taxed, an assessment of only \$338,352,921 would remain to raise our 1923 revenue of \$24,333,813.88, and it would require a tax rate of 71.92 mills on the dollar to do so.

"It is said that the reduction on the improvements and business and income will be gradual to commence with, say by 10% yearly, but the final result must be met (while homeopathic doses are being yearly administered), and it is the result that the municipalities are concerned with. In the meantime, the population and the resultant expenses of civic administration are annually increasing. These are to be met by a lesser revenue, due to the exemption of these classes of assessment which are so able to pay.

"Notwithstanding the Single Tax proposition, the building permits for the City of Toronto, for the year 1922, amounted to \$35,237,921, the greatest in its history, thus bearing out the statement that buildings will be erected not because of their possible exemption, but in spite of taxation, supply and demand being the governing factor."

Discussion.

Mr. Voizard—"The income from real estate, is it assessed or is it exempt from taxation?"

Mr. Hurst—"Under the Ontario Act, any income which is received by a person from properties owned by himself, that is, income from rentals, etc., is not assessable against the party."

Mr. Voizard—"With regard to business assessment, if we operate for six months, is it assessed at the full assessment, or is a reduction made?"

Mr. Hurst—"Section 118 of the Assessment Act provides now that a person who is assessed for a business assessment and has not carried on business for twelve months, may make application to the Court of Revision."

Mr. Voizard—"That is twelve months; what about, say, six months?"

Mr. Hurst—"If a person was in business six months last year, whether an incorporated company or an individual, he makes application to the Court of Revision."

Mr. Voizard—"Is there any equality of tax rate amongst the municipalities with regard to income assessment, or does every municipality set its own tax rate?"

Mr. Hurst—"The tax rate which is approved of by each municipal council is the tax that is applied to municipal assessment, as well as a business assessment, throughout the Province."

A Delegate—"Do any of the business taxes collected by a municipality go to the Province?"

Mr. Hurst—"The taxes which are received from the business assessment are the property of the municipality, and nothing goes back to the Province at all from that."

Paper on Recent Tax Developments in Manitoba, by Arch. B. Clark,
M.A., F.S.S., Professor of Political Economy in the
University of Manitoba.

(Read by Horace L. Brittain, in the absense of the writer.)

"The problem of taxation has for some time in Manitoba been attracting an increasing degree of public attention. Seldom do men meet together without the grievous burden of taxation becoming the subject of discussion. Everywhere the concensus of opinion appears to be that taxes 'have increased, are increasing, and ought to be diminished.' Indeed, the growing cost of government in all its different branches—federal, provincial and municipal—has become one of the burning questions of the day; and their policy in respect of taxation goes far to determine the fate of governments.

"It is well that this should be so, for if there is a greater evil than heavy public burdens it is the too common failure on the part of the citizen to take an intelligent and active interest in public affairs. Hence the pardon 'which comforts while it mocks'; that the growing cost of government, which passed unheeded during the years of rapid expansion and abounding prosperity, has, in the more recent days of economic depression, been productive of at least one great public benefit. It has done much to banish public apathy and to awaken a lively, if as yet not always intelligent, interest in the subject of taxation and its relation to public expenditure. This in itself is a very real gain.

'Sweet are the uses of adversity,
Which, like the toad, ugly and venomous,
Wears yet a precious jewel in his head.'

Adversity breeds discontent, and the discontent in this, as in most other cases, needs only wise guidance to spell reform.

"What has been cynically termed 'The ignorant impatience of taxation,' has rarely been more apparent or more vocal than to-day. But while the impatience is certainly pronounced, the ignorance associated with it is a steadily diminishing factor. The citizens are at least now beginning to realize that taxation depends upon expenditure, while expenditure depends upon policy, and this popular awakening is compelling governments, in their turn, to realize that there is a limit beyond which taxation becomes not only economically harmful, but politically inexpedient. When that limit is reached, expenditure must wait upon revenue, and not the reverse. Governments, in other words, are no more than individuals exempt, in the long run, from the necessity of adjusting their expenditure to their income, if they are to avoid insolvency. Thrift, in short, is the greatest of public, as it is not the least of private, virtues.

"This elementary maxim of finance is now receiving ample homage in Manitoba, where the taxing authorities, provincial and municipal alike, are anxiously striving to reduce expenditure on the one hand, and, on the other, to widen the basis of taxation so as to lessen the pressure on the existing taxpayers.

Meaning and Principles of Taxation.

"In order to make the position clear, it is necessary to refer briefly to the meaning and general principles of Taxation. The generally accepted definition of a tax is that given by Professor Bastable, the leading British authority of public finance: 'A tax is a compulsory contribution of the wealth of a person or body of persons for the service of the public powers.'

"This, it is clear, covers not merely contributions in money or in goods, but compulsory military service or forced labour, such as 'statute labour' for the upkeep of roads, which still survives in some of the rural municipalities

**TABLE "A"—TIME TABLE FOR ONE WEEK. (Refer to page 93).
Grades 1 to 8—In Minutes.**

GRADES:	Reading	Writing	Arithmetic	Spelling	Composition	Grammar	Drawing	History	Geography	Literature	Music	Nature Study	French	Elementary Science	Hygiene	Geometry	Needlework, Book Science or Manual	Drill	Recess	Roll Call	Miscellaneous	Opening and Closing Exercises
GRADE 1.																						
Time	242	183	67	50	.....	.....	.....	.....	.....	.....	175	.....	.....	.....	.....	.....	.....	100	150	.....	675	.....
Periods	20	15	5	5	.....	.....	.....	.....	.....	.....	10	.....	.....	.....	.....	.....	.....	10	10	.....	55	.....
Percentages .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
GRADE 2.																						
Time	250	100	400	100	.....	.....	90	.....	.....	.....	75	60	.....	.....	.....	.....	.....	125	150	.....	800	.....
Periods	10	5	20	5	.....	.....	3	.....	.....	.....	5	2	.....	.....	.....	.....	.....	10	10	.....	25	.....
Percentages .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
GRADE 3.																						
Time	180	200	300	225	125	.....	135	.....	.....	.....	50	.....	.....	.....	.....	.....	.....	50	200	50	100	.....
Periods	7	10	15	10	5	.....	3	.....	.....	.....	2	.....	.....	.....	.....	.....	.....	5	10	10	10	.....
Percentages	11.14	12.38	18.57	13.93	7.73	.....	8.85	.....	.....	.....	3.09	.....	.....	.....	.....	.....	.....	3.09	12.38	3.09	6.18	.....
GRADE 4.																						
Time	175	90	225	250	125	.....	90	.....	150	.....	160	40	.....	.....	15	.....	.....	.....	150	25	.....	.....
Periods	10	5	5	15	5	.....	2	.....	5	.....	8	2	.....	.....	1	.....	.....	.....	10	5	.....	.....
Percentages	11.66	6.00	15.00	16.66	8.33	.....	6.00	.....	10.00	.....	10.66	2.42	.....	.....	1.00	.....	.....	.....	10.00	1.66	.....	.....
GRADE 5.																						
Time	100	75	230	130	85	.....	90	120	75	.....	125	40	.....	.....	90	.....	180	50	135	50	.....	75
Periods	4	5	10	9	3	.....	2	4	3	.....	5	2	.....	.....	4	.....	1	4	9	10	.....	10
Percentages	6.06	4.54	13.93	7.87	5.15	.....	5.45	7.27	4.54	.....	7.57	2.42	.....	.....	5.45	.....	10.90	3.03	8.18	3.03	.....	4.54
GRADE 6.																						
Time	135	225	150	75	30	45	90	200	75	.....	150	.....	.....	.....	.....	.....	.....	125	150	50	.....	.....
Periods	3	10	10	5	2	3	2	5	5	.....	5	.....	.....	.....	.....	.....	.....	10	10	10	.....	.....
Percentages	9.00	15.00	10.00	5.00	2.00	3.00	6.00	13.33	5.00	.....	10.00	.....	.....	.....	.....	.....	.....	8.33	10.00	8.33	.....	.....
GRADE 7.																						
Time	100	240	90	90	90	110	90	90	90	90	90	.....	120	90	.....	.....	150	.....	180	.....	30	.....
Periods	5	9	3	3	3	3	3	3	3	3	3	.....	3	3	.....	.....	1	.....	9	.....	1	.....
Percentages	6.06	14.54	5.45	5.45	5.45	6.66	5.45	5.45	5.45	5.45	5.45	.....	7.27	5.45	.....	.....	9.09	.....	10.90	.....	1.81	.....
GRADE 8.																						
Time	100	200	50	80	120	60	100	95	75	90	90	.....	150	60	.....	120	150	.....	180	.....	20	.....
Periods	5	5	5	2	4	2	3	3	3	3	3	.....	5	2	.....	4	1	.....	9	.....	4	.....
Percentages	6.06	12.12	3.03	4.84	7.27	3.63	6.06	5.75	4.54	5.45	5.45	.....	9.09	3.63	.....	7.27	9.09	.....	10.90	.....	1.21	.....

Grades.	Total Time.	Number of Subjects.	Number of Periods.	Grades.	Total Time.	Number of Subjects.	Number of Periods.
1	27hr. 22m.	6	120	5	27hr. 30m.	13	56
2	27hr. 30m.	8	85	6	25hr. 30m.	11	60
3	26hr. 55m.	8	87	7	27hr. 30m.	13	46
4	24hr. 55m.	10	58	8	27hr. 30m.	14	47

to a great extent certain resolutions of the Toronto Board of Trade which I had the opportunity of reading, and it has further impressed me that it is impossible to consider Income Tax without giving due consideration at the same time to Sales Tax, Turnover Tax, or some other tax of general application. The application of the present Income Tax does not satisfy these conditions, inasmuch that all the people do not contribute and the assessment falls very heavily on the few. The application of the Turnover Tax, however, will apply to every person in the State who purchases or spends in the State. This tax might be based on low percentage and be absorbed in the price of the commodity, so that it will not appear burdensome. The payment is spread over the whole year in proportion to purchases and is very small at one time. Such taxation does not accrue and pile up, to become a bugbear at the end of the year. Again, a tax of this kind might provide a very large revenue, possibly larger than the present Sales Tax and Income Tax combined, in a prosperous year.

"Should such a tax as the Turnover Tax not yield sufficient Federal revenue, then an Income Tax might be applied to produce additional revenue, in which case I feel that the greater part of this additional revenue should be paid by persons having large incomes. This could be easily adjusted by assessing that portion of the income of each individual not spent for the purpose of living, at the end of the year. This would have the effect of adjusting the exemption of those whose incomes were merely enough to provide living expenses and leave such citizens free from Income Tax, whereas the person of larger income might have his exemption increased by spending more and, therefore, paying more in the form of Turnover Tax and less in the form of Income Tax, or in case he had a large income and spent little, he would pay a low rate of Turnover Tax on the portion of his income spent and a higher rate of Income Tax on the unspent portion.

"If this principle were adopted, I feel that the present complaint of burdensome taxation of large incomes would not be so frequently heard, as excessive Federal expenditure is usually related to the country's development in some form or other, which development, in the majority of cases, works towards production of larger incomes, and consequently larger incomes should be content to pay the excess tax.

"This application of Income Tax would mean that all the income of all the people would be taxed either indirectly or directly, and there would be no participation without contribution.

"Without criticism of the method of application of the present Federal Income Tax law, it is felt that the law is rather drastic in some of its applications. For example, the increase in surtax rates is too rapid, and the matter of exemption is not well provided for; for instance, the head of a household maintaining a house which is the home of himself and any near relative should receive the full exemption now extended to a married man, irrespective of whether he is married or not. I think, also, exemption should be allowed for all dependents who are actually dependent; for example, a daughter may be over eighteen years of age, attending school to fit herself to earn her livelihood, and is dependent on the parent for her clothing, board, school and other expenses. Allowance should be made in such a case, the same as if the daughter were under eighteen years. Again, the amount of exemption seems hardly enough to offset the maintenance of dependents in many cases. True, this exemption has been raised this year from \$200.00 to \$300.00, but even then \$300.00 is not sufficient to maintain some dependents. Of course, it is difficult to fix exact exemption for living allowance for dependents, as no two cases are alike in their requirements and some definite standard must be maintained. The application of the Income Tax to the unspent portion only of the income would get away from all matters of exemptions and deductions, and it would amount to merely a tax on the increase in net worth of a taxpayer for the year.

"The application of tax rates might, I think, be made much simpler than at present. I would favor one form of Income Tax only, namely, Normal Tax, eliminating the surtax and supertax, grading the normal tax according to income blocks applying increasing rates and making rates more moderate than at present. I have no criticism to make of the application of the present tax. I think the Federal Tax Department is endeavoring to apply the present law justly according to its own interpretation of the Act, but the principal difficulty the public find is that the taxpayer has no means of knowing what that interpretation is or what regulations govern the application of the various clauses of the Income Tax Act. The public is suffering particularly through ignorance not only of any regulations governing the application of the Act, but through ignorance of the text of the Act itself as at present amended. It would be a difficult matter for the average taxpayer to consolidate the Act and bring the amendments up to date. It would be practically impossible for him to interpret the meaning conveyed in some sections; in fact, he might even be inclined to believe that certain sections of the Act are contradictory. Now the Act itself as amended and the application of it in the hands of the Federal Department may be quite simple to those versed in law and tax procedure, but it certainly is a Chinese puzzle to the majority of taxpayers.

"I think taxpayers on the whole desire to be honest in reporting their incomes, but are in a great many cases in doubt as to what deductions and exemptions they are entitled to. They are also in doubt as to the proper method of completing the tax return forms, and still more in doubt as to the application of the rates in making calculation of the tax due. This results in a great deal of worry to the taxpayer, and in many cases involves considerable expense in obtaining assistance in making out tax returns and calculations. This should not be. If the Income Tax is a necessity, then it is due to the taxpayer to see that he has every facility in carrying out his part of the obligation, the most important one that of paying his proper income tax.

"This can be remedied only by the Department taking the taxpayer's side of the question into consideration and by publishing rulings and adopting some means of educating the taxpayer as to what is expected of him.

"It is true that rulings are issued for particular cases by the Department, but these are not to be used as precedents, as such rulings are specific and not general. If the Department were to publish rulings of a general nature to apply to general conditions as determined by the experience of the Tax Department, it would greatly assist the average taxpayer in making his returns and paying the proper amount of tax, and would, no doubt, facilitate the working of the Department itself in the matter of auditing returns. The United States have adopted a system of publishing rulings, and these rulings are available to all taxpayers. The system is, however, very elaborate and expensive and, I think, more elaborate and more expensive than would be required in Canada, as our Canadian Act is less comprehensive than the American Act. The present provisions of the Act are sufficient to provide rulings by a Board of Referees, and I feel that the Conference should urge the Minister of Finance to adopt some method of publishing rulings by the Tax Department.

"A recent ruling announced in the press in the matter of taxing bond interest is, in my opinion, most unfair. I have been given to understand that this ruling is retroactive to January 1, 1922. This ruling provides, briefly, for the taxing of a corporation on interest paid on debentures or bonds of the corporation as part of the profits of the corporation. In other words, a corporation borrows money from a bank or in other ways, not on security of its bonds and debentures, and is permitted to pay interest on the money borrowed and charge such interest against the earnings of the corporation as an operating expense, but if the corporation has borrowed money by issuing debentures or bonds which are practically a mortgage on the capital

assets of the corporation, the interest paid by the corporation on money so borrowed is not to be considered as part of the expense of operations chargeable against the earnings, but is to be considered as part of the profits of the corporation and taxed. In other words, the money borrowed on bonds or debentures is to be considered as working capital the same as share capital paid in, in spite of the fact that money borrowed on bonds must be repaid at a definite date by the corporation, whereas share capital is permanently invested and cannot be withdrawn. I am not in a position to discuss the reason for the application of this ruling; but I believe that this is a matter which must in the very near future be adjusted and the ruling reversed.

"Another feature of the Income Act which appears to be unfair is the application of penalties and interest. After a taxpayer makes his returns, calculations, and payments in accordance with his interpretation of the Act, he should not be penalized for errors if, unfortunately, he is given no opportunity of making himself fully acquainted with the requirements of the Act. Should it be found that he has been in error in making his returns and the matter is drawn to his attention and he then fails to comply with the requirements, there is no reason why he should not be penalized.

"In the matter of interest charged, the same principle should apply. If through no fault of his own, taxes are underpaid by the taxpayer, it would appear that any interest charges which might accrue should date from the time at which the audit is made and the taxpayer's attention is directed to the shortage. The average taxpayer's experience in this regard is that the audit of his return does not take place for a considerable length of time after making his return. In some cases interest has been charged for a year, or even for two years, where the audit of the return has been delayed. In other cases where amounts have been overpaid, refund has been delayed for similar length of time due to delay in auditing by the Department, and no interest is allowed on overpayments. It would appear fair that if interest is to be charged on overdue payments, when interest should be allowed on overpayments, and in both cases should date from the date of audit, not from the date on which the return was made, provided, of course, the taxpayer is not in fault according to his best judgment.

"The application of the Income Tax to partnerships, as compared to the application in the case of corporations, works, in many cases, to the disadvantage of partners withdrawing profits during the year when the fiscal year does not correspond with the calendar year. In the case of corporations, the profits of the corporation are taxed as determined at the end of the fiscal year. The dividends paid by the corporation to its stockholders are taxable as income in the hands of the stockholder in the calendar year in which the dividends are received. In the case of a partnership with a fiscal year terminating other than on December 31st, the profits of the partnership are taxed to the individual partners as of the year in which the fiscal year terminates, irrespective of any profits withdrawn during the calendar year. It would appear reasonable to assess as income in the hands of the partners, profits withdrawn as belonging to the calendar year in which they are withdrawn and, in addition, taxing the remaining profits of the partnership as though distributed to the partners in the calendar year in which the fiscal year terminates. The present method of taxing profits of partnerships works a hardship in many cases by the application of the high surtax rate, as partnerships, like corporations, have bad years as well as good, and consequently while the partners may require to withdraw profits from time to time during two calendar years, the bulk of these profits may be accumulated in one fiscal year heavily taxable for surtax, whereas in the case of corporations, this cannot be the case. No doubt, the logical answer would be to incorporate, but this is not always advisable, for various business reasons.

"Another important feature of Income Tax is the method of collection. We have an Income Tax collected by the Federal Government and, in Ontario,

a municipal income tax collected by the municipality, with a possibility of a provincial income tax to be collected by the Provincial Government. The municipal income tax is collected by the various municipalities, and I am inclined to believe that the method of assessment and collection is not by any means uniform. The Municipal Act gives ample authority to the local tax collector, but it is doubtful if he collects all the income taxes that should be collected in accordance with the Act, or if his assessments are always equitable. Again, the information furnished the municipality becomes part of the Assessment Roll and is public property, which is not in the good interests of business. The Federal Income Tax Department has established a well-organized force and system for the collection of income taxes and is represented in every community in the country.

"I can see no reason why all income taxes, Federal, Provincial, Municipal, should not be collected at one point and distributed according to a budget. The Federal Income Tax Department would, no doubt, be in the best position to collect such taxes, and could, in turn, distribute them according to requirements to the provinces and municipalities. This would avoid great duplication of labor, would tend to a fairer assessment, and would, no doubt, be the means of collecting, particularly in the case of municipalities, a greater amount in taxes. It would also ensure a uniform method of collection and reduce the cost of collection. In addition to these features, it would ensure the treatment of returns and information being confidential.

"At the present time under existing conditions, any means of reducing cost of collection of taxes is well worth consideration.

"One other point I would like to briefly discuss relates to a Resolution that has been forwarded by the Border Chamber of Commerce to practically all Chambers of Commerce in Canada, and which has received almost unanimous support. That is the Resolution relating to the spread of profits of corporations for the application of the income tax. Briefly, the change suggested in the Act is intended to provide for a loss of one year being absorbed by the profits of the second year before the second year's profits are taxable. The principle would apply over, say, three years.

"Surplus accrued in various periods during the operation of the Tax Act, and taxed when earned, may be depleted by subsequent losses, and if so depleted, can be restored only from profits in future periods which are also taxable, rendering dividends paid from such surplus subject to double taxation.

"It will be seen that the result of operations of a series of fiscal periods showing alternate losses and profits, may under the present application of the Act yield taxes without the company at any time having profits available for distribution as dividends to the shareholders. This condition would be avoided if in the event of a company sustaining a loss in any year which reduces its capital or its capital and accumulated surplus, the amount of such loss were deductible from profits for the succeeding year or years for the purpose of computing the income tax payable for such year.

"One other feature I will briefly mention, that is, collection of taxes at the source. I feel that much is lost in collection of Income Tax by the Act not providing for collection of taxes at the source. This is particularly the case in taxing non-resident aliens.

"There are many other phases of income taxation which might be introduced for discussion, but I have endeavored to discuss those which, in my opinion, are of general importance at the present time and which might well be seriously considered by the Government at this time in the interests of the public."

Discussion.

Dr. Brittain—"What do you think the highest percentage should be in the Dominion Income Tax? We were told yesterday it goes up as high as 70%."

Major McLean—"Personally, I think that 35% to 40% would be ample if the Act were modified and considered in conjunction with the Turnover Tax."

Dr. Brittain—"Do you think that would affect the amount of the tax return? Or is it possible that by reducing the tax we might so stimulate business that the total amount might not be seriously affected?"

Major McLean—"I am in favor of a more graduated normal tax; in fact, I think the tax might be carried into different grades of normal tax, say, 4%, 6%, 8%, 10%, etc., in blocks, and the surtax might be done away with."

Dr. Brittain—"We were told that the maximum surtax in the United States is 50%, and that they were thinking of reducing that to 33 1/3%. What do you think will be the effect in Canada if we retain the present high surtax and the United States reduces their income surtax to 33 1/3%?"

Major McLean—"You will possibly recall that quite recently the United States reduced the heavy normal tax on incomes of Canadian residents employed in the United States, and as well, granted exemption of \$400.00 each for dependents. I was interested in the reduction of this tax and found that the tendency was for Canadians to move to the United States to avoid the excessive taxation; in fact, I have been informed that hundreds of families have moved from the Border Cities principally for that reason. Now, if the income tax in the United States were reduced much below the rates of the Canadian Income Tax, I cannot help but feel that it would have a very important bearing on our emigration."

Mr. Richter—"I would like to ask Major McLean if he has any information regarding the Federal Tax Department in connection with bond interest. That is, would the holders of bonds be entitled to a reduction because of the payment of the interest on these bonds being taxed?"

Major McLean—"I have been informed that where the bond interest is taxed, the recipient of the interest would be exempt from normal tax on such interest as income."

Mr. Hugh McDonald of the Canadian Manufacturers' Association participated in the discussion by giving a talk on the Federal and Provincial Income Tax from the standpoint of the Canadian Manufacturers' Association.

Dr. Brittain—"With regard to the exemption of children and dividends, do you think that \$300.00 is large enough exemption for each child, and do you think that the age limit should be eighteen years? Should not the exemption be raised per child, and also should not the parent be allowed exemption for any child, no matter what his age, so long as dependent; for instance, we heard of one child, thirty-two years of age, who had never been able to earn anything, and yet the father was not allowed exemption?"

Major McLean—"I think the exemption of \$300.00 is not sufficient to maintain a child. I think \$400.00 at least should be allowed, and I quite agree with you that the exemption should be extended beyond eighteen years so long as the child is entirely dependent. In the case you mention, if the child thirty-two years of age is incapable through infirmity of earning a living, then provision is already made in the Act for treating that child as a dependent on furnishing Form T242."

Paper on "Taxation in New Brunswick," by Dr. W. C. Keirstead,
Department of Political Economy, University of New
Brunswick, Fredericton, N.B. Paper read, in
Absence of Author, by Mr. E. M. Olive,
Assessment Commissioner, St. John, N.B.

"The Province of New Brunswick derives its revenues from three main sources:—the Dominion Government, the Crown Lands and Taxation. For

many years after Confederation the Federal subsidy was the main source of revenue, but at present it accounts for little more than one-fifth of the ordinary expenditures, and it is expected that as the province develops it will provide for even less of the expenses of government.

"The Provincial Crown lands are a valuable asset, and the rents and royalties therefrom have increased in value in proportion to the general increase of provincial expenditures; in fact, during the years of 1920 and of 1921 they gave us nearly forty per cent. of our provincial revenues. But during the past year the Crown lands provided less than one-third of provincial revenues, and nearly one-half of the revenues for 1922 came from taxation under the various forms of fees, licenses and taxes.

"In earlier years the province derived considerable revenue from licenses for the sale of intoxicating liquors, and during the year 1922 over \$500,000 came from the profits of the provincial liquors by provincial dealers. It is not expected that revenue from these sources will increase, and it is doubtful if present receipts can be maintained. Considerable revenue is secured from certain other licenses and fees which are a species of taxation. There are no large receipts from fees which are charged for the actual services of provincial officials, because the province is small and does not maintain a large number of skilled or trained officials in its departments, but there are small returns from this source. The usual probate fees and the so-called fees for the incorporation of provincial companies are, of course, taxes, and so are the licenses for the privileges of fishing, hunting, getting married, operating an automobile or conducting a motion picture theatre. The province has splendid hunting areas and charges \$50 for a license issued to a non-resident to hunt big game. Fishing leases are sold by the province and the income therefrom is of the nature of a royalty, but a fishing license is a tax upon the privilege of engaging in this sport. There is an annual license upon each owner of a motion picture theatre in the province; the license fee is graded according to the size of the place where the theatre is maintained, and ranges from \$200 to \$50. In addition to this tax upon owners or operators of such theatres, there is a tax upon all admissions to this and other entertainments of a commercial nature, ranging from one cent when the cost of admission is not over 25 cents up to 20 cents when the admission is \$2.00. During the past session of the house, a bill was presented which, if passed, would have doubled the tax upon admissions to motion pictures and other entertainments of like character and would have given the receipts therefrom for the support of hospitals. The act did not pass. It was opposed by members from urban areas, who claimed that hospitals in the cities and larger towns were supported by local taxation and that the taxation proposed was largely urban in character and would be used to quite an extent in rural areas.

"The taxes imposed upon automobiles are administered by the Department of Public Works, and the revenues so derived (which amount to more than \$300,000 a year) are used for highway development or upkeep. There are the usual fees for registration of new cars and for registration of chauffeurs and dealers, and the annual tax is based upon the weight of the car. Previous to 1922 the annual charge or license fee was on the basis of \$1.00 for each 100 lbs. weight of the car, but at the session of the Legislature which just closed this was increased 20%, so that the fee is now \$1.20 for each one hundred pounds weight of the car. The tax upon trucks is based upon the carrying capacity of the vehicle and upon its weight, and this has also increased twenty per cent. by the recent legislation. The increase in the tax is to be used for the establishment of a patrol system on our highways.

"The taxation of companies imposed by the province affords considerable revenue. The Companies Taxation Act of New Brunswick is similar to that of other provinces. Fire insurance companies licensed by the Department of Insurance of the Dominion Government pay a tax of 2% of their net premiums for the preceding year, with a minimum tax of \$100 upon each company.

Life insurance companies licensed by the Federal Government pay each an annual license fee of \$100 and a tax of $1\frac{1}{4}\%$ of net premiums. Other insurance companies holding licenses from the Federal Department of Insurance pay the province a tax of 2% on their net premiums, with a minimum tax of \$25. Any person insuring in an unlicensed company must report to the Provincial Treasurer the premium paid and pay a tax equal to 2% of the net premium, plus a tax equal to the interest at 6% on the amount held by the company on deposit from the insured. All insurance companies holding a provincial license and a permit to operate in the province from the Provincial Treasurer pay a tax of 2% upon net premiums, with a minimum tax of \$25 for each company. There is a license fee of \$100 upon special or travelling non-resident brokers or agents and a small fee of \$2.00 upon each agent of life insurance companies. The province does not have a Department of Insurance.

"The provincial tax upon banks is $\frac{1}{30}$ th of 1% of the average volume of business, including all deposits and discounts, but not note issues. While the tax is no accurate measure of the business of the bank, yet it is equitable as between banks; it increases with the growth of the bank's business and the rate can be determined to bear a proper relation to other taxes upon property or incomes. Several cities and towns in this province impose taxation at the rate of $\frac{1}{12}$ th of 1% of such average volume of business within their taxing jurisdiction.

"Of loans and trust companies the province exacts a license fee of \$250 each. Telephone companies are taxed 25 cents for each instrument under rental, and, in addition, an amount equal to $1\frac{1}{2}\%$ of the gross earnings. Telegraph companies are taxed 1% of the total cash receipts of each office within the province. Express companies are taxed as follows: \$100 for each city in the province where a company has an office or offices; \$50 for each town with population not less than 3,000; \$25 for each other town with population not under 2,000; and \$10 for every other place in the province where a company has an office with an agent.

"Railways are taxed on the basis of \$100 for each mile of road in the province if the average gross earnings of the road are not less than \$15,000 a mile.

"No registration fee or tax of any character is imposed by the province upon corporations as such, but upon extraprovincial corporations doing business within the province there is a tax of \$100 a year when the company has an authorized capital of not more than \$100,000, and of \$200 when the capital is more than this amount. This tax, which is not imposed upon provincial corporations, is probably ultra vires when applied to Federal companies, but so far has been paid without more than verbal protest.

"The province has no organized department of taxation and taxes have heretofore been imposed with a view towards simplicity and ease of operation rather than equality in assessment. Since this province is so prevalingly rural, it is doubtful under present conditions if a provincial income tax would be wise legislation. It would seem, therefore, that taxes based upon gross earnings such as now exist in case of insurance and the telephone companies are about as satisfactory as any method of provincial taxation.

"To my mind, it is better to base the taxation on the gross earnings than on the cash receipts from provincial offices, and gross earnings should include (a) receipts from business wholly within the province, (b) a portion of the receipts from business with one terminal within the province, and (c) a portion of the receipts from business that passes through the province but has neither terminal therein.

"In Canada the Federal Government has never imposed any taxation upon inheritances, and New Brunswick, like other provinces, has its probate duty and its succession duty legislation. I need not point out that our

Provincial Succession Duty Act, like that of other provinces, combines features of the estate taxation with that of a tax upon successors, and that it undertakes to tax property passing at death if the property in question has an actual or local situs within the province. This feature of provincial succession duty acts has led to litigation owing to the limitation of provincial governments to 'direct taxation within the province,' is familiar to all students of Canadian taxation. Not only does the New Brunswick Act contain this feature of double taxation, but it accentuates it, since unfortunately the rate of duty is doubled when the successor is a non-resident. Our provincial act, like the acts of other provinces, imposes what might be called two taxes; one tax rate varies according to kinship between descendant and successor and the size of the total estate without regard to the amount of the individual share, and the other rate varies according to kinship between descendant and successor and the amount of the individual share. The actual taxation imposed by the combined rates is much higher than might be first supposed, and there is not sufficient exemption in the case of small estates passing to dependent families. Moreover, as the act is now drafted, the higher rate, when it applies at all, is applicable to the dutiable value of the whole estate or to the whole share and not to the amount in excess of the higher limit for the rate just below in the scale of rates. Taxation of this nature is difficult to administer, since every effort is made to keep the valuation of the estate low in order to avoid the application of a higher rate upon the entire estate. The taxation may also be unjust, since a larger estate by just entering the scale of a higher rate may after payment of succession duty leave less to the successors than one slightly smaller which on this account is taxed upon a lower rate of duty. The British Estate Duty, with rates of this character, makes provision for this hardship by declaring that the larger estate, after paying the duty, shall not be less than the estate taxed in the rate just below after it has paid the estate duty. There is need for co-operative action on the part of provincial administrations to secure succession taxation of uniform rates in the different provinces and to avoid double taxation.

"This province imposes a tax upon wild lands, or in reality upon timber lands, in practically every case. The tax is 2 cents an acre upon each owner who holds more than 500 acres of such land; other owners are not taxed. In 1922 this tax was collected upon 2,800,000 acres, and of this amount the New Brunswick Land Company held 1,500,000 acres and paid over one-half the tax. There were about half a dozen other quite large taxpayers and the total number of taxpayers was 175. The tax is administered by a Crown Land Officer, with a minimum expense in administration. It is probable that a number of small owners escape the tax, but the rate is low and evidently the province does not think it worth while to undertake the expense and difficulty of a strict enforcement upon marginal owners.

"In the year 1917 the province imposed a tax upon municipal assessments of property and incomes for patriotic purposes. This tax was levied and collected by the municipal administrations, but on account of the great inequalities in local assessments, it was apportioned between municipalities by the Governor-in-Council, which undertook to make some equalization of the municipal assessment as a basis for apportionment. The tax was repealed after the war owing to its unpopularity, due in part at least to the inequality of municipal valuations. At the present time the province imposes a direct tax upon property and incomes known as the municipal road tax. This tax is now \$2.00 on each poll and $\frac{4}{10}$ of 1% of the general municipal assessment of property and income. The municipality administers and collects the tax and pays it over to the Department of Public Works to be used in every case for the roads in the parish from which it was collected. This tax was formerly a purely municipal tax and was taken over by the department when it relieved the municipalities of the responsibility for the care of the highways. The inequality and prevalent undervaluation of municipal assessments make the road tax unequal in operation and unfruitful in yield.

"Another tax of somewhat similar character is the so-called county school tax. Each municipality is required by the Chief Superintendent of Education to assess for a County School Fund an amount equal to 60 cents for each person in the county, as determined by the last Federal census. This tax is collected by the municipality and is paid over by the secretary-treasurer of the county to the provincial educational department, from which it is re-distributed again to the school districts in the county from which it is collected in each case. The basis of distribution between schools is (a) according to the number of teachers in the county and (b) according to school attendance of each school. A certain amount is also given to the poor school districts, but the greater portion of school expenditures in each school district is met by direct taxation upon polls, property and incomes of the district. The Secretary of the Trustees gets the valuations from the Secretary of the County municipality and fixes a rate to give the necessary revenue for the district. Inasmuch as some school districts are very small and poor, consequently have a very low assessment, while others are larger and wealthier, there is great variation in the rate of school taxes and great inequality in the educational opportunities afforded children in different school districts in the province. For the administration of schools, as for road taxes, there is needed a more equitable system of assessment. If property throughout the province were assessed at its full value in every section the so-called county tax could well become a provincial tax for education and one-half imposed at a rate upon the property assessments. Then the districts should be enlarged in order to provide more equitable distribution of the local tax for schools. Even within the same county there is inequality of assessments, so that county and parish taxes need for their proper administration better methods of assessment and administration.

"Local taxation for county and parish purposes is imposed upon property and income and upon polls. Our rural areas operate still under a general property tax, but in reality the main assessment consists of realty and tangible personal property, with a small assessment of income in the case of some persons with fixed salaries. The cities of St. John and Moncton have secured special tax acts whereby they tax realty on its full value, tangible personal property like stocks-in-trade, fixtures, tools, live stock and vehicles on one-half the full value, incomes at full value and all at a general tax rate. These cities have attained considerable success in administering local income taxes. Net income is defined much as in the Federal Act, but does not include income derived from real estate within the city. The exemptions granted for married persons and deductions for children and dependents are much lower than in the Federal Act, and the general rate of taxation is about 3%. This means a normal tax of 3% upon net incomes, and there is, in addition, a small supertax upon larger incomes.

"The highest combined rate, however, never exceeds 7%, and this, of course, is imposed only upon certain functions of the largest income. There is need of some revision of these acts in order to give larger exemptions in some cases and to include income from local real estate and from mortgages therefrom. Of course, in local income taxes there is danger of double taxation unless care is taken to determine what income is within the taxable area. Undoubtedly a properly administered income tax has advantages over a local income tax, but there does not seem to be any good reason why a city employing competent officials cannot administer an income tax with fair success.

"I have not dealt with taxation in Nova Scotia. The situation in this province is similar to that in New Brunswick. Whereas New Brunswick derives revenue from timber lands, Nova Scotia secures her Crown receipts from coal and mineral royalties. Nova Scotia imposes practically the same taxes as those described in New Brunswick. But in addition to taxes mentioned, there is a tax for registration graduated according to the capital stock upon all provincial and Federal companies and another registration tax

slightly higher for all foreign companies. School taxation and taxation for highway purposes are much similar to that in this province. Local taxation is carried on under a provincial rates and taxes act. The City of Halifax imposes a tax upon real estate, upon the rental value of business and residential premises, in place of a tax upon tangible personality and in lieu of local taxation of incomes as in St. John."

Discussion.

Mr. Frind—"With regard to the question of municipal income tax re residents outside the municipality in which it is assessed, do the eastern provinces assess a non-resident on the income derived in that city?"

Mr. Olive—"The City of St. John does. Our province has no income tax, but two cities have a special income tax, St. John and Moncton. A non-resident who is earning his income in the City of St. John pays only on that income."

Mr. Armstrong, Mr. Wickett, Mr. Voizard and Mr. Fraser took part in the discussion.

The following resolution was presented and read by Alderman K. A. Blatchford, of Edmonton:—

"WHEREAS the necessity for cash revenue by the Dominion, Provincial and Municipal Governments, makes it desirable to broaden the basis of taxation and to impose taxes upon the principles of 'ability to pay' and 'benefits received.'

"AND WHEREAS the Dominion and Provincial Governments are using their higher Legislative authority over Municipal Government to impose taxes which encroach upon the sources of cash revenue which rightly belong to the local municipality.

"AND WHEREAS the ever-increasing cost of education; the heavy burden of taxation which all Municipalities have to impose in order to pay interest and sinking fund on excessive capital expenditures; and the heavy expenditures incurred by Municipal Government in maintaining services which are Provincial or Dominion-wide in their scope; are creating a situation which is likely to become critical, and unless dealt with promptly and judiciously, may affect not only the credit of the Municipality, but also the Province and the Dominion.

"THEREFORE, BE IT RESOLVED that the Dominion and Provincial Governments be requested to call a conference to discuss, and, if then found necessary and advisable, to appoint a Commission to investigate the whole question of taxation with the view to consolidating present methods and system of collection and deciding upon:

"(a) A proper division of responsibility between Dominion, Provincial and Municipal Governments in regard to expenditures in connection with education, hospitals, etc., etc.

"(b) What should be the sources of revenue for each taxing authority."

It was moved by Mr. Fraser and seconded by Mr. Frind that we endorse the resolution read by Mr. Blatchford and refer the matter to the Resolutions Committee. Carried.

**Paper on "The Sales Tax"—Mr. C. W. Graham, Buntin, Gillies & Co.,
Chamber of Commerce, Hamilton, Ont. Paper read by
H. L. Brittain, in absence of the writer.**

"The only unanimously reasonable objection to taxes is based on a fear that they are not evenly distributed. Equity should, therefore, be among the first requisites.

"The Sales Tax, like the customs tariff, is collected largely before the ultimate consumer enters into the transaction, and is consequently among the least objectionable forms of taxation. It has been accepted by the people, without much complaint, and as there seems to be little prospect of a relaxation in the necessity for revenue, its continuation may be expected.

"This is all the more reason why it should be based on sound fundamental principles and be free from all discriminations and unfairness, which the present Act admittedly contains.

"When first announced, it called for a tax of one per cent. to be levied and collected on sales by manufacturers and wholesalers. This was so grossly unfair to all wholesale distributors that it brought immediate protest, and before the Act became law, it was amended with the object of removing this discrimination, the objection to pyramiding thus being admitted from the start.

"On material or merchandise which does not pass through the hands of more than one manufacturer or wholesaler before reaching the retailer or consumer, this amendment rectified the trouble, and the Act as it stands is quite reasonable.

"But where material or merchandise passes through the hands of more than one manufacturer or wholesaler before reaching the consumer, the tax is applied each time, thereby adding an unfair burden to a number of different classes of business.

"One concern with large capital and widespread ramifications may obtain raw material from the field, forest or mine, put it through its various processes, and sell the finished article ready for ultimate consumption. Other manufacturers perform only one or two operations of the process of manufacturing and then pass along the material in a semi-manufactured (as far as the ultimate consumer is concerned) state, to other manufacturers, who perform one or more operations and again pass it along; consequently, by the present system these products are taxed at a very much higher rate than those of the larger corporation.

"We are told, and many people believe, that the Sales Tax can be, and is, passed on to the ultimate consumer; with equality in taxation this is no doubt true, but everyone must admit that in the final analysis it is impossible to pass on a tax which one's competitor does not have to pay. Without any doubt, what is commonly known as 'pyramiding,' results in either one of two things, both bad (or a mixture of them), viz.: either the man who escapes taxation gets more profit than he is entitled to, or by being forced to absorb the tax, the unfortunates have to take less.

"The present Act gives certain classes of business very good ground for presenting complaints to the Minister of Finance and the Minister of Customs and Excise, which in some cases have brought about a certain measure of relief, but under the present Act, when stepping off the toes of one class of trade it steps on to those of some other class.

"One of these attempts at relief is the exemption from tax of material supplied by the buyer for further processing.

"There seems to be no logical reason why labor on material owned by the seller should be taxed, and the same labor on material owned by the buyer,

should not be taxed. This system practically invites evasion or, to say the least, interferes unjustifiably with the natural channel of trade.

“Another (objectionable to some) measure of relief, is the fixing of the annual amount of sales and permitting printers doing less to be considered as retailers, and compelling those doing more to be considered as manufacturers.

“This is certainly a serious matter for those doing just over the sum fixed when in competition with those who are just under.

“Can not a plan be found which would eliminate these difficulties and make the Act absolutely equitable for all industry?

“In the hope of this, we offer the following resolution:—

“WHEREAS, it is evident that the intention of the Sales Tax Act is not to tax manufactured goods which pass through the hands of several manufacturers or wholesalers in the course of processing or distribution, more heavily than those more completely manufactured by one concern or when sold direct by a manufacturer to a retailer or consumer.

“AND WHEREAS on all transactions of material or merchandise which pass through the hands of more than one manufacturer or wholesaler before reaching the consumer, the tax is pyramided, the intention of the Act is not carried out.

“THEREFORE, BE IT RESOLVED, that the Government be urged to make such changes in the Act, or the interpretation thereof, whereby such discrimination shall be removed.

“AND BE IT FURTHER RESOLVED, that the members of this Board believe that the discrimination can best be rectified by the adoption of an amended Act whereby:—

“(a) Sales by licensed manufacturers or wholesalers to other licensed manufacturers or wholesalers for resale, either in the same condition or after processing, shall be exempt from Sales Tax.

“(b) That all other sales (namely, to retailers or consumers) by licensed manufacturers or wholesalers be subject to the full tax, which at present stands at $4\frac{1}{2}\%$.

“(c) That on the duty paid value of importations, the rate charged to licensed manufacturers or wholesalers shall be $4\frac{1}{2}\%$ lower (or whatever rate the full tax may be) than the rate charged to non-licensees (retailers or consumers).

“Note:—In the latter case, for example, if the Excise Sales Tax on importations by retailers remains as at present, 6% on the duty paid value, then the rate to be charged on importations by licensed manufacturers or wholesalers shall be $1\frac{1}{2}\%$.

“An Act based on the above would remove the greatest objection to the Sales Tax, namely, pyramiding. It would justify the cutting out of many inequitable exemptions and would obviate the desirability of making special rulings.

“It would also go a long way to solving the problem of the fair treatment under the Act of what might be called custom tradesmen, such as merchant tailors, printers, tinsmiths, etc., which has been the second of the great problems in the operation of this Act.

“Under the principles recommended here, the compensating privileges would, in most of these cases, so closely balance the obligations that it might be safe to allow such a tradesman to decide which class he prefers to be in.

"However, if this was considered to be likely to result in either unfairness or loss of possible revenue, a solution might be found by compelling all such tradesmen who sell the products of the labor of employees, as well as their own, either to become regular licensed manufacturers with all privileges and obligations, or to keep a correct record, making monthly return of same, and paying a direct tax equal to 4½%, or whatever rate the Sales Tax may be, of the manufacturing cost of his product, exclusive of raw material on which Sales Tax had already been paid on purchase, with the following exemptions:—

"(a) The first \$2,000.00 in value of same.

"(b) On that portion of their product which they can show was sold to a licensed manufacturer or wholesaler for resale.

"N.B.—The taxing of the cost of such operations would remove the discrimination in their favor as against licensed manufacturers. The exemption of the first \$2,000.00 would remove the discrimination against them when competing with anyone who worked single-handed. The exemption on the cost of goods sold to a licensee would put them on the same footing in this regard as a licensed manufacturer occupies."

Mr. Kent, Gage & Co.; Mr. N. L. Martin, Secretary-Treasurer, Canadian Paper Trade, and Mr. J. R. K. Bristol participated in the discussion.

The report of the Resolutions Committee was then submitted by Horace L. Brittain. The following resolutions were moved, seconded and duly passed:—

RESOLUTION NO. 1.

Moved by A. M. Fraser, seconded by H. L. Brittain—

"That the question of the soundness and equity of the real property tax as related to lands and buildings locally assessed, in its present form of an annual tax on assessed capital values, be referred to a committee of the Citizens' Research Institute of Canada for examination and report." Carried.

RESOLUTION NO. 2.

Moved by H. O. Frind, seconded by H. L. Brittain—

"Whereas the suggestion has been made from several quarters that a National Tax Conference be held, representative of Dominion and Provincial Governments as well as representative municipalities, for the following purposes:—

"(1) The delimitation of fields of taxation as between Dominion and Provincial Governments.

"(2) To enquire into the respective costs of collecting of taxes.

"(3) Co-operation in the obtaining and exchange of information and in any other feasible ways with regard to taxation.

"(4) Such other related subjects as may be delegated to such conference.

"The Canadian Tax Conference considers it vital, from a standpoint of national economy and retrenchment, that such conference be held, and recommend that all Provincial Governments and representative municipalities be communicated with as to where and how such conference can be held at an early date." Carried.

RESOLUTION NO. 3.

Moved by H. O. Frind, seconded by Hugh MacDonald—

"That the Citizens' Research Institute of Canada be asked to gather data on the questions as given in Resolution No. 2, more particularly with the view to enquiring into permanent, temporary, normal and inflated demands of Taxation." Carried.

RESOLUTION NO. 4.

Moved by H. O. Frind, seconded by A. R. Bartlett—

"That the Citizens' Research Institute of Canada be asked to appoint an advisory committee to go into the question of educational finance." Carried.

RESOLUTION NO. 5.

Moved by N. A. Voizard, seconded by R. F. Armstrong—

"That the advisability of raising the exemption of children under the Dominion Income Tax Act to \$500 be referred to the permanent Advisory Taxation Committee of the Citizens' Research Institute of Canada."

RESOLUTION NO. 6.

Moved by N. A. Voizard, seconded by Hugh MacDonald—

"That the Citizens' Research Institute of Canada be empowered to investigate the advisability of obtaining from all Provinces:

(a) the necessity of property qualification from all those seeking public position;

(b) That the industrial corporations be authorized to vote on all by-laws."

RESOLUTION NO. 7.

Moved by K. J. Dunstan, seconded by S. R. Wickett—

"That all gentlemen who prepared, presented and read papers to the Convention and the Press be tendered a vote of thanks." Carried.

After the passing of the formal resolutions, it was moved from the floor by Mr. L. I. McMahon, seconded by Mr. Arthur M. Fraser, that a hearty vote of thanks be extended to Dr. Brittain for the work he has done in the organization and carrying out of this Conference. Carried.

**"THE PRESENT SYSTEM OF TAXATION IN FORCE
WITHIN THE CITY OF WINNIPEG, WITH SPECIAL
REFERENCE TO THE INCIDENCE AND EQUITABLE
DISTRIBUTION OF TAX BURDEN."**



**A REPORT PREPARED
FOR THE
MAYOR AND CITY COUNCIL
WINNIPEG, CANADA**



**CITIZENS' RESEARCH INSTITUTE OF CANADA
189 CHURCH STREET. TORONTO**

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LETTER OF TRANSMITTAL

To the Mayor and City Council,
Winnipeg, Manitoba.

Gentlemen:—

I submit herewith a report on "The Present System of Taxation in Force Within the City of Winnipeg, with Special Reference to the Incidence and Equitable Distribution of the Tax Burden and the Inequalities Thereof."

Before going to Winnipeg two weeks were spent on the collection and examination of all material at hand, which was considerable, bearing on the present system of taxation in Winnipeg. I then spent three weeks in Winnipeg getting first hand information on the ground, hearing representations from those who had information to give or points of view to express, and checking up the information which had already been obtained. During my stay in Winnipeg I had the opportunity of attending several hearings of the appeals against assessments before the Board of Valuation and Revision and of reading all the evidence transcribed up to the time of my departure from the City.

Through the courtesy of Mr. Shanks the evidence before the Shanks Commission of 1917 was made available to me in its entirety, and I also had the advantage of studying the evidence submitted to the Provincial Assessment and Taxation Commission which was the basis of its report in 1919. This is mentioned in order to give you a general idea of the information available as a basis of the report.

Owing to the rapidity with which the City grew up to 1915, the comparative modernness of many of the buildings and the reconstruction of old buildings now in use, and the fact that assessment statistics have not yet been adequately developed in Winnipeg, it was quite impossible to secure, on a sufficiently broad basis, facts as to net returns from various classes of property over a period of twenty years. As the City returns to normal conditions and as the statistical basis for assessment control is further developed, such information will be currently available and should be of great value in securing internal equity of assessment.

The statistics offered in the report dealing with Winnipeg's revenue from taxation and expenditures from taxation and

other revenues are based on the civic estimates, the Comptroller's reports and special information supplied on request by the City Treasurer, City Assessor, Secretary of the School Board and other officials. The preparation of such special information must have frequently involved considerable inconvenience to the officials concerned and their assistants, particularly as the Provincial Legislature and the Board of Valuation and Revision were then both in session. This fact also made it more difficult to get information from private sources. Owing to the widely different sources of information, there may be slight inaccuracies in some of the figures presented, but they have, I think, been reduced to a minimum and certainly do not affect the findings or recommendations of the report.

In conclusion the writer wishes to thank the Mayor and members of the City Council for their courtesy and co-operation in facilitating the work of the inquiry, and various City officials for their great assistance in securing the fact basis for the report.

I trust that the Mayor and City Council, the citizens and the taxpayers will find this report of assistance. If the Citizens' Research Institute of Canada, or the writer, can in any way contribute further to the usefulness of the report, we are at your service.

Respectfully submitted,

HORACE L. BRITAIN,

Director, Citizens' Research Institute of Canada.

Toronto, Canada,
April 30th, 1923.

**THE PRESENT SYSTEM OF TAXATION IN FORCE
WITHIN THE CITY OF WINNIPEG, WITH SPECIAL
REFERENCE TO THE INCIDENCE AND EQUIT-
ABLE DISTRIBUTION OF THE TAX
BURDEN AND THE INEQUALITIES
THEREOF**

INTRODUCTORY

Municipal government exists in order to furnish citizens with certain necessary or desirable services which can be better provided by collective than by individual effort. To produce these services revenues are necessary. Some of these may be raised by direct charges for definite services, or special privileges, or recouplement for certain expenses. Such revenues are usually known as "Revenues other than Taxation." All other revenues are obtained from taxation. Among the "revenues other than taxation" are revenues derived from civic services which are in the nature of trading undertakings which are usually called "municipally owned public utilities" or "revenue producing services."

These are or should be entirely supported out of direct charges for services rendered to consumers or potential consumers. The only occasion for the appearance of "revenue producing services" in the City budget for regular services is when there is a deficit or surplus in one or more of the utilities operated by the City, since such surpluses or deficits may decrease or increase the amount of general taxation. As a general rule, however, utility surpluses remaining after the deduction of all charges that a similar privately owned utility would bear, including taxation, should be devoted to the utilities for the purposes of replacements and extensions, or in some other way for the benefit of the users of the services, and except in special cases should not be used for the reduction of taxation for the support of general services. On the other hand, deficits on utilities should not be a burden on the taxpayer who bears the cost of regular services. The only way to prevent the incidence of such a burden is to incur no deficits in operating utilities, or, if this position cannot be attained within a reasonable term of years, to cease at the earliest moment possible and under the best terms obtainable the

operation of the utility which is not self-supporting and accept immediately whatever necessary capital loss is involved. Moreover, during the period of deficits these should be clearly stated in the estimates so that the taxpayer may realize fully the resulting effect on the tax-rate.

A clear distinction must, however, be made between the two types of revenue other than taxation. The revenue from municipally owned public utilities should not be regarded as a direct civic revenue and, as has been said, should not be a part of the ordinary city budget which strikes the tax rate. Winnipeg's practice in this respect is correct. Public utilities are business enterprises which make charges as services are rendered and presumably in proportion to their amount. They should be kept quite distinct from ordinary services and should be treated separately in distinct sections of the estimates and other financial documents.

On the other hand, the miscellaneous revenues other than taxation, and not drawn from public utilities, should, and in Winnipeg are, regarded as supplementary to taxation and are properly included in the civic revenues in the annual current budget.

Civic revenues may, therefore, be classified as follows:—

1. Civic revenues proper.

Taxation.

Miscellaneous revenues other than taxation.

2. Public utilities revenue.

It is, for reasons stated, quite impossible to discuss taxation without reference to other sources of municipal revenue and no attempt to do so will be made here. Public utilities revenue, however, in a well managed municipality, has so little direct effect on taxation, which is the subject of this study, that no general discussion of the topic is presented, although references to it as occasion warrants will appear throughout the report. The two types of civic revenue proper, i.e., miscellaneous revenues other than taxation and taxation, must, however, be considered together in this report.

Sow a municipal service (non-revenue producing) and reap a municipal expenditure. Sow a municipal expenditure and reap a municipal tax. This is a true saying. Many assent to it. A few still believe it. Formerly, many acted upon it in discharging their municipal duties. That it is becoming old-fashioned is no argument against its soundness. Municipal taxation cannot be intelligently discussed apart from expendi-

tures. In fact the amount of expenditure not only determines the amount of taxation but is related to its incidence, or at least to the general recognition of its incidence. A horse may be equipped with an ill-fitting saddle. While the occupant of the saddle is a child, the horse may be unconscious of any discomfort; but when the child yields place to his father, the horse soon becomes aware of the points of incidence. So any tax, no matter how unscientific, if light and easily within the ability to pay, awakens little or no protest, but when raised in amount beyond the economic limit, the question of incidence is forced on the attention of those who bear the burden. An ill-conceived tax, if light, may do no appreciable damage to the community; but when it increases faster than the ability to pay, through extravagant, unwise or unproductive expenditures, the inequalities of its incidence on one or more sections of the taxpaying public not only become painfully evident but they may dislocate the whole system of municipal finance.

I.—SOURCES OF ORDINARY MUNICIPAL REVENUES

The word "ordinary" here refers to the revenues which appear in the annual civic estimates on the basis of which the annual tax rate is struck. It does not include the proceeds of special assessments, such as those for local improvements. These "ordinary" revenues are of two kinds—(a) Miscellaneous Revenue other than Taxation, and (b) Taxation.

(a) Miscellaneous Revenue Other Than Taxation.

Under this head in the 1922 Estimates, appeared items under thirty heads as follows:—

- Winnipeg Electric Railway—Car Tax.
- Winnipeg Electric Railway—5% Gross Earnings.
- Fines—Police Court.
- Fees—Building Permits.
- Fees—Plumbing and Sewer.
- Fees—Electrical.
- Fees—Pound.
- Fees—Chemical Laboratory.
- Unclassified.
- Pumping Water, Fire Service Water Works.
- Babies' Milk Depot.
- Disinfection.
- Crematories.
- City Hospital Collections.
- Bacteriological Laboratory.
- Public Baths.
- Comfort Stations.
- Administration, etc., Local Improvements 6%.
- Engineering Local Improvements.
- Engineering Fees.
- Market Fees.
- Licenses.
- Public Libraries.
- Public Hospital, Fees Recovered.
- Areas and Coal Chutes.
- Brookside Cemetery.
- Tax Certificates.
- Interest on Taxes in Arrear.
- Sale of Unclaimed Bicycles.
- General Taxes, Hydro Electric System.

It will be noted that some of these items, such as Winnipeg Electric Railway—Car Tax; Winnipeg Electric Railway—5% Gross Earnings; Tax Certificates; Interest on Taxes in Arrear; General Taxes, Hydro Electric System, are related to taxation, directly or indirectly; but inasmuch as these revenues do not arise either from the levying of the general tax rate on the real property assessment or from the business tax, they are included for purposes of convenience in "revenue other than taxation." With the exception of the items mentioned above, these miscellaneous revenues arise for the most part from fines, fees of different sorts, licenses, and special charges for special services, collected, presumably, at or about the time the services are rendered.

Most Canadian and American cities collect revenues from similar services. Thus the City of Toronto receives through eight civic departments special revenues from fines, fees, licenses, mortgage taxes, registry office and rentals of City property. The City of Detroit collects special revenues from court fines, sale of work of prisoners, and fees for special services. The City of London includes in its miscellaneous revenues, rents of City properties, registry office fees, fees of eight other kinds, licenses of 19 different types, and police court fines. Montreal also receives miscellaneous revenues from fines from the Recorder's (Police) Court, licenses, markets and other fees.

These miscellaneous revenues are of so varied a nature that it is quite impossible, within the limits of this report, to present a close analysis. As these miscellaneous revenues are not for the most part taxes, in the strict sense, although they have a very considerable effect upon the direct burden of taxation and indirectly on the incidence of taxation, it will be sufficient to state here that there has been in many cities during recent years a strenuous effort to increase the revenues other than taxation. So long as this movement confines itself to an attempt to impose and collect, at the time services are rendered, adequate fees for special services provided by the community, and to collect full rents for the use of any city property or encroachment on any city property, it is a wholesome one and deserves the support of all citizens. There is no more reason why a citizen should escape adequate payment for any of these special services rendered by the City, and which can be measured and paid for at once, than that he should escape payment for such services when offered for sale by private individuals. Where the movement, however, attempts to increase licenses beyond an amount necessary to pay for the cost of police or community control, its influence is vicious. Licenses should not be used for purposes of taxation. If new

taxation is just and necessary it should be levied frankly as taxes. In every city, at short intervals, careful inquiries should be made by the finance department, with a view to bringing fees, licenses and rentals up-to-date so as to cover the whole cost or value of the services rendered*

It will be noticed that the City obtains no revenue from automobile license fees and amusement taxes. These in Manitoba are collected and spent by the Province as is usually the case. There have been, however, some changes in this regard, notably in British Columbia. In December, 1921, the British Columbia Legislature passed an Act providing for the distribution among the municipalities on the basis of population of (1) one-third of the collections under the "Motor-Vehicle Act" in respect of motor-vehicles other than motorcycles, the moneys so received being earmarked for the construction and maintenance of public roads within the municipality; and (2), an amount equal to the aggregate of the taxes collected under the "Amusement Tax Act" in respect of moneys deposited, for the purpose of betting at racetrack meetings under the Pari-Mutuel system.

Vancouver received last year an aggregate of \$116,255.82 and anticipated a revenue from these sources in 1923 of \$120,000.00.

In view of the fact that amusement houses are under the fire and police protection of the municipality, and otherwise add considerably to the cost of running the City, the writer believes that the sharing of the municipalities in revenues from all amusement taxes is just and desirable. Inasmuch as all roads in the province may be used by automobiles wherever owned, it would seem not unjust that cities should share in the proceeds of automobile license fees either directly by subventions, or indirectly by provincial expenditure on city highways.

(b) Taxation.

In Winnipeg there are only two sources of general taxation—(1) the Real Property Tax and (2) the Business Tax.

(1) The Real Property Tax.

The Charter provides that land, as distinguished from the buildings thereon, shall be assessed at its value at the time of assessment, and that buildings shall be assessed on two-thirds of their value, said value being the amount by which the value of the land shall be thereby increased. No indicia are listed in the Charter by which the value of land is to be

* Some licenses, of course, such as those for circuses, free admission shows, dance halls, palmists, etc., should be high.

arrived at or by which the value that buildings added to the land is to be estimated.

The real property tax on capital values is the chief source of municipal revenues throughout Canada. It is the one universal source of revenue, as each Provincial Government authorizes the municipalities to assess and levy taxes on land. Until recently some of the western provinces had legislation exempting improvements more or less completely and generally from taxation. In 1919 the Legislature of British Columbia amended the Municipal Act by authorizing municipalities to tax both land and improvements thereon at their actual value. To what extent the taxation of improvements has increased will appear later.

In Alberta, towns may now (information not later than 1922), assess improvements at amounts not exceeding their actual value, and villages up to 60% of their actual value. Rural municipalities have not as yet received similar authority. All the cities tax buildings and improvements on lands at some percentage of the total assessed value.

Saskatchewan provides for the assessment of land at fair actual value. Cities, towns and villages are limited in the taxation of improvements to 60% of their value, while rural municipalities may, with certain limiting provisions, tax buildings on lands not strictly agricultural in nature up to 60%.

The taxation of improvements in cities varies from 30% to 60% of the assessed value.

In Manitoba the law limits the taxation of improvements in urban municipalities, and on buildings on non-agricultural land in rural municipalities, to two-thirds of the full value. The assessments of improvements are always made whether a tax thereon is to be levied or not.

In all provinces east of Manitoba, municipalities have been given full authority to assess buildings and improvements upon land at actual value. When land is referred to in their laws relating to assessment it is interpreted to include buildings and improvements. In actual practice, however, while ostensibly taxing on the full value of land and buildings, in many cases both land and buildings are taxed on what assessors estimate to be from 40% to 80% of the actual value. Sometimes buildings are assessed at a higher percentage of the actual value than land, and vice versa. There does not seem to be any agreement or near agreement as to what "actual value" means. It is noteworthy that the Ontario law approximates that of Manitoba in its provision for the assessment of improvements. The Act states that the value of the

buildings shall be the "amount by which the value of the land is thereby increased" and, in a later section, that "buildings shall be assessed for the amount of the difference between the selling value of the land if there were no buildings on it." The use of the words "selling value" in the Ontario Act and "the taxation of only two-thirds of the assessed value" in the Manitoba legislation are points of difference.

It is quite evident from this short summary of provincial legislation that there is no unanimity of opinion as to the assessment of land and even less as to assessment and taxation of improvements on land, although there seems to be a growing tendency away from the total exemption of improvements and toward the assessment and taxation of improvements up to at least two-thirds of their value. Even in provinces where they are supposed to be assessed and taxed on 100% of their value, it is probable that in practice the assessments in many cases do not exceed 66 2-3% of their "fair" value.

The incidence of taxation as between land improvements thereon will be discussed later.

(2) The Business Tax

The business tax in Winnipeg is on the basis of rental values. The Charter of the City provides "that all persons, firms and corporations (with certain exceptions paying licenses) shall be assessed for a sum equal to the annual rental value of the premises, whether building or lands or both, which he so occupies or uses for an office in carrying on any businesses or professions, employments or callings (enumerated or described in the Charter). . . . to the end and intent that all persons, firms and corporations so occupying the same shall be liable to assessment. . . . Each corporation, company, individual or partnership shall pay to the City a business tax to the extent of 6 2-3% of the amount of the business assessment" The list of occupations subject to the tax is very complete so that theoretically the incidence of the tax should be very broad, and, if its basis were equitable, the tax should be or might be made very productive.

In Ontario, as elsewhere, the business tax has grown out of and superseded the personal property tax or the tax on stock-in-trade. The Ontario tax is based on realty values, and is levied on occupiers for business purposes, whether owners or lessees. The following resume of general provisions of the Act gives a good idea of the nature of the tax:—

"Irrespective of any assessment on land under this Act (The Assessment Act) every person occupying or using land

for the purpose of any business mentioned or described in this section shall be assessed for a sum to be called "Business Assessment," to be computed by reference to the assessed value of the land so occupied or used by him, as follows:—

1. Distilleries, 150% of assessed value.
2. Breweries, 75% ; Malting Houses, 60%.
3. Wholesale, insurance, financial and express companies, 75%.
4. Manufacturing business, 60%, with the exception of flour mills producing an average of less than 50 barrels per day, 65%.
5. Department store, wood, lumber and coal business, printing and publishing business, except newspapers, etc., with one exception, 50%.
6. Professions, 50%.
7. Newspapers in cities, 35% ; in other municipalities, 25%.
8. Retail businesses according to population of municipalities where located, 25% to 35%.
9. Certain other business, 25%. The amount of the business assessment being determined, the amount of the tax is arrived at by applying the general tax rate."

The business tax in Ontario is not one which stands entirely by itself, as it is more or less inter-related with the municipal income tax. In some cases it might be regarded in a way as minimum income tax. For example, professional men are assessed on their incomes from their businesses or professions to the extent that their incomes exceed the amounts of their business assessments. A recent amendment to the Act provides that "every person (with certain exceptions otherwise provided for) liable to business assessment . . . shall also be assessed in respect of the income derived by him from his business, profession or calling, to the extent to which such income exceeds the amount of such business assessment"

The further complications of the Ontario Business Tax are not of particular interest for the purposes of this study.

British Columbia cities have no business tax, but under a recent amendment have power to levy certain taxes on personal property if they care to do so. The Province also receives some revenue from personal property taxation. No

mention of a business tax was found in the municipal legislation of the Maritime Provinces, although it is understood that some municipalities tax incomes both personal and business, and the taxation of personal property is provided for in the Statute books of each of these provinces. Of six Alberta cities from which information was obtained, five assessed a business tax on a rental basis and one on a floor basis. The Saskatchewan City and Town Acts provide that "the assessor shall fix a rate per square foot of floor space (irrespective of partitions, stairways, etc.), of each building or part thereof used for business purposes, and shall as far as practicable classify the various businesses." In ten cities in Quebec from which information was received, the business tax varied between 2% and 8½% of the annual rental value of the premises occupied.

It will be seen that there are in Canada three main types of municipal business tax:

On rental values,

On floor area (business classified or unclassified), and

On some percentage of the capital assessed value of the premises occupied.

So far as the Institute knows, no municipal business tax in Canada is based on gross revenue or net profits, although the percentage of gross revenue paid by street railways in some cities is in the nature of a business tax.

The most equitable form of business taxation is discussed later.

THE MUNICIPAL INCOME TAX

Although such a tax has on several occasions been recommended for Winnipeg, the City to date has no such source of revenue. In this respect it is in sharp contrast with Ontario cities. The percentages in the following table, which are approximately though perhaps not absolutely correct, illustrate the point:—

Percentage of Total General Taxation
raised in 1921 by—

	Real Property		
	Tax	Income Tax	Bus. Tax
Belleville	86.5	5.6	7.9
Brantford	81.9	6.7	11.4
Brockville	85.4	7.0	7.6
Chatham	87.5	3.5	9.0
Fort William	87.8	3.1	9.1
Galt	81.8	7.3	10.9
Guelph	86.7	3.2	10.1
Hamilton	83.3	7.7	9.0
Kingston	83.3	7.3	9.4
Kitchener	79.2	5.5	15.3
London	82.4	7.6	10.0
Niagara Falls	90.9	1.8	7.3
Ottawa	79.5	11.9	8.6
Owen Sound	82.2	8.5	9.3
Peterborough	86.1	4.8	9.1
Port Arthur	89.9	2.5	7.6
St. Catharines	83.8	6.7	9.5
St. Thomas	89.4	4.1	6.5
Sarnia	88.1	4.4	7.5
Sault Ste. Marie	86.9	8.5	4.6
Stratford	90.4	4.1	5.5
Toronto	77.5	10.5	12.0
Welland	91.7	2.6	5.7
Windsor	88.9	3.5	7.6
Woodstock.....	89.8	3.0	7.2
Winnipeg.....	94.3	0.0	5.7

It is to be noted that this table is based on totals which do not include the miscellaneous revenue other than taxation nor the unexpended balance of the previous taxation. It would be difficult to get these totals for all the cities on the list, but the table below, based on the estimated not the actual revenue for the year 1921, sufficiently illustrates the relative position of Winnipeg when these factors are taken into account.

Percentage of Total General Estimated Taxation
raised for 1921 by

	Real Property Tax	Income Tax	Business Tax	Miscel- laneous Revenue	Unex- pended Balance
Toronto (closely esti- mated)	73.24	6.65	9.98	4.95	5.18
Winnipeg—					
Estimated	83.43	.....	5.03	9.81	1.73
Actual	84.1	.....	5.1	9.2	1.6

In some cases other taxes may be offset against the income tax, as in Saskatchewan, while in New Brunswick a merchant may make a deduction from his income for taxation purposes equal to the interest on his stock rated under the head of personal property. In Prince Edward Island and British Columbia the income tax is provincial. In the former province one city has the right under its charter to collect an income tax but does not appear to have exercised its right. Some cities in other parts of Canada have the legal right to collect municipal income taxes, but do not exercise the power.

On the whole the municipal income tax does not seem to have made much headway in Canada except in Ontario. Here the enforcement of the income tax is province-wide, although the levies and collections are municipal, so that all municipalities are on a legal parity with regard to the collection of the income tax, although it is extremely doubtful that all municipalities, especially small ones, enforce the tax rigidly if, indeed, at all.

II.—RELATIVE PRODUCTIVITY OF THE DIFFERENT SOURCES OF REGULAR MUNICIPAL REVENUE.

The table below illustrates the percentages of the total regular revenue of Winnipeg derived from the regular sources:

Sources	1914	1915	1916	1917	1918	1919	1921	1921
	1915	1916	1917	1918	1919	1920	Including G.W.W.D. in General Realty Tax	
1. Miscellaneous Revenue other than taxation.....	11.4	10.1	11.3	10.7	10.9	11.6	10.1	9.1
2. Unexpended Balances ....	....	....	1.4	3.3	....	.6	1.8	1.5
3. Business Tax	8.4	7.8	6.2	6.2	5.7	5.7	5.5	5.0
4. General Realty Tax.....	80.2	82.1	81.1	79.8	83.4	82.1	82.6	84.4

These percentages are based on the actual revenue as given in the third column of the summary of estimates, not on the estimated revenue as given at the first of the estimates. The actual percentages vary slightly from the estimated.

As the unexpected balances brought forward to any year may be regarded as mainly derived from the realty taxes of the preceding year, the percentages of the second horizontal column should be added to those of the fourth horizontal column to obtain the relative tax burden on real estate. The percentage of the regular civic revenues derived from real estate would appear, therefore, to have gone up from about 80% in 1914-1915 to about 84% in 1921, or, including the City's share of the Greater Winnipeg Water Levy, from about 80% to almost 86%, this during a period of depression in real property values.

In order to compare Winnipeg in respect of this tendency with other cities having a broader tax base, a table is presented herewith eliminating the revenues other than taxation—since these are not on strictly comparable bases—and the unexpended balances—since these are not the result of planning and are really revenue belonging to the previous year. As Ontario cities operate under a generally uniform system of taxation with a comparatively broad base, one city only is chosen for purposes of comparison, particularly as this city for years has been steadily developing in actual practice the business and income taxes.

		Percentage of Regular Civic Taxation Raised By		
City	Year	Realty Taxes	Business Tax	Income Tax
Winnipeg —	1914-1915	90.5	9.5	.....
	1921	93.7	6.3	.....
	1921 Including G.W.W.D. Levy..	94.5	5.5	.....
Toronto —	1914	85.7	11.1	3.2
	1921	81.5	11.1	7.4

It will be noted that, in Winnipeg, in a period of less than eight years the relative tax burden on real estate has increased and the proceeds from the only other source of regular civic taxes has relatively, though not absolutely, decreased. The Ontario city on the other hand has reduced the relative burden on real estate, maintained the relative productivity of the business tax, and has more than doubled the percentage of taxes raised by the civic income tax. While this is probably not the case in all Ontario systems, it at least shows what results may be obtained.

The amounts per capita derived by the City of Winnipeg from the various sources of regular civic revenues are shown below:

Sources	1914	1915	1916	1917	1918	1919	1921
	1915	1916	1917	1918	1919	1920	
1. Miscellaneous Revenue other than Taxation....	\$2.90	2.35	3.02	3.26	3.58	4.19	4.45
2. Unexpended Balances ..	.....	.....	.37	.98	.....	.23	.76
3. Business Tax	\$2.16	1.79	1.64	1.83	1.87	2.05	2.43
4. General Realty Tax ..	\$20.45	19.97	21.66	23.59	27.51	29.62	36.36
Totals	\$25.51	24.11	26.69	29.66	32.96	36.08	44.00

It is evident that, while the miscellaneous revenue increased considerably and the business tax slightly, with a considerable drop in the middle years, those sources of revenue were so small in proportion that the tax on real estate bore the lion's share of the increase. It will be noted that the business tax fluctuated somewhat with business conditions, but that the realty tax absorbed practically the whole of the strain on civic revenues.

It must also be borne in mind that Winnipeg's share of the Greater Winnipeg Water District taxation is a further

burden on real estate, a burden which under usual conditions would be borne in whole or in part by the users of water. If this were included the per capita tax on real estate during the last three years of the table would be respectively: \$30.81, \$33.00 and \$41.34, instead of \$27.51, \$29.62 and \$36.36, and the total civic revenues (not including special assessments) would be respectively: \$36.26, \$39.46 and \$48.98, instead of \$32.96, \$36.08 and \$44.00. That is, the per capita revenues of the City for ordinary purposes, including the Water District Levy, in less than eight years went up from \$25.51 to \$48.98. The per capita revenue from real estate taxation went up from \$20.45 to \$41.34, thus falling short of absorbing the total per capita increase by only \$2.58.

III.—ASSESSMENT AND TAXATION OF REAL PROPERTY.

When it is considered that 84% of the whole regular civic revenues and almost 94% of the total ordinary taxation in 1921 were raised by taxes on real property, the necessity of maintaining a thoroughly efficient Assessment Department, both in personnel and equipment, is evident. While the Assessment Department has no control of the burden or absolute incidence of taxation, and but little control of its relative incidence on real property and business, it has almost absolute control, under the Board of Valuation and Revision and the Courts, of the internal incidence of taxation as between various types of real estate. It is quite conceivable that, while the burden of taxation on real estate as a whole might not be such that it could not be carried, the burden on certain types or on certain parcels of real estate might be inequitable and, possibly, relatively so heavy as to cause its forfeiture or abandonment.

Again, the Assessment Department has in practice the power to increase the apparent value of the taxable assets of a community. Some may say that this is of no importance so long as the relative assessed valuations are equitable. In the judgment of the writer this is a dangerous position. In the first place the undue increase of the assessment may encourage the increase of the civic debt by making the taxpayers more willing to incur debt, and those having capital more willing to lend. In the second place increased assessment makes possible an increased current expenditure. If the increase in the assessment be unwarranted, it may lead to an unwarranted increase in current expenditure. This is particularly true in cities which, as in Winnipeg, are limited in their general levies to a certain mill rate on the assessment.

The writer, by enquiries at the Assessment Department and elsewhere, assured himself that the Department is in touch with the best practice in the mathematical valuation of land and has excellent records of the physical valuations of buildings. The mechanical part of the Department's work seems to be well done. Certain records and statistics which appear to the writer to be valuable for assessment purposes were lacking or in incomplete form. A card record of sales has recently been started in a tentative way. While sale values are not by any means the sole indications of value, and while sales recently have not been numerous, this record should be

very valuable in the future. It will enable the Department not only to keep track of total increases or decreases but also of increases in each of the important types of real property, such as business, semi-business, residential, etc. It will thus be of assistance in keeping true the balance of internal incidence of taxation.

The cards showing the physical value of buildings also provide for deductions to meet that provision of the Charter by which buildings are assessed at two-thirds of the value that they add to the land. The writer believes, however, that insufficient use is made of this provision, and that in some cases the assessment on buildings might be reduced within the terms of the law, particularly when either from the rental or sale standpoint they add little or no value to the land on which they are built. The reverse, possibly, may also be true.

The writer attended several hearings of the Board of Valuation and Revision and read all the transcripts of evidence available up to the time of his departure from the City, when the hearings were nearly concluded. On this his judgment is based, not only in the above particular but in others noted.

While the word "value" in assessment matters is practically impossible to define and very difficult to describe, it certainly means something. To say that the Charter when it says "land, as distinguished from the buildings thereon shall be assessed at its value at the time of assessment" means that it shall be assessed at its assessed value at the time of assessment, is to say that this provision of the Charter is meaningless or else confers an arbitrary power on the assessor extremely dangerous to the City. The expressions "fair value," "value in use," "sale value," "value in exchange," all help to classify the meaning as applied to assessment, but there are many "indicia" of value for assessment purposes—perhaps 30 or 40 fairly important ones—and in order to insure that these are always present in the mind of the assessor at the valuation of each property, an official schedule of such "indicia" should be drawn up and put in the hands of every official having anything to do with the actual work of assessing. The assessed value is always the result of judgment. Its equity will depend on the soundness of the judgment, and, granted ability and experience on the part of the assessor, the soundness of the judgment depends on a careful weighing of all those "indicia" or elements which affect value. Such a schedule as is proposed above might be weighted as experience suggested, according to different kinds of property.

Per Capita Assessments of Land and Buildings.

The chart which follows illustrates how the per capita assessments fluctuated between 1908 and 1922 inclusive.

This chart indicates that the per capita assessment of land went up in the boom period, as would be expected, and retired more slowly than it rose, and has not declined to the 1908 level which it still exceeds by \$193, or over 36%. The reader will note that this does not refer to the total assessment for land but to the assessment per unit in the population. Many hold to the theory that every unit added to the population adds a certain definite amount to the assessment. This would mean that the per capita value would not increase or decrease. While the writer does not accept this theory in its extreme form, it would seem that the assessment was more or less influenced by the increase in speculative values, although, as is proper, it by no means kept pace with them. That the per capita land assessment is still so much higher than it was before the boom would seem to indicate either that the Department regarded the previous per capita as too low and is trying to establish it on a proper basis, or that the claims of needed revenue have been taken into consideration.

As long as there is no increment tax it is difficult to see how the increase of assessment values could be avoided in times of active speculation, but the policy of not attempting to follow *pari passu* the speculative value was sound. Some indication as to whether the per capita assessment of land might further be reduced is offered by the table below:

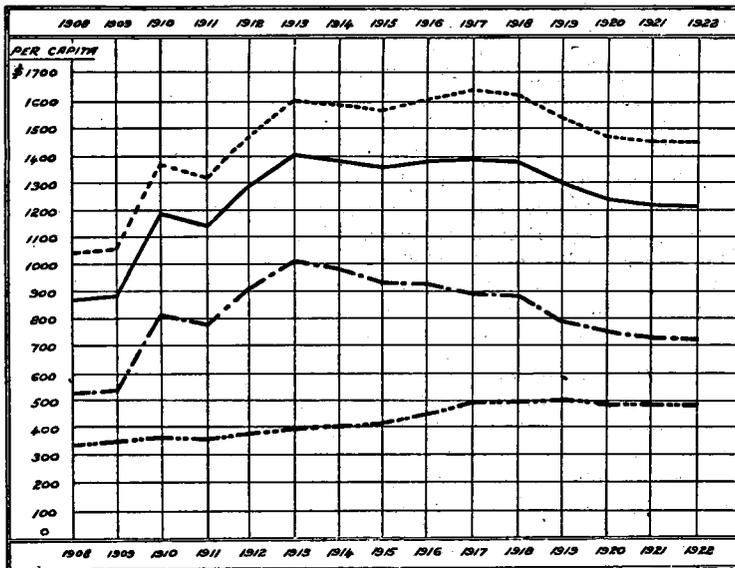
City	Per Capita		Per Capita
	Land		Land
	Assessment		Assessment
	1922		1922
Brantford	\$ 262	St. Catharines	\$ 313
Fort William	516	Sault Ste. Marie	356
Hamilton	389	Toronto	641
Kitchener	232	Windsor	555
London	347	Edmonton 1921	1,048
Peterborough	242	Edmonton 1922	*731
Port Arthur	617	Winnipeg	724

* Note the huge reduction in Edmonton's per capita assessment on land.

The assessment of buildings (on the 66 2-3% basis), however, did not increase so rapidly as did land. The per capita assessment of buildings reached the peak six years later, declined more slowly from the peak and is still some 43% higher than it was in 1908.

SOME PER CAPITA ASSESSMENT FIGURES

THE CHART BELOW ILLUSTRATES HOW THE PER CAPITA ASSESSMENTS FLUCTUATED BETWEEN 1908 - 1922 INCLUSIVE



LAND & BUILDINGS (100%)
 LAND & BUILDINGS (66 2/3%)
 LAND
 BUILDINGS (66 2/3%)

The following table throws an interesting sidelight on the assessment of buildings:—

Year	Per Capita Increases and Decreases in Assessment of Buildings, 100 p.c. Basis	Year	Per Capita Building Permits
1909	\$ 14	1908	\$ 44.96
1910	31	1909	75.38
1911	-18	1910	113.91
1912	29	1911	116.63
1913	21	1912	123.51
1914	18	1913	99.39
1915	27	1914	59.85
1916	43	1915	8.58
1917	72	1916	12.41
1918	- 4	1917	12.10
1919	10	1918	11.17
1920	-30	1919	16.08
1921	same	1920	43.48
1922	5	1921	28.34

It will be noted that the building assessment decreased in 1911, although that year and the year previous were marked by great per capita building permits. Neither do the decreases during the 1916-1921 period seem to bear any relation to the building permits. It would seem that weight was given to other elements entering into the value that improvements add to the land. Two of these were, apparently, productivity as to rent and depreciation. On a 100% basis the assessed value of the buildings varied between about \$135,000,000 in 1916 and \$144,000,000 in 1922. If the physical depreciation on these buildings were placed at 2%—actually, of course, the rate of depreciation varies with the character of building—the annual depreciation would vary between \$2,700,000 and \$2,880,000. These sums are greater than the total building permits in 1916, 1917 or 1918, and almost as great as those of 1919. As a matter of fact there were slight decreases in the per capita assessment in two years of this period and but slight increases in two more. In other years when there were decreases or very slight increases, although accompanied by building activity, the poor state of the rental market may have been the chief element in determining the value which building added to the land. In any event, unless buildings were much under-assessed previously, which does not seem to be the case when revenue is taken into account, the writer believes that the practically stationary per capita assessment since the peak of 1919 is much more just than an increase would have been, and in view of the renting situation and the assessments of some other Canadian cities it is arguable whether or not there should have been a further decrease.

**Comparative Table of Per Capita Assessment of Buildings
on 100% Basis (1922)**

Brantford	\$471	St. Catharines	\$479
Fort William	477	Sault Ste. Marie	325
Hamilton	589	Toronto	512
Kingston	434	Windsor	594
Kitchener	434	Edmonton, 1921	323
London	558	Edmonton, 1922—60% ..	326
Ottawa	488	Edmonton, 1922—100%..	543
Peterborough	456	Winnipeg, 66 2-3%	484
Port Arthur	511	Winnipeg 100%	726

It is to be noted that Winnipeg's 66 2-3% per capita assessment is almost as high as the 100% required by law in Ottawa and Toronto, and somewhat lower than that of Hamilton, London and Windsor, and that Winnipeg's assessment on a 100% basis is the highest in the list. Winnipeg's per capita assessment of buildings on the tax basis is about 50% higher than that of Edmonton, and on a 100% basis about 1-3 higher. It may, of course, be true that, while the Ontario Act calls for the assessment of buildings at 100% of the value, this may not always be done. It may also be true that where 60% or 66 2-3% are called for by the law the actual percentage may be higher or lower. Assessments are extremely mercurial and these figures can be taken only as a basis for very general comparison.

Ontario cities include in their general assessment land and buildings, business and income. Notwithstanding this, few Ontario per capita assessments, even including business and income, equal that of Winnipeg.

Per Capita Assessments for Taxation Purposes (1922) :

Fort William	\$1,123	Edmonton (60% of	
Hamilton	1,171	buildings)	1,057
Kitchener	831	Edmonton (100% of	
London	1,087	buildings)	1,274
Ottawa	1,180	Winnipeg (100% of	
Port Arthur	1,261	buildings)	1,450
Sault Ste. Marie	763	Winnipeg (66 2-3% of	
Toronto	\$1,459	buildings)	1,208
Windsor	1,297		

If in Winnipeg the amount of the business tax were raised by the application of the ordinary mill rate to a business assessment included in the general assessment, about \$80 would have to be added, making a total of \$1,288, an amount higher than any in the above list except those of Toronto and Windsor which include assessments on income, and are on a basis of 100% valuation of real estate.

IV.—GREATER WINNIPEG WATER DISTRICT TAXATION

The debt charges and sinking fund on the capital expenditure required to bring water from Shoal Lake are an annual charge on all the land (based on an equalized assessment not including buildings) in the Greater Winnipeg Water District. No share of these charges is included in the charge for water delivered to Winnipeg or other municipalities. The water charges cover only operating costs. Thus while the users of water in Winnipeg pay in their rates the carrying charges for the local water debt, they do not carry that part of the cost of delivering water to their doors which is represented by the City's share of the debt charges on the Shoal Lake enterprise.

Just why the users of water in Winnipeg should pay all the debt charges on capital investment within the City and none of the debt charges on the equally necessary capital expenditures outside the City is not apparent to the writer. As a matter of fact, however, on October 1st, 1913, the resident ratepayers, i.e., property owners of the City, voted by 2,951 to 90 "To approve By-law No. 1 of the Greater Winnipeg Water District to incur a debt of \$13,500,000 by borrowing money and issuing debentures for a Water Works System."

On the preceding May 1st the creation of the district had been authorized by the ratepayers by a vote of 2,226 to 369.

It is true, of course, that only 13.3% of the resident ratepayers voted in May and only 15.6% in October. The non-voters stood by and silently consented, and presumably were not opposed to this method of financing the public utility concerned. At any rate their non-voting meant the acceptance for a long term of years of taxation on their land in order to reduce the cost of water to the consumer.

One of the arguments in favor of the Shoal Lake undertaking was that the substitution of soft water for hard would result in a great saving for the consumers. Some ratepayers now claim that they thought they were only voting in favor of allowing the use of their credit in raising the capital funds, but that the fixed charges thereon would be paid by the consumers who were to make the savings through the use of soft water. Outside of the fact that a man should not sign a document until he knows what is in the document, it has been claimed, with reason the writer believes, that it would have

been economically quite impossible to include all charges in the water rates. As a matter of fact, is it not true that the undertaking was 15 or 20 years in advance of the City's growth and financial ability under ordinary conditions, and, that if it were to be proceeded with a large part of the cost would have to be raised by taxation? The argument for putting it on the land was that the carrying out of the project would increase the values of the land in the district and that some of this increase should be taken to finance the project. There seems to be reason in this view, but it appears that some of the land was not benefited, that some has been allowed to be withdrawn from the district and that much of the land, even improved land, within the district is so highly taxed for this and other improvements that the owners are not aware of any net benefit to them resulting from the expenditure involved in the construction of the Shoal Lake project.

It is quite possible, granted the immediate necessity of obtaining water from Shoal Lake, that the land in the district, in this emergency, should have been required to pay a portion of the carrying charges and, if land is not already taxed to the productive limit, that it should permanently bear a portion of the burden as a service tax. As a general rule, however, any publicly owned utility should carry all the charges that a privately owned utility would be required to bear. Does anyone imagine that if the Shoal Lake construction had been carried out as a private enterprise, the taxpayers would have been required to assume part of the cost, and that the users would have received water at less than cost? Is the taxpayer required to pay any share of the cost of producing food and clothing? Then why should he pay part of the cost of producing water for drinking, domestic and particularly industrial uses? As pointed out above, however, he was not compelled to; he assumed the burden.

Between 1918 and 1921 inclusive, Winnipeg's per capita share of the Greater Winnipeg Water District levy has risen from \$3.31 to \$4.98, and the percentage of all civic debt charges paid by the taxpayers has gone up from 22.8% to 29.2%.

The Water District levy in 1922 on the equalized assessment of the land was 7.17 mills. If the levy were distributed over Winnipeg's assessment on land and buildings it would be equivalent to 4.3 mills on the tax rate. In 1922, therefore, the tax rate on real property was, in effect, 34.8 mills instead of 30.5 mills.

The City Commissioners of Edmonton, in their 1922 report, state as the first plank in the present policy of the

City: "To operate the city utilities on a business-like basis and make them bear all charges as though they were privately owned."

It is to be noted that the City of Edmonton, and other Alberta cities to perhaps a less degree, require their public utilities to pay taxes or their equivalent. The City Assessor of Edmonton states that the utilities of the City should pay taxes of \$230,427.93 on the usual basis of assessment. As a matter of fact the whole estimated surplus of \$330,000—the actual surplus for the first ten months was \$278,521—was turned over to the City. This would help balance underpayments of previous years. In 1921 the surplus was only \$174,743.43, and in 1920 there was a deficit of \$117,482.90.

The Edmonton report contains this passage: "A city which owns and operates its own utilities should not put the taxpayer on property or business in any worse position (than he would be under private ownership)." The same thing is true of any publicly owned utility.

The writer believes that the future of public ownership depends on the operating of publicly owned utilities on a purely business basis and that the worst enemy of public ownership is he who tries to find opportunities of saddling, directly or indirectly, part of the cost on the taxpayer in order that apparently cheap service may be obtained. The cost of the service does not depend on who pays the cost. The cost is the cost, but the taxpayer may assume or be compelled to assume part of the cost in order that the user may benefit.

As the population of the Greater Winnipeg Water District increases, the water charges without reduction from the present scale (*2½ cents per 1,000) may possibly carry increasing amounts of the debt charges. The writer believes that the rates should be increased gradually until, say, three-fourths of the debt charges are carried by the water rates. The remaining one-fourth might quite properly be regarded as a service charge for making the water available for use.

* Until this session of the Legislature the rate was 1¼ cents. The surplus over operating costs, resulting from the increase, will be applied to reducing the annual levy on land. The reduction for this year is estimated at \$65,000. This is a step in the right direction.

V.—SPECIAL ASSESSMENT TAXATION

This is, for the most part at least, local improvement taxation levied on the theory that local improvements benefit the land in their vicinity. In 1922, these special assessments amounted to \$1,176,196.10, made up as follows:—

High Pressure	\$ 77,363.75
Sewer Connections	2,621.87
Sewers	184,850.30
Sidewalks	126,742.38
Pavements	542,034.47
Boulevard Construction	9,589.58
Boulevard Maintenance	41,570.36
Street Openings	95,499.59
Plumbing	3,907.14
Waterworks	77,309.72
Areas and Coal Chutes	5,365.84
Abatement of Nuisance	102.60
Electric Light Arrears	1,536.78
Ornamental Lights	7,375.02
Special Survey	326.70
	\$1,176,196.10

It will be noted that \$853,627.15 of this amount was for sewers, sidewalks and pavements.

An outstanding feature of Winnipeg's local improvement financing is the small percentage borne by the City directly. The following are the figures for 1908-1921:

Year	City's Share	Ratepayers' Share	Total
1908-1909	\$102,470.75	\$ 777,909.56	\$ 880,380.31
1909-1910	73,688.22	867,051.50	940,739.72
1910-1911	92,082.36	1,000,904.37	1,092,986.73
1911-1912	107,883.28	1,058,076.61	1,165,959.89
1912-1913	181,111.87	1,301,722.16	1,482,834.03
1913-1914	71,680.05	1,104,414.62	1,176,094.67
1914-1915	145,486.15	1,352,167.59	1,497,653.74
1915-1916	1,616.60	293,856.44	295,473.04
1916-1917	2,803.03	24,663.38	27,466.41
1917-1918 .....	.....	16,390.84	16,390.84
1918-1919 .....	.....	10,197.31	10,197.31
1919-1920	22,231.57	61,003.96	83,235.53
1920-1921	78,973.76	713,727.90	792,701.66
1921	13,647.55	410,852.54	424,500.09

The total net local improvement debt of the City on December 31st, 1922, was \$6,975,601.22, of which only \$475,529.81, or 6.8%, was borne by general taxation through interest and sinking fund charges. Winnipeg has followed the safe policy in this regard. Many a city has been led into an extravagant local improvement debt through the inducement held out by the large percentages assumed by the city. It is human to get something for nothing, but in the end experience has proved that those who have acted accordingly have themselves been the worst sufferers.

The table below shows for 34 cities what percentages of their local improvement debts is borne by the cities out of general taxation.

Percentage of cost borne by City out of general taxation	No. of Cities	Percentage of cost borne by City out of general taxation	No. of Cities
6-10	2	41-45	4
11-15	1	46-50	4
16-20	1	51-55	6
21-25	1	56-60	2
26-30	3	66-70	1
31-35	4	91-95	1
36-40	4		
Totals	16	Totals	18

Winnipeg is one of the two cities with the lowest percentage of the local improvement debt paid by the City out of general taxation.

While the general policy of the City with regard to local improvement financing has, in the judgment of the writer, been thoroughly sound, there are certain features which might well be corrected. For example, the Charter provides that when a pavement has to be replaced the total cost must be borne by the ratepayers, for the reason that the City has contributed in the first place. It might just as logically be argued that the cost should be borne entirely by the City because the ratepayers had contributed in the first place. If the same provisions existed for relaying pavements as for laying them it would seem that the arrangement would be more just. The writer has been told that this amendment has already been requested from the Legislature.

The most glaring injustice is that caused by assessing for improvements the total flankage of corner lots in residential districts. A corner lot, except perhaps for better lighting and easy access to a rear door, etc., is little or no more valuable than an inside lot, while a sidewalk or pavement along

the flankage is of little value to it. The report of the Shanks' Commission deals with the situation exhaustively. Some cities assume a portion of the cost of the flankage as well as the cost of the intersection. The writer believes, however, that the assumption of such a large part of the cost by the City would be apt, particularly in a period of inflation, to induce too rapid construction of local improvements and lead in the long run to a greater burden on real estate than if it had originally borne the cost.

The suggestion was made before the Shanks' Commission that "the avenue alongside should either be paid by the city in general or from a front taxation half-way on each street between the avenues, because the other lots between each avenue have just the same benefit from the avenue as the resident of the corner lot." The writer favors the second alternative, or some other method of distributing the cost of the flankages among all the lots within a more extended area.

VI.—ARREARS OF TAXES

One of the first danger signals for a community is the increase in per capita arrears of taxes. It is not so much the actual amount of the per capita, as one city with a large but decreasing per capita may be in a healthier condition than one with a small but growing per capita. Growing tax arrears usually mean either an unequal distribution of the tax burden or too high a tax burden, or both. Large tax arrears in recent years have been particularly evident in cities which imposed almost if not quite the whole of their taxation upon land. These cities not only assessed land high following the speculative values of the boom days, but having acquired a scale of operation which demanded high taxation, hesitated to decrease their assessed valuations. The result was that many holders of land found that it paid them better to give up the land than to hold it and continue to pay high taxes. In many cases the situation was aggravated by the failure of cities to hold tax sales for many years. If sales had been held from the first such staggering totals might, in many cases, not have been piled up, and many owners might have been kept on the tax rolls if they had not been disheartened by such arrears when they were finally called on for payment.

In one western city nearly 40% of the lots have been acquired by the city. The process of taking over lots is a process of killing a source of revenue and at the same time of loading the cost of local improvements on an ever-diminishing area. Land will bear a lot of taxation if it is kept within "what the traffic will bear," but when that limit is exceeded the loss of revenue to the city grows rapidly. Unless we are frankly to adopt a policy of municipalizing land by taxation it is the part of wisdom either to distribute the burden or decrease it by decreasing expenditure, or both, so that unoccupied land may continue to bear a share of the load until the coming of more prosperous times.

Winnipeg has not yet reached a stage in piling up tax arrears where a vigorous policy of readjustment and retrenchment would not produce almost immediate results. The per capita arrears since 1908 are approximately as follows:—

Year	Per Capita	Year	Per Capita
1908	\$6.91	1916	\$15.68
1909	7.12	1917	17.58
1910	5.67	1918	18.44
1911	5.26	1919	19.61
1912	5.01	1920	22.63
1913	5.33	1921	23.59
1914	7.05	1922	26.07
1915	12.18		

It will be noticed that the increase is fairly rapid since 1914 and that there has been no recession in any year since that date.

Many cities in Canada have larger tax arrears, and have been compelled to acquire title to much larger areas of land. Among 17 representative cities (none east of Montreal) Winnipeg seems to occupy about an average position.

In Winnipeg the total standing against lands acquired by the City is now about \$285,000, including taxes to date. This is comparatively an insignificant amount. It would have little significance except for the lesson taught by other cities and the fact that arrears are increasing.

When the City gets title to land after tax sales, either the total assessment thereon should be deducted from the total or the taxes thereon should be provided for in the annual estimates. The practice of the City paying taxes to the City and charging it to capital account certainly has no justification and should not be continued.

On the 31st of December, 1922, the total amount of arrears was \$5,190,108.79, but of this amount \$778,643.61 represents arrears of the Winnipeg Electric Railway Company for realty, franchise, and pavement taxes. There are other amounts owing from the Dominion Government. Even so, however, the City cannot, in the judgment of the writer, afford to delay taking immediate steps to readjust somewhat the incidence of taxation and diminish the per capita tax burden.

In the judgment of the writer the expedient of funding the tax arrears or of allowing past arrears as of a certain date to remain in arrears for ten or fifteen years so long as current taxes and interest on arrears are paid and the arrears no further increased, so as to ease the burden on those in arrears and enable them to make another fight to clear up past-due taxes and retain their property, would be unwise and would probably in many cases fail of its object. The issuance of bonds by the City except against tangible assets of undoubted value is dangerous and is akin to the practice still sometimes found of issuing bonds to defray current deficits. As a matter of fact, Winnipeg is in possession of machinery which has been operated at the same time in a considerate as well as an efficient manner. It has most of the advantages of the funding and definite postponement methods and none of their disadvantages.

Since the arrangement by which the Sinking Fund Commission may and actually do buy the tax sale certificates at each sale, the City has a businesslike agent and the taxpayer

in arrears has a sympathetic listener who has no desire to foreclose unless forced to do so in the City's interest. A taxpayer in arrears may be allowed grace of three years before his land goes into the tax sale. Then he is allowed two years more to redeem from the City Treasurer's Office. Title may be applied for at any time after two years and must be filed within one year thereafter. But the Sinking Fund need not press for title for an indefinite period thereafter. Thus, whenever there is the slightest chance of the redemption of a property, and the City receiving its money and retaining the land as a taxpaying property, every consideration is given. But if there is no chance, the kindest thing to the taxpayer in arrears, as well as the best thing for the City, is to relieve him of the burden.

It is true that under the Winnipeg system payments on account are not possible on lands which have gone to tax sale; but this can be met by the taxpayer in arrears building up a bank account to retire the total arrears as soon as possible. The criticism is sometimes made that a man will not do this but that the money will disappear. If the City, by accepting partial payments on arrears of taxes on such lands weakens its moral position, the City could hardly afford to act as a banker.

The table which follows speaks for itself. The decreasing percentages do not mean that the redemption of tax sale lands is decreasing but that the purchases of tax-sale certificates have not been held long enough by the Sinking Fund Trustees to secure results. If after seven years the final results of the latest sale are equal to those of the sale of June 14th, 1914, i.e., 98% redemptions, including titles, the City will have great cause for satisfaction. The arrears still on the books for the early tax sales are due to the provisions of the Soldiers' Taxation Relief Act.

STATEMENT OF TAX SALES AS AT JANUARY 31, 1923

Sale No.	Date Held	Amount Purchased	Amount Redeemed	Amount Titles	Amount Unredeemed	Per Cent. Redeemed & Titles
19	June 14, 1915	\$ 237,932.84	\$ 220,221.31	\$13,049.79	\$ 4,661.74	98%
20	June 5, 1916	413,653.87	348,485.05	24,671.62	40,497.20	90%
21	Oct. 15, 1917	309,203.11	239,455.35	36,844.66	32,903.10	89%
22	Oct. 28, 1918	480,502.12	305,037.19	13,218.58	162,246.35	66%
23	Dec. 8, 1919	519,228.44	370,606.67	.....	148,621.77	71%
24	Oct. 4, 1920	203,915.80	122,448.85	.....	81,466.95	60%
25	July 18, 1921	182,151.61	76,324.22	.....	105,827.39	42%
26	June 19, 1922	202,809.30	19,528.53	.....	183,280.77	10%
Totals		\$2,549,397.09	\$1,702,107.17	\$87,784.65	\$759,505.27	

While, in the judgment of the writer it is theoretically undesirable for a Sinking Fund Commission to invest in any assets of the City except the City's bonds, yet in his judgment this is a case where there is a choice between the real evil of funding or postponing payment of existing tax arrears until some distant date and the theoretical evil alluded to. As a matter of fact, the Sinking Fund does not invest in tax-sale lands. It buys in tax-sale certificates, holds them until they can be cleared up or until as a last resort the title must be taken. Then the City itself takes the title and refunds to the Sinking Fund all its costs involved in acting as the City's agent. The fund's asset at no time is the land, but the guarantee of the City to repay. The security is equal to that of a City debenture.

The Sinking Fund cannot invest more than 15% of its funds in tax-sale certificates, and in fact does not approach that percentage. It would be better, of course, if the Fund did not have to act as the City's agent in this respect, and the writer believes that, on account of the precedent which might be created, the practice should be discontinued just as soon as the tax arrears decline to the point where they can be handled by the normal procedure. It will be necessary, however, to put the City's administration on such a basis that the conditions of the last few years are not liable to recur.

While the Sinking Fund is handling the arrears at less cost to the taxpayer in arrears than was formerly the case, the thought has suggested itself to the writer that if possible the penalty percentage be somewhat reduced. This could not be done, of course, if it would lead to an unjustly increased burden on the general taxpayers. The writer is informed that any reduction of the percentages after sale would make the charges fall below what they are before sale. This, of course, would be inadvisable. The only relief would have to be from the reduction of charges both before and after sale. As 9% simple interest in eight years is equal to 6¾% compounded half-yearly, and as this is what was actually received on Tax Sale No. 19 without interest on costs, there does not seem to be much margin for reduction without increasing the burden on the general taxpayer.

It has been suggested in some cities that taxpayers be allowed to pay their taxes in monthly instalments. The writer cannot say whether in Winnipeg such a provision is desirable at the present time. Unless it would actually reduce tax arrears, the increased cost of collection would not be warranted, unless conditions were to become so acute as absolutely to necessitate such an unusual arrangement.

It is the conviction of the writer that the annual estimates should make a provision for uncollectable taxes. This method has been adopted by certain eastern cities for many years and is now in use in some western cities. Recently, as the result of an excellent piece of financing, the Winnipeg Sinking Fund was able to make available to the City an amount which makes a good beginning on a reserve for uncollectable taxes, but such fortunate circumstances are not apt to occur regularly. The provision should be annual and appear in the estimates so that all taxpayers would be fully informed of the cost to the general taxpayers of providing for uncollectable taxes. While a provision from the Sinking Fund is mathematically the same so far as the burden on the taxpayer is concerned, the accounting is not the same and a precedent is apt to be established which might at some time work out to the disadvantage of the citizens. The writer recommends that reserves for uncollectable taxes be built up in future by annual provisions in the estimates.

VII.—THE RELATIVE BURDEN, OR INITIAL INCIDENCE, OF THE COST OF THE VARIOUS CIVIC SERVICES ON THE TAXPAYER

1. Percentages of Total Ordinary Revenue Spent on General Civic Functions.

The table below gives for the period between the beginning of the fiscal year 1914-1915 and the end of the fiscal year 1921, omitting the part year 1920, the percentages of Winnipeg's total municipal expenditure devoted to the regular civic services.

	1914	1915	1916	1917	1918	1919	1921
	1915	1916	1917	1918	1919	1920	
	%	%	%	%	%	%	%
General Function	5.0	4.3	4.1	4.4	6.0	4.9	4.2
General Government	21.8	21.0	20.9	20.8	19.7	24.7	19.2
Protection of Persons and Property	9.0	8.0	9.4	10.7	11.9	12.1	12.4
Health and Sanitation	8.0	6.2	6.0	5.7	7.0	7.9	7.3
Highways and Bridges	22.5	24.7	22.8	23.7	25.3	24.4	31.9
Education	3.8	3.9	3.8	3.6	3.2	3.0	3.2
Recreation	8.4	9.5	7.6	6.4	6.2	5.7	5.7
Miscellaneous	21.5	22.4	25.4	24.7	20.7	17.3	16.1
Expenditure not otherwise Classified and Previous Year's Deficit	100	100	100	100	100	100	100
Total (per cent.)	100	100	100	100	100	100	100

Special exigencies in certain years may lead to large emergency expenditures on certain functions, so that the percentages of all the other functions may be thrown out of the normal line. It will be noted that the percentage of expenditure on protection of persons and property decreased each year except one; that the percentage spent on health and sanitation increased in each year except one; that the percentage spent on education fluctuated but over the entire period showed the largest increase; and that the percentage of expenditure on recreation also fluctuated but on the whole period showed a decrease.

2. Per capita Expenditures on General Civic Functions.

The table below shows the expenditure per capita on the various regular services as well as on local improvements, rate-payers' share, and the City's share of the Greater Winnipeg Water Levy. This is much more illuminating than the table of percentages, particularly as it shows the burden of taxation direct or indirect on the individual citizen on the average.

General Function	1914	1915	1916	1917	1918	1919	1920	1921	In- crease %
General Government	\$1.28	\$.98	\$1.05	\$1.32	\$1.95	\$1.75	\$1.86	\$1.86	45
Protection of Persons and Property	5.57	4.79	5.38	6.23	6.38	8.76	8.46	8.46	52
Health and Sanitation	2.30	1.81	2.43	3.22	3.84	4.28	5.46	5.46	137
Highways and Bridges	2.05	1.40	1.54	1.70	2.26	2.80	3.21	3.21	57
Education	5.75	5.62	5.88	7.12	8.21	8.65	14.08	14.08	145
Recreation .....	.97	.90	.98	1.08	1.05	1.05	1.43	1.43	47
Miscellaneous	2.14	2.17	1.97	1.92	2.02	2.00	2.54	2.54	19
Expenditure not otherwise Class- fied* and Previous Year's Deficit	5.50	5.09	6.57	7.41	6.68*	6.14	7.12	7.12	29
Total	\$25.56	22.76	25.80	30.00	32.39	35.43	44.16	44.16	78
Ratepayers' Share Local Imprvts..	5.99	6.73	6.81	7.12	6.31	6.02	5.72	5.72	-4½
	\$31.55	29.49	32.61	37.12	38.70	41.45	49.88	49.88	58
Share of G.W.W.D. Levy					3.30	3.38	4.98	4.98	**51
Grand Total	\$31.55	29.49	32.61	37.12	42.00	44.88	54.86	54.86	74

It will be noted that the only two general functions which have increased faster than the average are "health and sanitation" and "education." The smallest increase, with the exception of "ratepayers' share of local improvements," where there is a decrease, is in "miscellaneous," as it should be. As far as possible all particular functions should be grouped under general functions. Excluding "expenditure not otherwise classified and previous year's deficit," the next smallest increase, with the exception noted, is in "general government." This may be regarded as in the nature of general overhead. The smaller this can be kept, consistent with efficiency, the better. The rather remarkable record with regard to the control of local improvement taxation would seem to the writer to be due to the City's method of financing local improvements.

* Debt Charges, Municipal Commissioners' Levy, War, etc.

** In three years.

3. Percentages of Total Expenditures Absorbed by Main Objects of Expenditure (1917-18 to 1921).

Objects of Expenditure	1917-18	1918-19	1919-20	1921
	%	%	%	%
Personal Services	27.5	27.2	29.3	27.9
Outside Services	2.4	3.2	6.5	3.1
Materials, Supplies and Repairs	6.0	6.4	7.0	5.7
Equipment, Additions and Replacements	1.8	1.3	2.0	2.4
Fuel, Water, Light and Power	5.2	3.4	3.1	3.0
Other Expenditures	6.0	10.0	8.2	6.4
Capital Outlay .....	.6	.2	.2	*1.2
Pensions .....	.6	.5	.6	.3
Fixed Charges on Debenture Debt**	14.9	10.1	9.2	9.5
Public School Board ***	22.6	24.3	23.4	30.9
Public Parks Board	2.3	2.1	1.8	2.1
Provincial Levies	10.1	11.3	8.7	7.5
Total	100	100	100	100

4. Per Capita Expenditures by Main Object (1917-18 to 1921).

Objects of Expenditure	1917	1918	1919	1921	In-
	1918	1919	1920	1921	crease
Personal Services	\$8.26	\$8.74	\$10.40	\$12.32	49%
Outside Services .....	.73	1.03	2.33	1.35	85
Materials, Supplies and Repairs	1.81	2.10	2.47	2.52	39
Equipment, Additions and Replacements .....	.55	.41	.71	1.07	95
Fuel, Water, Light and Power	1.56	1.11	1.09	1.34	-14
Other Expenditures	1.79	3.25	2.89	2.82	58
Capital Outlay .....	.17	.06	.72	.55	224
Pensions .....	.17	.18	.22	.14	-18
Fixed Charges on Debenture Debt†	4.47	3.28	3.24	4.18	-6†
Public School Board	6.77	7.86	8.30	13.65	102
Public Park Board .....	.69	.69	.64	.91	32
Provincial Levies	3.03	3.68	3.07	3.31	9
Total	\$30.00	32.39	35.43	44.16	47%
Ratepayers' Share of Local Improvements	\$7.12	6.31	6.02	5.72	-20
Share of G.W.W.D. Levy ....	.....	3.30	3.38	4.98	51
Grand Total	\$37.12	42.00	44.83	54.86	48%

* Pension Fund.

**Not including debt charges on School Debt, City share of G.W.W.D. Debt, or Ratepayers' Share of Local Improvement Debt.

*** Public School Board only.

† Not including debt charges on School Debt, City's share of Greater Winnipeg Water District Debt, or ratepayers share of Local Improvement Debt.

It will be noted that of the \$54.86 per capita expenditure in 1921, \$46.68 is accounted for by the following items:—

Personal Services (Salaries and Wages)	\$12.32
Materials, Supplies and Repairs	2.52
Fixed Charges on General Debenture Debt	4.18
Public School Board	13.65
Provincial Levies	3.31
Ratepayers' Share of Local Improvements	5.72
City's Share of G.W.W.D. Levy	4.98
	<hr/>
	\$46.68
	<hr/>

VIII.—THE EFFECT OF DEBT CHARGES—INTEREST AND SINKING FUND OR REPAYMENTS OF PRINCIPAL—ON TAXATION

The effect of debt charges on taxation has received altogether too little consideration in the past. The repayment of a debt is so far in the future and has so little immediate effect on the tax-rate, that the fallacious argument with regard to any project that it will cost little and can be paid for by a bond issue, has altogether too much weight. The wish "Let there be a low tax-rate in our time" is too often that of the taxpayer as well as of the alderman. One would think after looking over the huge increases in debt in Canadian and American cities that most taxpayers anticipated a short life and hoped for a merry one. There is much talk of passing on a share of the burdens to posterity. The posterity spoken of is a largely mythical one. When bonds have been issued, debt charges begin at once. A great many bonds are issued for 25 years or less. Most healthy and hopeful men of thirty expect twenty-five years more at least of productivity and tax-paying. Such men, if their expectations are fulfilled, will live to see such bonds retired and without much help from their children.

As a matter of fact, who knows what the burdens of posterity will be? Is it the mark of the highest type of citizenship to pass on as much of its burden as possible? That was not the spirit of the pioneers, whose aim seems to have been quite the opposite. The pioneer habits of hard work, self-reliance and thrift are needed at the present time.

The table below shows for the years 1914-1915 to 1921, with the exception of one year, the per capita debt charges paid out of taxation and miscellaneous revenue. The debt charges on entirely self-supporting enterprises are not included.

Purposes	1914	1915	1917	1918	1919	1921
	1915	1916	1918	1919	1920	
Ordinary Debt Charges.....	\$3.41	\$3.86	\$3.60	\$3.28	\$3.24	\$4.18
Winnipeg's Share of						
G.W.W.D. Debt Charges				3.30	3.38	4.98
School Debt Charges .....	.93	1.03	1.59	1.62	1.71	2.18
Ratepayers' Share of						
Local Improvement						
Debt Charges	5.99	6.73	7.12	6.31	6.02	5.72
Total	\$10.33	11.62	12.31	14.51	14.35	17.06
Total per capita Expenditure	\$31.55	29.49	37.12	42.00	44.83	54.86

The remarkable change in the elements which make up the per capita debt charges is very evident. As 87.4% of all revenue raised by the City of Winnipeg in 1921, including all special assessments and the City's share of the Water District Levy, was on real estate, real estate's share of the per capita burden of expenditure was \$47.95, of which the debt charges would make up \$14.91. The former figure represents an overhead on the taxable assessment of 3.95%, of which 1.23% was due to civic debt charges. On the basis of assessment corrected to show 100% of assessed value of buildings, the figures would be, respectively, 3.3% and 1%.

IX.—CONTROL OF TAXATION THROUGH CONTROL OF CAPITAL EXPENDITURES

1. Growth of Capital Expenditures.

Through the courtesy of Mr. H. C. Thompson, the City Treasurer, the writer is able to present herewith a comparative Debt Statement for the City of Winnipeg for a five-year period. The only elements lacking are Winnipeg's share of the Water District Debt and that part of the school debt which, owing to varying agreements in the past with the School Board, does not appear in the City's debt statement.

It will be noted that while the gross debt increased from nearly \$40,000,000 to slightly over \$50,000,000, or about 25% the Sinking Fund increased from a little over \$9,000,000 to almost \$14,500,000, or about 60%.

The increase in both gross and net debt compares extremely favorably with that of other cities of similar population operating under similar conditions and indicates careful financial management. But the figures presented do not cover all the capital commitments for which the taxpayers of Winnipeg are responsible. As the fiscal years of the City and the School Board were not identical previous to 1920, it is possible to present accurate comparative figures on the basis of this table for three years only.

Table I which follows (page 44) gives the total school debt figures back to December 31st, 1917.

Table II which follows (page 44) gives the school debt not included in the City's statement. The last three years are based on similar periods but the first two on periods differing by three months. As only approximate figures are necessary for the purpose of this paragraph it was not worth while to make the necessary adjustments to obtain meticulous accuracy.

COMPARATIVE STATEMENT OF GROSS

Year Ending	Local Improvements				
	General	Ratepayers' Share	City's Share	Fire Service Water Works	
Apl. 30, 1918	Gross Debt	\$7,942,233.35	\$11,856,015.72	\$1,037,180.42	\$1,264,632.28
	Sinking Fund	1,632,459.91	3,960,603.14	416,168.10	255,308.01
	Net Debt	<u>\$6,309,773.44</u>	<u>\$ 7,895,412.58</u>	<u>\$ 621,012.32</u>	<u>\$1,009,324.27</u>
Apl. 30, 1919	Gross Debt	\$7,942,233.35	\$11,627,843.19	\$1,029,920.58	\$1,264,632.28
	Sinking Fund	2,021,808.96	4,380,170.17	467,721.70	288,507.46
	Net Debt	<u>\$5,920,424.39</u>	<u>\$ 7,247,673.02</u>	<u>\$ 562,198.88</u>	<u>\$ 976,124.82</u>
Dec. 31, 1920 (20 months)	Gross Debt ...	\$7,935,900.02	\$11,689,382.25	\$1,012,282.00	\$1,284,632.28
	Sinking Fund	2,450,893.33	4,444,965.58	509,554.54	330,957.66
	Net Debt	<u>\$5,485,006.69</u>	<u>\$ 7,244,416.67</u>	<u>\$ 502,727.46</u>	<u>\$ 953,674.62</u>
Dec. 31, 1921	Gross Debt	\$8,992,264.84	\$11,444,737.44	\$1,070,133.08	\$1,284,632.28
	Sinking Fund	2,676,710.80	4,780,839.63	559,324.36	367,809.47
	Net Debt	<u>\$6,315,554.04</u>	<u>\$ 6,663,897.81</u>	<u>\$ 510,808.72</u>	<u>\$ 916,822.81</u>
*Dec. 31, 1922	Gross Debt	\$8,938,225.38	\$11,662,217.65	\$1,084,766.29	\$1,284,632.28
	Sinking Fund	2,874,459.08	5,162,146.24	609,236.48	405,995.36
	Net Debt	<u>\$6,063,766.30</u>	<u>\$ 6,500,071.41</u>	<u>\$ 475,529.81</u>	<u>\$ 878,636.92</u>
Increase in Gross Debt from April 30, 1918 to Dec. 31, 1922 (4 years and 8 months)					
Increase in Sinking Fund, April 30, 1918 to Dec. 31, 1922 (4 years and 8 months)					
Increase in Net Debt, April 30, 1918 to Dec. 31, 1922 (4 years and 8 months)					
The increase in Gross Debt is distributed as follows:—					
	General	\$ 995,992.03			
	Local Improvements, City's Share	47,585.87			
	Fire Service Water Works	20,000.00			
	Schools	2,350,000.00			
	Water Works	365,160.70			
	Hydro-Electric	4,250,000.00			
	Housing	2,340,000.00			
	Gross Income	\$10,368,738.60			
	Less: Local Improvements, Ratepayers' Share, decrease	193,798.07			
	Net Increase	<u>\$10,174,940.53</u>			

AND NET DEBT FOR FIVE YEARS

School Board	Water Works	Hydro Electric	Housing	Sinking Fund Surplus	Total
\$3,500,000.00	\$6,990,768.54	\$ 7,402,000.00	\$	\$	\$39,992,830.31
290,573.61	1,596,022.62	614,786.22	.....	334,217.55	9,100,139.16
<u>\$3,209,426.38</u>	<u>\$5,394,745.92</u>	<u>\$ 6,787,213.78</u>	<u>\$</u>	<u>\$334,217.55</u>	<u>\$30,892,691.15</u>
\$3,500,000.00	\$6,990,768.54	\$ 7,402,000.00	\$	\$	\$39,757,397.94
350,760.19	1,852,779.29	750,706.00	.....	344,516.07	10,456,969.84
<u>\$3,149,239.81</u>	<u>\$5,137,989.25</u>	<u>\$ 6,651,294.00</u>	<u>\$</u>	<u>\$344,516.07</u>	<u>\$29,300,428.10</u>
\$4,800,000.00	\$7,190,732.21	\$ 8,902,000.00	\$ 700,000.00	\$	\$43,514,928.76
423,938.64	2,208,478.54	921,231.27	.....	434,042.60	11,724,062.16
<u>\$4,376,061.36</u>	<u>\$4,982,253.67</u>	<u>\$ 7,980,768.73</u>	<u>\$ 700,000.00</u>	<u>\$434,042.60</u>	<u>\$31,790,866.60</u>
\$5,850,000.00	\$7,355,929.24	\$ 9,652,000.00	\$ 1,520,000.00	\$	\$47,189,696.88
490,574.52	2,496,743.29	1,095,898.21	21,686.40	570,859.32	13,060,446.00
<u>\$5,359,425.48</u>	<u>\$4,859,185.95</u>	<u>\$ 8,556,101.79</u>	<u>\$ 1,518,313.60</u>	<u>\$570,859.32</u>	<u>\$34,129,250.88</u>
\$5,850,000.00	\$7,355,929.24	\$11,652,000.00	\$ 2,340,000.00	\$	\$50,167,770.84*
559,800.07	2,800,162.79	1,294,118.03	68,226.03	679,352.33	14,453,496.41
<u>\$5,290,199.93</u>	<u>\$4,555,766.45</u>	<u>\$10,357,881.97</u>	<u>\$ 2,271,773.97</u>	<u>\$679,352.33</u>	<u>\$35,714,274.42</u>
.....	\$10,174,940.53				
.....	5,353,357.25				
.....	<u>\$ 4,821,583.28</u>				

* Included in the City's Gross Debt is \$5,850,000.00 issued on behalf of the School Board. Sinking Fund in respect of \$2,350,000.00 being invested by the said Board. Sinking Fund to the amount of \$151.31 has been accumulated at December 31, 1922, which reduces the Net Debt of the City at date accordingly.

TABLE I—TOTAL SCHOOL DEBT

School Debt	Dec. 31st 1917	Dec. 31st 1918	Dec. 31st 1919	Dec. 31st 1920	Dec. 31st 1921	Dec. 31st 1922
Gross	\$5,199,175.00	\$5,348,510.00	\$5,347,845.00	\$6,647,180.00	\$7,696,515.00	\$7,675,970.00
Less Sinking Fund..	648,805.87	754,082.28	864,098.32	997,030.18	1,164,452.89	1,330,437.49
Net	\$4,550,369.13	\$4,594,427.72	\$4,483,746.68	\$5,650,149.82	\$6,532,062.11	\$6,345,532.51

TABLE II.—SCHOOL DEBT NOT INCLUDED IN CITY'S STATEMENT

Debt	April 30th. 1918 Only Approximate	April 30th. 1919 Only Approximate	Dec. 31st 1920	Dec. 31st 1921	Dec. 31st 1922
Gross	\$1,699,175.00	\$1,848,510.00	\$1,847,180.00	\$1,846,515.00	\$1,825,970.00
Less Sinking Fund	358,232.26	403,322.09	573,091.54	673,878.37	770,637.42
Net	\$1,340,942.74	\$1,445,187.91	\$1,274,088.46	\$1,172,636.63	\$1,055,332.58

Winnipeg's share of the debt of the Greater Winnipeg Water District for the same years was as follows:—

	Dec. 31st 1918	Dec. 31st 1919	Dec. 31st 1920	Dec. 31st 1921	Dec. 31st 1922
Winnipeg's Share of Gross	\$10,450,396.72	\$11,493,103.33	\$13,694,574.49	\$14,142,689.49	\$14,239,135.87
L e s s Winnipeg's Share of Sinking Funds		91,610.36	259,025.34	412,511.63	589,741.32
Net	\$10,450,396.72	\$11,401,492.77	\$13,435,549.15	\$13,730,177.86	\$13,649,394.55

Owing to the fact that for the first two years the City's fiscal year ended April 30th and those of the School Board and the G.W.W.D. corresponded to the calendar year, the totals for 1918 and 1919 are not quite correct. The slight difference would not warrant the work and expense of estimating the debts for corresponding dates.

The total Civic Debt of Winnipeg, therefore, for the five years, roughly estimated for the first two, was as follows:

	Dec. 31st 1918	Dec. 31st 1919	Dec. 31st 1920	Dec. 31st 1921	Dec. 31st 1922
Gross Debt	\$52,142,402.03	\$53,099,011.27	\$59,056,683.25	\$63,178,901.37	\$66,232,876.71
Less Sinking Funds..	9,458,371.42	10,951,902.29	12,556,179.04	14,146,836.00	15,813,875.15
Net	\$42,684,030.61	\$42,147,108.98	\$46,500,504.21	\$49,032,065.37	\$50,419,001.56

The per capita debt of Winnipeg on December 31st, 1922, therefore, was as follows:

Gross, \$337.66; Less Sinking Funds, \$80.62; Net, \$257.04.

The approximate per capita figures for 1918 were:—

Gross, on 1917 population, \$285.17; Less Sinking Funds, \$51.73; Net, \$233.44.

Gross, on 1918 population, \$284.01; Less Sinking Funds, \$51.52; Net, \$232.49.

The increase in per capita net debt was about 8.2%.

The net debt on the local Water Works Distribution System decreased by \$838,979.47, that on the Hydro-Electric System increased by \$3,570,668.19, and the Housing Net Debt of \$2,271,773.97 has been added. This represents a net debt on these three revenue producing undertakings which carry their own debt charges and therefore do not constitute a burden on taxation, of \$5,003,462.69. The total increase of net debt was \$7,734,970.95. The increase in net debt, therefore, outside of these three utilities was only \$2,731,508.26. The per capita net debt on these three utilities is about \$86.30. The per capita net debt under all other heads, including Winnipeg's share of the G.W.W.D. Debt, is, therefore, \$257.04—\$86.30= \$170.74.

While the writer did not, of course, on account of the nature of the report, go into the actuarial details nor the individual investments, he cannot forbear expressing the opinion that the citizens of Winnipeg owe a debt of gratitude to those responsible for the administration of the Sinking Funds.

2. Control of Growth of Debt by Tax-Rate Limits.

In various parts of Canada an attempt has been made to control the growth of debt by limiting tax rates. This can never be a success as long as no upper limit is placed on per capita assessments. If per capita real estate assessments were limited to \$1,000, this method might be partially effective. As many per capita assessments have already passed these limits, and as many elements of expenditure are usually placed outside the tax-rate limits, this method of control through limiting the tax-rate is hardly likely to prove effective.

3. Control of Taxation by Limiting Debt to a Certain Percentage of the Total Assessment.

Unless the per capita assessments can be controlled this method also must remain ineffective, particularly as long as important elements of debt are excluded in determining the margin of borrowing power.

4. Control of Taxation by Establishing Maximum Per Capita Debt Standards.

This, in the judgment of the writer, offers the best chance of controlling debt—and, through it, that part of taxation due to debt charges—by establishing legal limits. If, for example, the limit were set at \$250* per capita for gross debts less Sinking Funds, and an internal limit of \$100 per capita for general debt, including school debt and local improvement debt, less Sinking Funds, it would be an easy matter for any taxpayer

* If the City's per capita of gross debt less Sinking Funds now exceed this amount, the matter would soon be righted by an increase in population coupled with conservation in incurring capital expenditures.

to figure out for himself how fast his City was approaching the limits and how much margin of borrowing power still remained. If in order to finance revenue-producing utilities which were considered vital to the community it became necessary to exceed the upper limit, it could be provided that after proper investigation consent could be given therefor by some Department or Commission of Government.

The Province of Manitoba has put its imprimatur on the principle by the provisions of the Municipal Act which establishes a maximum per capita debt excluding Sinking Funds of \$200 for municipalities with a population of over 10,000, and a maximum of \$150 for municipalities with a population of from 200 to 10,000. This does not apply to Winnipeg which operates under its own Charter.

5. Control of Taxation Through Control of the Debt by Those Who Foot the Bills.

The most intelligent, the most democratic and, if properly exercised, the most effective form of debt control is that exercised by those who pay the bills. The following is an illuminating record of the control exercised by the ratepayers of Winnipeg since December 12th, 1913:

Year	Amount of Debt to be Authorized	Result	Percentage of Resident Ratepayers Voting
1913	\$ 275,000	Defeated	31.9%
1913	60,000	Authorized	29.0%
1913	50,000	Authorized	29.3%
1913	100,000	Authorized	29.3%
1913	85,000	Defeated	28.0%
1913	110,000	Defeated	29.0%
1913	1,000,000	Authorized	30.0%
1913	1,000,000	Authorized	28.9%
1913	275,000	Defeated	15.1%
1913	13,500,000	Authorized	15.6%
1913	1,250,000	Authorized	13.4%
1913	450,000	Defeated	12.7%
1914	40,000	Defeated	25.8%
1918	400,000	Authorized	23.0%
1919	350,000	Defeated	43.0%
1919	600,000	Defeated	43.0%
1920	1,500,000	Authorized	9.5%
1920	300,000	Authorized	9.5%
1920	279,000	Authorized	9.5%
1921	2,000,000	Authorized	7.3%

No. Authorized	Total Authorized	Average Per Cent. of Resident Ratepayers Voting.
12	\$21,439,000	19.4
No. Defeated	Total Defeated	Average Per Cent. of Resident Ratepayers Voting.
8	\$ 2,185,000	28.6

No doubt when the majority of the ratepayers were in favor of any proposal many may have felt that their votes were not necessary and, therefore, did not go to the polls. This may explain the small total votes in some cases. On the other hand many may have had no opinions at all, or having opinions against a project may have been unwilling to make the necessary investment of time to deposit their ballots. If, however, those who do not vote have been willing to allow others to decide for them how their money shall be spent, they have no moral right to complain afterwards if current expenses become burdensome as a result of increased debt charges.

The writer by presenting the facts is raising no question as to the desirability of the capital expenditures involved in the various by-laws submitted to the people. He holds, however, that the majority of ratepayers, not only in Winnipeg but almost universally, fail to exercise their full powers of control of capital expenditures and, therefore, their full powers of controlling that taxation which results from capital expenditures. The writer understands that, at the present time, three-fifths of all the legally qualified electors actually voting on a bylaw must vote in favor of the by-law before the same shall be considered to have the assent of the electors. It might be possible, therefore, for a by-law to pass if there were only a total vote of 5 of which the vote for the by-law was 3. Formerly a by-law was not considered to have the assent of the electors unless three-tenths in number of all legally qualified electors who were entitled to vote, as well as two-thirds of all legally qualified electors actually voting on a by-law, had voted in favor of the by-law.

The writer believes that the former provision should be restored and made applicable to all by-laws to authorize the incurring of debt whether for general or any public utility purpose. Except in grave emergency the vote of the ratepayers should not be dispensed with and a vote of the Council substituted.

Perhaps a provision that a by-law should not be regarded to have obtained assent unless 50% of the legally qualified electors voted and unless two-thirds of these voted for the by-law might be an alternative worth considering.

The effect of capital expenditures is not limited to the debt charges on the debenture debt. All too many projects have been entered into without considering possible increased cost of operation. A new building as soon as it is opened begins to deteriorate, demands repairs and janitor service, requires to be heated, etc. If the building replaces an old

one, only the increased cost of operation, if any, need be considered; but if a new one is erected to perform a function not before undertaken by the City, the costs of operating the building is a new charge on the tax-rate, the greater part of which has to be borne by real property.

Many public bodies have, under the urge of necessity, considered recently ways and means of developing forms of architecture, the capital cost of which per unit would be less than the forms heretofore in use.

The 1922 report of the Commissioners of Edmonton contains the following passage:

"The City of Winnipeg a few years ago sent a commission through the United States to ascertain the best form of construction for its schools, having regard to economy in construction and operations. The Commission strongly recommended the one storey type of building, as it did away with costly mechanical ventilation and the additional cost of heating, if any, was less than the additional fixed charges on the larger expenditure involved in erecting a building with more than one storey.

"The City of Winnipeg this year has erected five pavilion or one storey type of schools with 4 to 14 class rooms, at a cost of \$3,182 to \$7,638 per class room. This compared with \$12,000 to \$14,000 per class room for the old type of school."

The actual costs as given to the writer of three recently erected pavilion type elementary schools in Winnipeg were, per regular class room, \$6,612, \$6,758 and \$5,984. This is far below similar costs per regular class room in most large cities of which the writer has knowledge. Usual costs vary between about \$8,000 and \$15,000. Recently costs of two lately erected school buildings in Ontario towns were reported as over \$25,000 per room. It is true that these schools contained special features adequate to much larger schools, but until additions are made the burden per classroom is excessive.

The table which follows shows the effect of excessive capital costs of school construction in comparison with moderate costs.

Capital Cost per Regular Classroom	Roughly Estimated Annual Debt Charges per Pupil Resulting
\$ 6,000	\$ 9.00 to \$10.50
10,000	15.00 to 17.50
15,000	22.50 to 26.25
25,000	37.50 to 43.75

The policy of the Public School Board in elementary school architecture has not only saved the taxpayers of Winnipeg considerable money, but has influenced the policy elsewhere.

With regard to construction of High Schools, however, the movement toward reduced capital expenditures has not progressed so far as it has in the case of Elementary Schools. The writer is informed that the most recent Winnipeg High School will cost about \$382.13 per seat. This does not seem to be excessive when compared with the costs in other large cities, but it means about \$23.00 to \$26.00 in annual debt charges per seat. Of course High Schools present a difficult problem in that they have nearly always to be centrally located on comparatively costly land, and therefore can rarely be built of the one or two storey type. Possibly the Junior High School may help solve the problem of high building costs in high school education.

The writer believes that the time is coming when communities will have to choose between erecting buildings for 30 years, or for a century. Is it wise to build highly expensive buildings when the methods of school administration and such construction elements as ventilation are at present undergoing such revolutionary changes, the final result of which no one can foresee?

What is true of school buildings is true of many other buildings used for community purposes. Recently nurses' homes have been erected in Canadian cities varying in cost per bed between \$1,400 and \$2,100. The annual debt charges on these amounts would vary, say, between \$84-\$98 and \$126-\$147 per bed. Surely it is worth while to revise our scale of capital expenditures for buildings.

X.—CONTROL OF TAXATION THROUGH CONTROL OF CURRENT EXPENDITURES

1. Do Current Expenditures Need to be Controlled?

There is practically universal dissatisfaction with the huge increases in per capita governmental expenditures during the last decade or two all over the continent, and in fact almost all over the civilized world. A study of Chapter VI. of this report will convince the unprejudiced observer that Winnipeg has not escaped the result of general conditions. Much of this increase can be explained by the increase of the cost of living and much by the results of the war. If the incomes of citizens, that is their tax-paying ability, had increased proportionately, the increase in expenditure might have been viewed with equanimity. But have they? Is it not true that taxation has increased much faster than ability to pay? Is it true that we should be satisfied so long as the expenditures have not increased faster than the cost of living? Must we not discover means, through increased efficiency, of cutting down expenditure while maintaining existing services, or failing this, to do without or reduce the scale of some of the less essential services, until we establish a better balance between taxation and tax-paying ability?

2. Control of Taxation by Limiting the Tax-Rate.

This has been attempted widely, notably in the State of Ohio, but it has almost or quite universally failed to reach its objective. In some places, where the limitations have been extensive and complicated, the result has been disastrous.

In Winnipeg after deducting interest and sinking fund, and requirements for schools, police, the parks board and the Greater Winnipeg Water District, further current expenditure is limited to twelve mills on the dollar of assessment. This was increased from ten mills after the report of the Phippen Commission.

As long as there is no legal limitation to the per capita assessment, and as long as such large fields of public expenditure are excluded from the operation of the tax-rate limit, this method of control cannot be expected to be very effective. Not only is the assessment at any particular time no clear indication of ability to pay, but in many cities a tax-rate limit has acted as an incentive to increase the assessment. The increase

has not necessarily been planned and conscious. It is no reflection on the honesty of assessment departments to expect that, when a city is faced with exceeding the tax limit, reasons for increasing the assessment would naturally exercise a powerful influence. It is only human that they should.

3. Control of Taxation by Establishing a Per Capita Maximum of Taxation or Expenditure.

Just as per capita assessments offer the best means yet devised for comparison of one city with another and of a city with itself in different fiscal years, so per capita taxation, or better still, per capita current expenditure, is the best available standard for comparing the burden of taxation or expenditure.

The establishment of a legal maximum standard on a per capita basis for current taxation or expenditure is much more likely to produce tangible results than methods now in general use.

Following is a table showing for 1921 the per capita taxation including, where possible to obtain it, all local improvement taxation in all Canadian cities, except one, of 25,000 population or over.

1	\$45.26	10	\$38.50
2	48.93	11	32.49
3	52.65	12	47.84
4	69.76	13	39.32
5	59.44	14	28.19
6	55.10	15	27.10
7	54.70	16	21.28
8	37.44	17	35.13
9	38.78	18	31.56

It will be noted that five exceeded \$50.00 and only three, \$55.00. These figures represent for an average family of five an expenditure in municipal taxation of \$250 and \$275 respectively, or sums sufficient to employ a man at \$10 for 25 or 27½ days. Of these 18 cities, 10 had a per capita taxation of less than \$40.00. Allowing for higher costs in the West and the increased relative expenditure which always accompanies the administration of large cities, are \$50 per capita taxation and \$55 per capita expenditure too rigorous standards to establish for Winnipeg? The present per capita taxation is about \$49.49, or \$50.25 including unexpended balance, and the present per capita expenditure from all sources is about \$54.86.*

It is, of course, recognized that the value of a dollar varies, but the average citizen does not automatically receive more dollars to spend when more dollars are necessary in order to maintain his present standard of living. In any event, a safeguard can be easily provided by giving any municipality which considers it necessary to exceed the standard, the right to appeal for an increase to a governmental department or commission charged with the necessary authority. When a general increase of the maximum became safe and desirable, appeal for relief could be made to the Provincial Legislature on advice from the department or commission above referred to.

4. Control of Taxation Through the Budget.

The form of the annual estimates or budget in use in Winnipeg is, in the judgment of the writer, one of the best in use in Canada. If properly utilized by the taxpayers, as well as the City Council, it may be made, if it is not already, an effective means of current financial control. Whether the taxpayers use it or not is entirely within their prerogative.

Several additional features should, however, be provided. Arrangements should be made with the Board of Education for the inclusion in the civic estimates of the detailed estimates of that body analyzed by function and object of expenditure, and including all expenditure and all revenue from whatever source. This is done in some other cities and facilitates the consideration of the total expenditure of the community as a unit. The City's share of the Greater Winnipeg Water District should also be included in the total current expenditure. This is one part of the cost of producing water for the citizens—though it is not paid by the users of water but by the owners of land—and, therefore, should be included with the other items of taxation in the official summaries of revenue and expenditure.

If the suggested additions to the estimates were made the summary by function, such as appears on page 4 of the 1922 Estimates, and the summary of Object of Expenditure on page 6 of the same document, would be more complete and informing and therefore more effective from the standpoint of control.

5. Control of Taxation Through Exercise of the Franchise.

The citizens of Winnipeg have it within their power to determine the complexion of their legislative body which passes the annual estimates and determines the tax-rate. Whenever they are not satisfied with the result, they have their remedy. If they do not take their remedy, they must

put up with the consequences. He who votes, even if he votes foolishly, has a right to rejoice or complain as the case may be. He who does not vote should preserve silence until he mends his ways. In the 1921 election 29,640 votes were cast for Mayor out of a possible, say, 60,000 to 70,000 votes. At the time of the bye-election held April 5th, 1921, the number of resident ratepayers was 26,765,* only 2,875 less than the total vote cast for Mayor. It does not seem possible that a higher percentage of resident ratepayers than of other voters voted.

If it is claimed that the form of organization of the municipal government is such as to defeat the desires of the citizens and ratepayers, the answer is, that if the will is sufficiently strong and insistent a simpler organization, more attractive to candidates and more readily responsible to the demands of the voters, will hardly be withheld by the Legislature.

For real control of taxation by the citizens, however, more than the voting privilege must be exercised. If one contents himself with simply voting for candidates who have been chosen by others or who have chosen themselves, he is not really exercising his franchise. Helping to choose candidates is usually more important than choosing among candidates. Neither can a citizen adequately protect his interests by being a citizen on election day or even a month before election. He must keep himself informed between elections and, if necessary, co-operate with others in securing the necessary information.

It is frequently claimed that the chief reason for mounting expenditures is that the people who spend the money are not the same people who pay the taxes. As a matter of fact no one living in Winnipeg can avoid the payment of taxes directly or indirectly. While the psychological effect of pushing one's tax-money through the treasurer's wicket and getting a receipt is quite different from paying it throughout the year when one buys the different articles or services which one needs, it still is true that much can be done to awaken all citizens to the necessity of tax control by constantly keeping before their eyes the fact that excessive taxation and expenditure for unproductive purposes, using the word "unproductive" in its broad not narrowly economic sense, raises the cost of living to all, handicaps business and industry and reduces individual revenues.

In addition to the increased cost of everything that a city has to buy there are two main causes of the phenomenal in-

* There may be some duplications in this number.

creases of the last twenty years of municipal expenditures, and therefore municipal taxation, all over the world. These are:—

1. The failure to develop methods of financial control as rapidly as the need for it has developed with increasing expenditures.

2. Taking on new functions and increasing the scope of old functions, usually as the result of insistent popular demand.

The Detroit Bureau of Governmental Research has made an analysis of the growth of that City's activities. The result of this analysis may be summarized as follows:—

Year	No. of Activities	Growth in Number of Activities
1824	11.....	.....
1876	36.....	25 in 52 years
1900	102.....	66 in 24 years
1910	114.....	12 in 10 years
1922	184.....	70 in 12 years

While the rates of growth are, of course, not identical, all large cities on the continent have had a similar experience. If citizens want more services, they must pay for them directly or indirectly. If they do not wish to pay for them, they must begin to spend on the basis of what they need rather than on the basis of what they would like to have.

XI.—THE JUSTIFICATION FOR TAXATION

There is but one justification for taxation—it procures the revenue necessary for rendering those services which citizens collectively can produce more efficiently and purchase more cheaply than each person could produce or purchase as an individual. If a man were to steal \$100,000 from the civic treasury there would be a great sensation, but if the corporation were to waste \$100,000 on services which the individual could better provide for himself, on projects which rendered no real service at all, or in unbusinesslike administration of necessary community services, the interest displayed would probably be transitory, and the indignation, futile.

Taxes are not and should not necessarily be in proportion to the visible and ascertainable benefits received. For the protection of society itself, taxation must have some regard to ability to pay.

XII.—THE PROPER SUBJECTS OF TAXATION

In the first place a citizen receives certain benefits as a human individual from the expenditure of public funds. Therefore he should pay taxes as an individual.

Citizens acquire property. This property receives benefits as property from community expenditure. Therefore property should be taxed.

Citizens acquire their property through the rendering of certain services which other citizens are willing to pay for. The rendering of this service is business—using that term in the original and broad sense. Business receives benefits as business from community expenditure. Therefore business should be taxed.

There are and should be three main types of taxation: Property taxes, business taxes and personal taxes.

Since taxes on property have been for so long and still are the mainstay on this continent of municipal revenues, these three types will be considered in the reverse order.

XIII.—WHY AND HOW SHOULD PROPERTY BE TAXED?

Property is of two classes—personal property and real property. Personal property is still taxed under some jurisdictions as a part of the general property tax. But the general property tax is moribund. Personal property, particularly stock-in-trade, is also taxed in some places as a separate tax. But the universal testimony of those who have carefully studied the question is that taxation of personal property directly is not feasible under modern conditions, either from the standpoint of effectiveness in obtaining adequate revenue or of equity.

The whole tendency is toward the taxation of personal property—which is so easily moved and concealed—indirectly, through the revenue derived from its use. How this may be done is discussed in succeeding chapters of this report dealing with the business tax and the personal income tax.

Real property is in a class by itself. It cannot be moved. It cannot be concealed. Of course buildings can be moved, but only to another piece of land and with complete publicity. Occasionally land, through oversight or worse, has in some communities escaped taxation for a period of years. Real estate taxation is the backbone of municipal revenues all over Canada.

1. Should Real Estate be Taxed on Its Capital Value?

The general practice on this continent is and has been to tax real estate by a mill-rate on assessed capital values. It is now claimed by many that this method is unjust and that real estate should be taxed on its annual rental value only. Some would go so far as to claim that a property not producing rent should not be taxed. They claim that as taxes must be paid out of income, unless there is to be confiscation of capital, incomes from all sources must be treated alike, and that, inasmuch as incomes from real estate pay a much higher per cent. of their total than do incomes from personal property under an income tax, the taxation of real estate on its capital value is unjust.

It may be that at some time in the future, after the cities and the country in general are more built up and our present debts have been largely retired, justice as well as efficiency in

taxation may require the taxation of real estate on its possible annual revenue producing value. But certain features which distinguish real estate ownership from any other form of ownership must be borne in mind.

In the first place, by the granting of the rights of private ownership of a piece of land society confers certain peculiar advantages on the person acquiring ownership. As far as the particular piece of land is concerned he is given a monopoly of its use, although in Canada there is no such monopoly in land in general as has been claimed. The private and public expenditures of himself and his fellow citizens add value to his land. There are capital values, to the creation of which he has contributed only his proportional share.

Education and Health Administration are given as examples of onerous expenditures which add nothing to the value of the land and therefore should be met in some other way, such as through the income tax. As a matter of fact a large share of school and health expenditure does add to the capital value of land. Good schools and a good health department, and such privately supported enterprises as churches, are community assets. If these were withdrawn it would soon become evident whether or not they contribute to the value of land.

Again, when a man buys land he takes into consideration the existing and probable future tax burden. He capitalizes this burden and pays out as a result just that much less of his capital for the land. If taxation remains at the same level or if increased expenditure from taxation confers, directly or through secondary causes, equivalent capital values on his land, his taxation has already been fully discounted. If the tax-rate rises unjustifiably and without conferring on his land fully equivalent values, the capital value of his property is diminished by so much. Such expropriation of capital values has been going on extensively in many parts of Canada and the United States during the last twenty years. The writer is not in a position to estimate, and he doubts if anyone is, the amount of this net expropriation in any given district. No one, it would seem fair to say, is in a position to judge what proportion of the increased expenditure from taxation has been balanced by benefits conferred directly or indirectly on real property.

In addition, owners of real property have had conferred on them a special weapon—the right to pass on money by-laws—by which they can prevent their exploitation through capital expenditures at least and through current expenditures so far as these consist of debt charges. With regard to ordinary cur-

rent expenditures, which also may reflect capital values on real property, they have an equal right, in proportion to their numbers, with other voters. In fact, inasmuch as many current expenditures are impossible unless capital expenditures have first been made, they have a special control over current expenditures.

The purchasers of all sorts of property must take chances. They buy knowing the conditions and possibilities with regard to ownership and taxation. The penalties of bad judgment or ill-fortune are greater, or at least more spectacular, in the case of real property than of other forms. Other forms of investment are frequently accompanied by capital losses. So far as investment losses are due to unjust action on the part of organized society in which the loser has no share, the loser has a moral claim against society; but insofar as they are due to bad judgment there should be no appeal to society in general for recoupment. The writer has no doubt that real estate is too heavily burdened, but does not believe that, at the present stage at least, the remedy is the substitution of the revenue basis for the assessed capital value basis, although he feels quite certain that the capital assessed values should bear a much closer relation to the annual rental values capitalized than is usually the case.

Again, all municipal debts have been contracted on the supposition that land was to be taxed on its capital value. Real estate values are largely the basis of municipal credit. It has been held that it was usually safe to lend a city up to 20% of its assessed value at least if this did not exceed \$1,000 per capita. To disturb this basis of credit might be disastrous to many cities, particularly young and growing cities which still have large capital expenditures to make.

Europe and Canada are not on all fours in a discussion of the taxation of rental values. Canadian cities are of more recent growth and still have large unbuilt-upon gaps even within their best settled districts. As unoccupied areas add to the cost of administering cities it would seem fitting that, at least until the country becomes more built up, the taxation of land on its capital value should be continued.

With regard to improvements on land, the situation is somewhat different. In this case, the owner not only invests his savings in land which was there before his investment, but he adds something, or some former owner had added something, to the permanent assets of the community, assets which cannot be removed to another jurisdiction. It is true that a man who just buys land and holds it until it has "ripened," paying taxes during that time on capital assessed

values, may have rendered a community service. But the service, even if real, is of a quite different and less tangible and measurable sort than that community service which comes through the erection of buildings. If the land is ill-chosen, however, the value of the building will not be great. The advantages of the control of the land are largely reflected in the value of the building.

While a man may fairly be expected to bear the whole results of a bad guess in buying land, in the case of a building, he—or at least the owner responsible for putting up the building—has in most cases at least tried to benefit the community, although that may not have been his prime motive in building. He has certainly, except in rare cases, not injured the community nor added disproportionately to the cost of its upkeep, he will lose in any event by low rents and it would appear unfair to punish him further for his mistake by heavy taxation. In the case of improvements there should be a close approximation to capitalized rental values—much closer than in the case of land. Such departments as police and fire, however, protect their value. The expenditures of other civic departments add to their value, so that they should pay some taxes even if in some years there were no net returns from rentals.

The Charter of the City provides that the value of the building shall be that which it adds to the land. Does this not give sufficient opportunity to value buildings at their capitalized rental values, giving, of course, due though minor weight to other elements entering into the determination of other elements affecting the assessed values of buildings?

Real property, particularly improved property, has one advantage over income as a source of taxation. Through its very permanence and availability as security for borrowing, the owner is able to tide himself over lean years until more productive years arrive. If an owner of improved real estate were not able over a term of years to earn an investment on his outlay fairly comparable with his profits in other ordinary lines of investment, in other words, if he were not able on the average to charge enough for the use of his building to cover depreciation, taxation on his buildings, other costs of operation and to leave himself with a sufficient net return to make it worth his while to continue as a landlord, building would cease, demand would increase, rents would go up and profits would again reach the economic level or beyond it. The important thing is not what proportion of his gross or net earnings go to taxation but, after taxes and operating expenses are deducted, what percentage he earns on his investment, or rather on a fair capital value of his property. The ability of an owner to pass on taxes to the user—on the average—makes it quite

feasible and just to take in taxes a greater percentage of the income from real property than of income from other sources. The tax on capital values of real estate is not in itself unjust. The thing chiefly to be avoided is not to increase the tax on land without offering equivalent benefits and not to consider land as the only thing which is benefited by taxation.

2. Should Land Bear the Whole Burden of Taxation?

Supporters of the single tax theory contend that all taxes should be levied on land values. The argument as sometimes stated may be abridged as follows:—

- (a).—God made the land.
- (b).—People give value to land.
- (c).—Therefore private ownership of land, or at least of land values, is anti-social.
- (d).—Therefore if land values have fallen into private hands, they should be re-assumed by the people who gave value to the land.
- (e).—This re-assumption of land values can be brought about by the appropriation by the community of the site values of land through annual charges equivalent to the economic rent. This would destroy the capital values of land now wrongfully in private hands.
- (f).—The re-assumption of the site values of land need not always be absolute, as the costs of government may not be large enough to require the whole of the annual values.
- (g).—The adoption of the single tax will free industry and business from artificial burdens, will destroy unemployment, eliminate poverty and reduce crime to the vanishing point.

To those who object that persons now in possession of lands have for the most part obtained them through purchase, and in all cases hold them through long continued legal sanctions, and that adopting a system of taxation so radically different from that now in use would unjustly confiscate long recognized rights in private property, some single taxers have in effect replied as follows:—

- (a).—It is true that the state alienated land to private individuals sometimes for value received and sometimes not.

- (b).—Even where value was received, it would be unmoral to leave land values in the hands of the present holders because the state never had any moral right to alienate lands.
- (c).—The action of the United States in, without compensation to the owners, emancipating the slaves which had been bought and paid for and legally held, offers an example which tends to justify the expropriation by the state of land values.

A more precise statement of the theory might be given as follows:—

- (a).—The coming together of people makes possible the benefits of organized society.
- (b).—To realize these benefits expenses must be incurred.
- (c).—The benefits received as a result of incurring the expense are registered in land values and not elsewhere.
- (d).—Thus a fund is automatically provided out of which all community expenses may be met, or, to schematize:—

Annual Taxation=Annual Community Expense.
 Annual Community Expense=Annual Benefits to Land.
 Annual Benefits to Land=Annual Land Rentals.
 Annual Land Rentals=Annual Taxation;

Or,—

The necessary annual taxation=that portion of the annual land rentals necessary to meet the annual net expenditure.

The single tax position would seem to require these assumptions:—

- (a).—The man who buys land in advance of use renders no community service which needs to be considered in determining the justice of the absorption of the capital values of the land by organized society.
- (b).—Private ownership of land values has not contributed anything to society.
- (c).—Leaving the title to the land in private hands, even if the capital values are absorbed by society, meets the charge of confiscation and safeguards to society

all the benefits which are claimed to result from absolute private ownership of land.

- (d).—No one but the land owner receives any benefits from public expenditure, at least any benefits which he does not pay for in the guise of payments to the land owner.

With regard to (a), the writer would say that some reputable authorities hold the view that the man who invests in land in advance of use, by holding that land until it has "ripened" and paying taxes thereon during the "ripening" process does frequently render a real community service; and that when abuse has resulted it is due to faulty town-planning or some other failure in regulation by society. They hold that it is not necessary to resort to the single tax to remedy the abuses, and that in practice such partial applications of the single tax as have been made have not corrected the abuses.

With regard to (b), the writer believes that it would be extremely difficult to prove that private ownership of land under the present system has made no contributions or that communistic ownership of land values would serve or ever has in practice served society better. From one point of view the development of land may be regarded as a manufacturing process; the chief difference from ordinary manufacturing being that the stage between buying the raw material and putting it through its first process may be longer delayed than usual in other manufacturing and may cause more discomfort to society.

With regard to (c), the writer can only state his opinion that leaving the shell to the landowner after extracting the kernel does not at all mitigate the expropriation of land values by society and would not necessarily preserve all the benefits resulting from private ownership of land.

With (d) the writer entirely disagrees. While undoubtedly a large proportion of the benefit received from public expenditure is registered on land values, it is only by a peculiarly artificial abstraction that it can be made to appear that persons, as persons, do not share in some of the benefits of some types of expenditure, benefits for which they do not pay in full through payments to the landowner. When public money is wasted by paying too much for services or by producing services of doubtful value or which leave no residuum of value to anyone, surely it cannot be claimed that land should bear the total cost. Even if all values did find their way finally to the land, the writer holds that the safety of the state,

meaning by that national, provincial and municipal governments, demands that the people who receive the direct benefits should pay some of the costs directly. The state requires not fewer but more direct contributions to its revenues, if wholesome citizen interest in public affairs, which is so necessary for the continuance of democratic institutions, is to be maintained and increased.

If Canada had started her national life on the single tax basis, the claims of the advocates of single tax might possibly have been justified in some respects. Our national government collects practically all of its revenue from other sources than land. So do our provinces. The use of the single tax as applied to municipal taxation is therefore a misnomer.

A municipality is not an independent tax unit. The effects of its taxation are inextricably interwoven with those of provincial and national taxation. The experiments with municipal single tax, so-called in the West, cannot, therefore, be considered as conclusive. Where there has been a failure, advocates of the single tax point out that the system of taxation in use was not really single tax.

Nevertheless, the only inkling we can get as to how the taxation by municipalities of land values only would work is to show how the nearest approaches to it have worked, and the only indications of how it has worked in Canada is provided by the recent actions of western municipalities.

The table below shows some facts for Saskatchewan.

Cities	Percentage of Improvements Taxed	
	1916*	1921-1922*
Moose Jaw	45%	45%
North Battleford	30%	45%
Prince Albert	15%	45%
Regina	30%	30%
Saskatoon	25%	35%
Swift Current	15%	60%
Weyburn	30%	30%

In British Columbia, in 1915, eighteen cities entirely exempted improvements, and in 1921, ten. In 1915, twenty districts exempted improvements, and in 1921, fifteen.

A witness before the Shanks' Commission in 1917, said of a certain municipality, "It has a system that is purely and simply single tax. There are no other taxes. . . . Whenever the question was asked, 'Do you think you will ever de-

* Provincial Reports of Municipalities.

part from single tax?" the invariable reply was, "We will never depart from it." This municipality now taxes improvements at 33 1-3% of its assessed value. The same witness stated that, "In the rural municipalities that have adopted this system of single tax there is no influence that could be brought to bear that could lead them to depart from it."

This only shows how dangerous it is to make predictions in the field of municipal taxation.

One western administrator of wide experience writes that he cannot understand how anyone can recommend the single tax for any Canadian municipality.

Mr. C. J. Yorath, in his 1921 special report on assessment and taxation, wrote as follows:—

"While the boom lasted very few exceptions were taken to the assessment. In fact, some of the citizens strongly urged its advancement so that it would be in keeping with realty values, and tax levies were easily paid out of the large profits made in real estate speculations.

"In Western Canada during the same period a new method of taxation was adopted. The old and tried principles of taxation were abandoned and the sound advice of economists with historical reputation was ignored and sometimes even scoffed at. Today the penalties have to be paid, a total readjustment has to be made, and every municipality realizes that it cannot finance on the fads of theoretical economists.

"Practically all the cities in Western Canada adopted the system of raising or endeavoring to raise the greater part of their revenue from a tax on land alone. In some cities the assessment on improvements was reduced to a minimum, and, in a few instances was entirely eliminated. The nearer a city went towards the adoption of the single tax the greater is its financial difficulties today, and its arrears of taxes are proportionately higher than in other cities.

"The arguments in favor of its adoption were:—

- (a).—That it was the simplest method of raising revenue.
- (b).—That it would induce owners of land to develop their property.
- (c).—That it was the only fair and just method of taxation because the value of the land is entirely due to the presence and expenditure of the people.

"What are the actual results?"

- (a).—It has proven to be the most difficult method of raising revenue and is largely responsible for enormous arrears of taxes.
- (b).—It did induce owners to develop their property, so much so, that property was developed beyond the normal demand, with the result that increased taxation has been incurred, excessive capital expenditures have been made, and the supposed benefits of the tax have acted like a boomerang against the owner.
- (c).—It did not prevent the speculation in land as, while it was in operation, Western Canada was passing through the greatest land speculation in its history. In fact, it stimulated speculation as, through the supposed advantage of inducing the owner to develop his property, an unhealthy prosperity was created.
- (d).—It has resulted in the confiscation by taxation of a large amount of property. This may be considered a good argument by the single taxers in favor of the tax, but they do not say, if the tax is to be continued, where the city will obtain its revenue.

"If, instead of adopting the single tax, municipalities in Western Canada had adopted an unearned increment tax, and used the proceeds for financing capital expenditures, there is very little doubt that few if any of the cities would have outstanding debts at the present time.

"While the single tax may be the chief cause for the present financial difficulties of western cities, it is not the only cause, for the two following were also contributory:

- (a).—The lack of town planning and the development of the community in a haphazard spasmodic manner to suit the wishes of real estate speculators.
- (b).—The lack of continuity and experience in administration."

It has been claimed that the single tax, while stimulating the improvement of land and encouraging the erection of buildings, operated against congestion through several families occupying the space which should be occupied by one. Equally competent observers state that single tax, as practiced, or at least the exemption of improvements, has led to narrow lots, the crowding of buildings together in some sections, the erection of skyscrapers and the discouragement of gardens.

As a matter of fact, in human affairs when we take measures for social and moral purposes we frequently bring about unexpected results, and one's quite contrary to the purpose intended. The writer does not, therefore, propose to discuss further the social effects of the single tax. The single tax seems to him to be a scheme for social and moral reform and not primarily, but only incidentally, a system of taxation. It might do all its advocates claim for it; but in this generation a real experiment in single tax which would require the provinces and the Dominion to change radically their whole revenue system, does not seem probable.

The question might be raised whether, without exempting business and personal income, it would not be advantageous to exempt improvements on land. In the opinion of the writer this would neither be advantageous on the whole nor just. Buildings receive direct benefit from certain civic services, and for these they should pay on the benefit theory rather than on the ability to pay theory. This does not mean, however, that building values should not be considered on a different basis than land values. As stated before, the element of productivity should be the most important one considered in valuing buildings. Again, while buildings, like all products of man's work receive benefits from the expenditure of society, these benefits are not so largely or permanently reflected in building values as they are in land values. The exemption from taxation of a reasonable percentage of the assessed value frequently is quite justifiable and advantageous to the community.

It has been widely claimed that the large arrears of taxes on some western cities is due to the single tax. While it undoubtedly is a great factor in this respect, it is not by any means the only one operative.

Sometimes unmerciful mercy to land holders, or special influence, has postponed tax sales until the conditions became so acute that the land had to be sacrificed, whereas if prompt payment in early years had been required, the owners might have tided over the lean years and saved their property. Again, arrears of taxes are becoming a disturbing feature in some eastern cities which have never had the single tax. Excessive or unwise expenditure in many municipalities may have had quite as much to do with tax arrears as has the single tax.

In conclusion, the writer believes that the taxation of land values alone has been shown in Canadian experience to be inadequate, particularly in times of stress, to supply the necessary funds for municipal purposes.

3. The effect of Winnipeg's System of Taxation on Real Property, and Through This on the City's Financing.

As real estate taxation is the foundation of the City's system of taxation, anything which affects disadvantageously the tax producing abilities of real estate must have a bad influence on the City's financing. As Winnipeg has avoided the extremes of land taxation as practised in the past by many western cities, and has been more careful in following up tax arrears than many, Winnipeg's position did not suffer to the same extent. The figures given in the first part of the report indicate clearly that real estate has carried the burden of taxation with little assistance from other sources.

Assessment began to go up at about the same time as in many other cities, and seems to have had similar results in encouraging capital expenditures and high current expenditures. Winnipeg, like other cities and like most individuals, was loath to reduce its scale of living when depression set in, with the result that in spite of reductions in assessment in partial conformity with decreased real estate values, the burden on real estate was not reduced. Professor Haig reported that city officials in several instances frankly stated that one of the reasons why further reductions in assessment in their cities were not made was because the step would cause an increase in the tax-rate. A witness before the Manitoba Commission stated that "the tax rate established is the safety valve the people look at. They will look at this more than they will at the assessment." It is doubtful whether this habit can be changed. "Hind sight is always more accurate than foresight," but in view of the past it is doubtful whether assessments ever should have gone up as high as they did, even considering the conservatism of the Assessment Department at that time, and it is probable that it would have been easier to reduce the assessments in time of stress if the peak had not been so high.

If it is true that high assessment encourages extravagance, a more steady curve of per capita assessment would have been accompanied by a more steady curve of per capita expenditures; and the increase in the tax-rate would naturally have been kept within narrower bounds, thus lessening any temptation to keep assessments up. The writer means no reflection on the Assessment Department in writing thus. Assessors, like other human beings live in a human environment and naturally are influenced in their opinions and judgments by the same considerations as others.

While the Winnipeg real estate tax did not prove so inflexible and unable to assume the shock of severe conditions

after 1912 as did that of many western cities, its inadequacy since that date, it seems to the writer, has been proved. The writer has read over carefully all the evidence produced before the Shanks' Commission and that of the Provincial Assessment and Taxation Commission, and is of the opinion that the weight of evidence in both cases supports this view. The schedules attached to these reports are readily available and need not be reproduced here. The data, available to the writer, bearing on conditions since 1918 indicate that there has been no substantial change in conditions. In some classes of property there have been increases in rentals, but even in some of these the prospects for 1923 do not seem to warrant any hope of continued improvement in the immediate future. The report of the rent inquiry of the Council of Industry, 1920, in its conclusion stated "With building costs as they are, it is difficult to see how apartment buildings or houses erected at the present time can net rentals sufficient to give a fair return on the investment which would not at the same time make larger demands upon the tenants than current wages and salaries can bear." The same report states that "The Council is of the opinion that far too large a proportion of the rentals is absorbed in taxes, and that the present system of taxation, therefore calls for revision."

It is true that under fairly normal conditions lean years will balance against fat years and that the average net earnings will be such as to permit improvement of real estate. But a proper system of taxation is one that is reasonably adequate for financing the City in both normal and abnormal times, without disastrous by-products of under-improvement, tax-arrears, and absorption of capital values by the community.

In order to get complete data to illustrate the tendencies since 1908, it would have been necessary to get comparative data for all these years on the various classes of real property, such as business property, semi-business, residential, with several sub-heads in each case. Particularly with regard to business property and apartment blocks this was quite impossible as records were nowhere available and, as in most cases important buildings now in use had either been built or remodelled since 1908. Such data as could be collected, while they amply proved that in many types of real property there is no adequate return on the investment or even on the assessed value, but in many individual cases an actual loss, do not admit of tabular statements summarizing the facts. When the Assessment Department is provided with full facilities for necessary statistical work, such information will be available not only for general information but as a basis for assessments. Another difficulty in the way of compiling partial data is that

low returns may be due to under-building, over-building, or too great an investment in the first place. In order to produce a completely accurate picture all classes of property in all parts of the City would have to be surveyed and detailed records made, and only after such information was available for a term of years could accurate quantitative statements be made.

The record of one group of properties not fully improved in some cases, perhaps over-improved or imperfectly improved in others, shows the net returns on a 100% assessment of land and buildings for 1920, 1921 and 1922 were respectively about 1.4%, 1.7% and 1.2%. The rate of return on the best improved of these properties was in 1922 about 4.2%. The record of another group of house properties, not in the best districts, shows that the returns on the taxable assessment varied between 2% and a net loss of 6%. Another group of four properties, not fully improved in proportion to land values, for 1919, 1920, 1921 and 1922, were respectively about 2%, 4%, 3½% and 4½% on the City assessment on 100% valuation basis. In all these cases depreciation is not included. If it were, the percentages of returns would be greatly reduced and probably vanish in some.

Following are some further instances, offered as illustrative material only, of the results to owners of central property:

Year	Net Return
1. 1911	6.93 %
1921	0.55 % loss
2. 1918	6.7 %
1922	6.2 %
3. 1911	4.21 %
1921	1.11 %
4. 1918	1.5 %
1922	2¾ %
5. 1918	6 1-3%
1922	8 2-3%
6. 1918	Deficit
1922	0.94 %
7. 1918	0.62 %
1922	4¾ %
8. 1918	0.76 %
1922	4 %

The growth of per capita tax arrears is perhaps the first unmistakable warning that a city is either spending more money than it can afford or taxing real estate beyond the economic limit, or both. The effects of over taxation or unequal taxation are not much different in quality although less in quantity than those in cities which have had an even narrower tax-base.

While the City has not as yet acquired any great area of tax-sale lands it is inadvisable that the area be increased. Many western cities have been handicapped by becoming extensive owners of land which by that fact ceased to pay taxes, thus increasing the burden on land, improved and unimproved, still paying taxes.

Mr. Yorath in his 1922 annual report, above quoted, gives as the fifth plank in Edmonton's forward policy, "Not to adopt or continue the grotesque system of taxing vacant land so that it will be confiscated and at the same time be expected to provide revenue to finance the City's expenditures."

In the evidence before one of the tax commissions a western city was stated to have adopted the policy of leasing tax-sale lands and securing revenue to offset the loss of taxation. On writing to this City, the writer was informed that it was receiving no revenue from the source mentioned. It is extremely doubtful that the City could obtain in many cases paying tenants when the former owners failed to do so. Of course, in the future, some of these lands may appreciate and become valuable assets. But unless the City is in a financial position to defy experience elsewhere and to try out on a large scale an untried theory, it must further adjust its taxation both as to amount and incidence so as to make all land in the City, or its owners, work for the City.

It is amazing for what periods of time land can be kept as a burden bearer for the community so long as any hope remains in the heart of the owner of recouping part or the whole of his losses. The owner of real estate has been unintentionally referred to as both a goose and a lamb. We are admonished by one writer to "temper the wind to the shorn lamb" so that he may live to grow another crop. By another we are advised not to "kill the goose that lays the golden eggs." A witness before the Manitoba Assessment and Taxation Commission quoted Mr. Otto Kahn as stating that: "No tax should be so burdensome as to extinguish or seriously jeopardize the source from which it derives its productivity. In other words, do not be so eager to secure every golden egg that you kill the goose which lays them."

The idea that the average holder of land is a "malefactor of great wealth" is greatly exaggerated. Most frequently he is neither a malefactor nor has he great wealth. He has, however, great endurance if he is given—and gives himself—a sporting chance.

In conclusion, the writer believes that land should be taxed for current purposes on its assessed capital values, fixed not on the basis of speculative values but on an approach to value

in possible present use or use in the immediate future, due weight being given to possible revenue producing ability; that buildings should be taxed on a percentage of the value that buildings add to the land on which they are situated, such value being determined in the main by their net earning capacity capitalized; and that the percentage of the cost of operating the community charged to real estate should be reduced until the net returns from improved property are on an economic basis. The writer is not unmindful that net rentals tend to average up over a term of years; but the term required should not be so long as it is, both in justice to the property owners and for the security of the City. If other conditions are made right, supply and demand will bring about more equitable rent conditions than exist at present. It is not wholesome that violent fluctuations in the rent level should occur. The writer believes that is fostered by the present system.

4. Unearned Increment Tax.

As has been said, land, improved or unimproved, is not a reliable basis for current municipal taxation unless combined with other forms of taxation. Land fluctuates violently in price, and these fluctuations react unpleasantly on the community. There is, however, good reason why a city should reap a revenue from the increases of land prices in boom times when speculation is rife. Excessive speculation in land is not to the advantage of the community. It is easy to collect taxes as sales are made and not burdensome on those who have sold if the percentages collected are reasonable.

As the taxation of real estate is fundamentally a municipal tax, it is logical that increment taxes should be collected by the municipality and applied to its uses, particularly as the increment values are due so largely to local expenditure. The fact that large returns from an increment tax would occur only at more or less widely separated intervals would not complicate current finance, as the proceeds would be available for capital purposes only. In levying the tax due weight must be given to the fact that regular real estate taxation is levied on the assessed capital value of land and that it fluctuates with the increase in capital assessed values. Full allowance must also be made for all improvements on land and all depreciation on improvements made between sales. Interest on vacant land must also be allowed. Inasmuch as tax expenditures are largely responsible for increased values, the element of taxes should not be considered except to modify the percentages of increased values levied as an offset to that part of taxation which may be considered as not being beneficial.

It must also be recognized that lands is not the only thing bought and sold which benefits by unearned increments. The

increment in land values may be obtained on the average with less personal effort and confer more lasting advantages to the individual, but the rates levied should have regard to the fact that unearned increments attach to other forms of property.

As increment taxes are percentages on increased capital values they should be used for capital purposes and not to defray the ordinary cost of operation. Thus the increment tax while levied on land values would soon tend to reduce the taxes on all land and all taxable business and income by reducing the amount of debt charges.

Increment taxation should also tend to retard waves of speculation and prevent the peaks of real estate prices from reaching such high altitudes. The increment tax should be an excellent supplement to the ordinary real estate tax. With the increment tax to take up the slack, the ordinary real estate assessment would not require to follow closely spectacular increases in order to secure for society some of the increased prices. Neither would it have to decline rapidly when prices begin to crumble. The curve representing ordinary assessments would go up and down with sale prices but would be a succession of hills and valleys rather than of mountains and chasms, and would be based on conservative values representing largely values in use or possible use within the near future. The assessment under these conditions would provide a more stable base for taxation to take care of current needs and would not provide periodic temptations to extravagant programmes of capital and current expenditure.

The determination of the percentages applicable would have to be largely a matter of trial and error, with the closest reference possible to local conditions. Increments up to 10% or 20% might be exempted entirely, and, on gains over this exemption limit, percentages might be taken from 10% in the lower ranges to possibly 50% in the upper.

The technical difficulties during the earlier years of an increment tax would be considerable, but these would gradually diminish and in any event could hardly be greater than those met with in the procedure of making ordinary real estate assessments.

5. Should There Be Any Tax Exemptions of Real Property?

In all provinces of Canada varying tax exemptions are given to churches. The writer believes that this should not be done. Churches undoubtedly do render great services to the community in the way of maintaining and improving moral and social standards. If governments are to regulate their taxation according to the value of institutions, business organizations and individuals to the community, should they not

make a thorough job of it? In every community there are certain individuals who are great moral assets to the City. Should they have their taxes reduced accordingly? There are also business organizations which surpass others in the ethical standards they maintain and the advanced social work they perform for their employees. Should their burden be lightened, and, if so, who is going to rank businesses according to their community values?

Can the organizations and individuals who are not entitled to exemptions on the basis of their ethical worth and superior community value be expected to bear the burden of the tax exemptions given to their more worthy contemporaries? For example, would it be feasible to charge a larger share of the cost of the Police Department to those arrested during the year and those who were not arrested but should have been, than to their fellow citizens? Or could those who had suspicious fires during the year, and those who would like to have had fires but were deterred by fear of the consequences, be made to bear more than their proportionate shares of the cost of the Fire Department?

In the case of churches there is also another element. Exempting these from taxation is equivalent to bonusing the various forms of religious work. Some men object to helping finance a form of religion with the tenets of which they do not agree. Others do not believe that they should help finance any form of religion.

Insofar as a church's community work can be segregated from its religious work, certain exemptions might be given inasmuch as other privately controlled social work is exempted on the ground that it saves money to the taxpayer. The writer believes that even this is illogical as individual taxpayers through their philanthropy may save the taxpayers money. As, however, most philanthropy is now carried on through organizations and not through individual effort, there is no great harm done by exemptions in this field.

The Phippen Commission recommended the taxing of church land, 20% of the assessed value to be taxed each year until the full value of the land were reached. The necessary legislation was passed and enforced for one year but was then repealed. The writer is in agreement with the recommendation of the Phippen Commission. The exemption of church buildings would be an offset against the philanthropic and welfare work of the churches, the amount of which, however, varies greatly between different church organizations. If this suggestion is not acceptable, the imposition of an increment tax at the time of the sale of church property, while not burdening churches during their period of activity in any

locality, would recoup the City for some of its expenditures for the police and fire protection of church property. This agrees with the recommendation of the Shanks' Commission.

The writer believes that all privately owned and controlled educational institutions should be taxed.

Provincial and Dominion real property within a municipality should also be subject to municipal taxes. They receive the same services from municipal expenditures as all other property in the community, and the costs of such services should be distributed over all those citizens served by the Dominion or Provincial Governments as the case may be. It is generally acknowledged that the exemption of some industries, even by fixed assessments, unless all assessments are fixed, is unfair to other industries and taxpayers, and is of doubtful value to the community in other respects. It is equally true that the exemption of government property is unfair to those who happen to live in the vicinity of government property which is used for province-wide or nation-wide services.

Some Canadian municipalities have been seriously handicapped by the fact that large numbers of children in their schools came from families living on government railway land which paid no taxes. This condition does exist but not to the same extent in the case of ordinary governmental institutions in a municipality. The cost of educating children of parents working in factories is partially paid by taxation on the factories even if the parents have no taxable property, while the municipality receives no such revenue in the case of the children of parents employed in tax-free government buildings.

It has been claimed that the benefit received by municipalities from the existence of such governmental institutions warrants such exemptions, and that these are welcomed by every municipality. The same thing is true of large industries. It is also claimed that it is only a matter of bookkeeping, or the transference of funds from one pocket to another. The answer is that the ownership of the pockets is not the same and that good bookkeeping is important. It seems to the writer that while no immediate results calculated to change the present incidence of taxation on government-owned property can be expected, it is worth while in the interests of future action to call attention to existing conditions.

A large proportion of present exemptions is on railway property used specifically for railway purposes. There does not seem to be any way of altering present conditions, resting as they do on statutory provisions, by-laws or contracts, actual or implied.

XIV.—WHY AND HOW SHOULD BUSINESS BE TAXED?

The business tax is not the only local tax paid by business. One comparatively small manufacturing firm paid taxes in 1922 amounting to about \$24,000. About \$7,500 of this was municipal taxation, including a real estate tax of almost \$6,500. The net profits were somewhat over \$2,500. Another firm established for some years had no net profits in 1922, yet it paid municipal taxes in excess of \$6,000, including a business tax of over \$500. In normal times and on the average, whether a company or firm owns its premises or not, it pays real estate taxes.

So much has been said concerning the inequity of the present form of business taxation in Winnipeg that it is unnecessary to enlarge on the subject in this report. It handicaps one form of business in comparison with another and it bears little or no relation to ability to pay. It is in effect a supplementary real estate tax.

It bears very heavily on new businesses and industries and tends to discourage commercial and industrial development. It makes no distinction between businesses conducted at a huge profit and those conducted at a huge loss. It pays little or no heed to lean years or fat years in the same business. **Business already has one inexorable tax to pay, the real estate tax. Business taxation should be on the basis of ability to pay. The writer believes that the best business tax should be one on net profits at a small flat percentage rate.**

Before the Dominion income tax was imposed it might have been difficult for small businesses particularly to give the necessary facts to the taxing officers; but this certainly can not be true now. If there are still some businesses that know only how much cash they have taken in during the year they might be given the option of paying a tax, say, of one-fourth of the ordinary flat percentage rate on the total receipts. A minimum amount might be set to reach such businesses as could not tell either their net profits or total receipts. This might be in the form of a license fee, applicable to all—to be refunded on the payment of the business tax—and intended only to cover the cost of supervision. This supervision should require the establishment within a reasonable period of at least simple records. If this were not accomplished within a set period, the license might be revoked or the fee doubled at the option of the Assessment Department.

XV.—WHY AND HOW SHOULD PERSONS BE TAXED?

The reason for taxing persons is fundamentally the same as that for taxing real property and business, i.e., benefits received. It may be claimed by some either that individuals receive no benefits or that having received them they have also paid for them through payments for the use of land. As stated before, the writer believes that not all benefits are registered on the land. While it may be said that land has no value apart from population to use the land, it may also be said that buildings, clothing and food have no value apart from population to use them. Neither statement proves that all community benefits are registered infallibly on any one thing or group of things.

Land is taxed not only because it receives benefits but theoretically in proportion to benefits received with a growing tendency to modify real estate taxation, particularly improvements, by consideration of the factor of ability to pay.

Business is taxed because it receives benefits, but heretofore business taxation in practice has not been closely related either to benefits received or ability to pay. The writer has suggested that Winnipeg adopt the policy of putting the business tax on a net income basis, the nearest approach possible to ability to pay.

The taxing of persons on the basis of benefits received is, under modern conditions, quite impossible. We compel parents to send their children to school. The corollary is that if the parents cannot pay, the state and community must pay. A further corollary is that it is essential to the existence of the state that all should be educated, that the state can make no distinction between people as to ability to pay, and that, therefore, all children must be educated at the expense of the public, unless their parents are willing to educate them in private institutions at their own expense.

Again, persons as persons receive benefits from the Police Departments. We do make certain direct charges to a man who has been arrested and convicted, but even then it is rarely put on the basis of the benefits received by him. But what about the people who are not arrested and should be, or about the people who are protected from criminals during their working and sleeping hours and are usually quite unconscious

as to when and to what extent they have received benefits from the department? It is in practice impossible to charge an individual for police department services in proportion to benefits received. We cannot permit those who have the money to establish their own police departments and let the rest of the people look after themselves. A police department is compulsory on society and individuals can be made to pay for it only on the basis of ability to pay. The same is true of the Fire Department and the Health Department. Even if the individual benefits could be accurately measured, the City could neither allow an individual citizen to cut himself off from all these services to persons nor refuse to render these services to those who cannot fully pay.

The attempt has been made to make payment in proportion to ability to pay look ridiculous by drawing a parallel with ordinary commerce. Of course a man could not charge two men different prices for loaves of bread of the same quality and weight, but many a baker has given a loaf of bread to a man who was starving and couldn't pay. Many a municipality has given free food and even free clothing and rent where there was inability to pay. Hospitals charge different rates for different services, but ability to pay has a great deal to do with the setting of the rates, and no one is turned away who cannot pay for the service even if no municipality can be charged for it. It has sometimes been said that railroads have charged for services on the basis of what the traffic would bear, and probably few would deny that there is a justification for this if not carried to extremes. Physicians and surgeons may make different charges for the same services, and many perform services absolutely free, so that the cost is distributed over the persons benefited somewhat on the basis of ability to pay. If the state took over all medicinal and surgical care they could hardly charge for services on the basis of benefits received.

All services of a more or less humanitarian social welfare nature must be supported more or less completely on the basis of ability to pay. It would be idle to send tax bills for these services on the basis of benefit received and then charge the resulting arrears of taxes up to the other taxpayers who could pay. This would be equivalent to admitting that ability to pay is the only feasible basis for financing the cost of these services, or that part of the cost which is not properly chargeable against assessed property.

The writer believes, therefore, that persons should be taxed for services rendered to them as persons through a personal income tax levied at the place of residence. He also

believes that it should be a graded tax with an exemption not so high for unmarried persons as usually obtains in Canada. Even if an income tax were unnecessary from the standpoint of equity and financial exigency, it should be established if only for the reason of bringing home to more people their responsibility as citizens. The more people pay taxes directly, the better public administration we are apt to get, the more service we will receive for the same expenditure, and the less apt we will be to incur unwise or extravagant capital or current expenditures.

The income tax, however, while its proceeds should contribute to municipal exchequers, is not well adapted for municipal levy and collection. For reasons which have been frequently set forth and are in the main obvious, the area of a municipality is too restricted for highly successful administration in the municipal field. The province is the smallest unit of levy and collection which can be expected to obtain equitable results. In Ontario some cities have obtained remarkable results, but in that province the municipal income tax is legally universal, although, in practice, its enforcement is very uneven. A city levying an income tax, in the midst of a territory which does not, can hardly avoid doing itself a great deal of harm, and even where the surrounding municipalities levy the tax, unless the per capita taxation is substantially the same the results are far from ideal. Ontario experience witnesses to the truth of the latter statement. In fact no authority which has not full access to "information at the source" can equitably administer an income tax. The taxpayer of Winnipeg already bears his share of the cost of collecting one income tax. In 1924 he will probably have to bear his share of another. If Winnipeg had one of its own, he would have three overheads to carry, and the third overhead, if the tax were fully and equitably collected, would probably be higher in proportion than the other two.

The ideal solution would be a co-operative arrangement with the Dominion Government by which the already existing income tax organization would be available for the collection of the income taxes of any provinces which desired to levy such a tax, the provinces distributing the greater part of the proceeds to their constituent municipalities. As conditions are acute, and such co-operation is hardly likely to be brought about in the near future, the next best thing is for the municipalities in Manitoba to make co-operative arrangements with the Province by which the province would levy (and collect the tax and distribute, say, from 75% to 90% of the proceeds to the municipalities. This might be done by making the distribution on the basis of equalized assessment or, better still,

for obvious reasons, by subventions to cover part of the cost of the local authorities in maintaining certain welfare services. School Boards for example and in particular could be given greatly increased subventions. This would be particularly just as the province sets the minimum standard of service and encourages higher standards. Public health work and social service work, both conferring great benefits on the province as a whole, would also be logical fields for provincial subventions. The advantage of local application could be at least partially obtained by printing on each provincial income tax statement, the percentages going directly or indirectly to local community services.

XVI.—ALL TAXES COME OUT OF THE SAME POCKETS.

It is quite impossible to consider municipal, provincial and national taxation as being in watertight compartments. The effect of a municipal tax cannot be considered apart from provincial and national taxation. One source of public revenue may apparently be too heavily burdened in one jurisdiction and another source may suffer equally in another jurisdiction.

An equitable fully productive system of national taxation can never be evolved without the closest and most continuous conference and co-operation between municipalities, the provinces and the Dominion, and without a very widespread popular interest in and understanding of fundamental tax problems.

XVII.—SUMMARY—A SUGGESTED SYSTEM OF TAXATION FOR WINNIPEG, WITH SOME CORRELATED RECOMMENDATIONS.

The writer would suggest:—

- 1.—A real estate tax on the present basis with greater weight being given particularly in the case of buildings to revenue producing ability.
- 2.—A business tax on the basis of a flat percentage rate, say, of 2%, on net profits or a smaller percentage on gross receipts when the net profits cannot be arrived at, with a minimum tax in the form of a license.
- 3.—An arrangement with the Province for a share in the proceeds of a provincial income tax, either as a general distribution on the basis of equalized assessment or as subventions for certain public welfare services. The writer prefers the latter method.
- 4.—The gradual elimination of provincial levies on realty values as the income tax becomes established.
- 5.—The gradual placing of the Greater Winnipeg Water District Levy, through the water rates, on those who have chiefly benefited by the project, i.e., the water users, until not more than 25% of the annual debt charges of the District are borne by the taxpayer. If the population and number of water users increase rapidly, there may be no need to increase the present rates to any great extent. Certainly no increase should be made which would discourage the use of water or burden water users more than they are in other similarly situated cities.
- 6.—An increase in the number and amount of specific charges for specific services rendered to individuals, particularly in the field of special education and welfare work. This should lead to an increase in miscellaneous revenue other than personal.
- 7.—An attempt to obtain a share of the proceeds arising from automobile licenses and amusement taxes to the extent of one-half of the revenue therefrom arising within the city.

A summary of the Civic Budget for 1922, supposing the suggestions above made had been fully in force, would have appeared somewhat as follows:

TABLE I.

Revenue		Per Capita	% of Total	Expenditure		Per Capita
Miscellaneous Revenue other than Taxation..	\$1,000,000.00*	\$ 5.02	12.5%	General Current Expenditure less \$650,930.00 Provincial Levy	\$8,013,961.85	\$40.24
Business Tax	750,000.00*	3.77	9.3%	Provincial Levy		
General Real Prop- erty Tax	5,263,961.85	26.43	65.7%			
Share of Provincial In- come Tax, either di- rectly or by subven- tions, for certain Public Welfare func- tions, and a share of Motor License Fees a n d Amusement Taxes	1,000,000.00*	5.02	12.5%			
Total	\$8,013,961.85	\$40.24	100%	Total	\$8,013,961.85	\$40.24

* These items are only pro forma and represent at most revenues it would be desirable to obtain.

TABLE II.

On the present basis the statement would appear as follows:—

Revenue		Per Capita	% of Total	Expenditure		Per Capita
Miscellaneous Revenue other than Taxation..\$	851,115.00	\$ 4.27	9.8%	General Current Expenditure without Provincial Levy	\$8,013,961.85	\$40.24
Business Tax	480,000.00	2.41	5.6%	Provincial Levy	650,930.00	3.27
General Real Prop- erty Tax	7,333,776.85	36.83	84.6%			
Share of Provincial In- come Tax, either di- rectly or by subven- tions, for certain Public Welfare func- tions, and a share of M o t o r License Fees and Amusement Taxes						
Total	\$8,664,891.85	\$43.51	100%	Total	\$8,664,891.85	\$43.51

TABLE III.

Including the Greater Winnipeg Water District levy and the ratepayers' share of local improvement special assessments the estimated revenues, on the basis of the suggestions if already fully in force, and expenditures might be summarized as follows:

Revenue		Per Capita	Expenditure		Per Capita
General Current Revenue from all sources	\$8,013,961.85	\$40.24	General Current Expenditure..	\$8,013,961.85	\$40.24
Greater Winnipeg Water Dis- trict Levy	262,008.06	1.32	Greater Winnipeg Water Dis- trict Levy	262,008.06	1.32
Ratepayers' Share of Local Im- provements, Special Assess- ment	1,176,196.10	5.91	Ratepayers' Share of Local Improvements, Special As- sessment	1,176,196.10	5.91
Total	\$9,452,166.01	\$47.47	Total	\$9,452,166.01	\$47.47

TABLE IV.

On the present basis, including the Greater Winnipeg Water District Levy and Special Assessments, the actual estimates for 1922 would appear as follows:—

Revenue		Per Capita	Expenditure		Per Capita
General Current Revenue from all Sources	\$8,664,891.85	\$43.51	General Current Expenditure..	\$8,664,891.85	\$43.51
Greater Winnipeg Water Dis- trict Levy	1,048,032.25	5.26	Greater Winnipeg Water Dis- trict Levy	1,048,032.25	5.26
Ratepayers' Share of Local Improvements, Special As- sessment	1,176,196.10	5.91	Ratepayers' Share of Local Im- provements, Special As- sessment	1,176,196.10	5.91
Total	\$10,889,120.20	\$54.68	Total	\$10,889,120.20	\$54.68

It will be noted that the actual estimated total expenditure per capita from miscellaneous revenues and taxation, including the City's share of the Greater Winnipeg Water District levy and the special assessments, exceeds that estimated on the basis of the writer's suggestion if now fully in force by \$7.21, or about 15%. The percentage of general current revenue from real estate taxation would drop from 84.6% to 65.7%, and including the Greater Winnipeg Water District Tax and special levies from 87.8% to 79.2%.

The writer makes no claim that his estimated figures for possible revenue from business and provincial income taxes are near the mark. They might be more and they might be less. He has been unable to obtain any estimate of the productivity of the proposed provincial income tax. The writer, however, believes that the figures are reasonable, that the suggested income tax revenue is possible of achievement and that the increased returns, as suggested, from the business tax on net profits would be more easily borne by business as a whole than the present tax on rental values. Such a business tax based more nearly on ability to pay would also be more elastic from the administrative standpoint.

The writer makes his suggestions rather as an end to be striven after and attained as the results of experience indicates, than as a full-fledged programme which could be put into full force at once.

The practicability of some of the suggestions rests on the action of the Provincial Government. It may be claimed that it will need all it can get from the proposed income tax, that it cannot give the City any share of motor license fees and amusement taxes and that the municipal levy must continue as it is without diminution. That remains to be seen. It is possible that such economies can be effected from time to time as will enable the government to share the revenues indicated with the City in ever increasing proportions and to lighten gradually the municipal levy. In the meantime the City may, if it will, adopt the suggestions of the report resting solely within its power and may effect such economies through re-organization and otherwise as suggested in the report. A lessening of the tax burden in this way will have on real estate the same effect as a comparable favorable change in the relative incidence of taxation thereon. In fact a change in the incidence through increased revenue from other sources will be of no benefit either to real estate or business and industry if the whole slack is taken up by increased expenditure.

The writer also recommends:—

- 1.—Securing the necessary legislation for the establishment of an unearned increment tax on land at time of sale or

exchange, along lines indicated in the body of the report.

- 2.—Whatever reorganization is necessary to secure a more extensive statistical and graphic chart service in the Assessment Department than is now available.
- 3.—A closer correlation between the Assessment Department and the Board of Valuation and Revision than now exists. This can be done without lessening the value of the Board as an independent court of appeal and without decreasing the responsibility of the Assessment Commissioner. If the assessment rolls of any one year are presented to the Board before any notices are sent out, thoroughly explained and discussed, and full opportunity given for suggestions from the Board, revision might be effected in certain areas and with regard to certain properties or classes of property, as a result of the interchange of ideas, which would make many appeals unnecessary owing to a better balanced assessment.
- 4.—The combination of the 25 to 30 independent departments or organization units of the City and the redistribution of their sub-departments according to function among the combined departments. This would not only cut down over-lapping, but would make clear the lines of administrative responsibility, would make possible much more effective department control and the utilization of the staff to better advantage. The waste of employees' time when there are a large number of departments is clearly recognized in private administration. Private business could hardly survive under such a diffuse organization as that which now exists in Winnipeg unless it had a practical monopoly of the business in its line. Of course the City has a monopoly in its line and in addition powers of taxation which can be drawn upon to make good any losses resulting from faulty organization.
- 5.—That a maximum standard of per capita debt charges be established to be exceeded only on receiving the assent of some authority established by the Government.
- 6.—That a maximum per capita standard of total current taxation or, if possible, expenditures, be established to be exceeded on assent of authority above mentioned.
- 7.—That tax exemptions be cut down to as low a figure as possible as indicated in the body of the report.
- 8.—That, as has been done by the School Board in planning elementary schools, more economical standards of building

construction be adopted after careful studies of the uses to which buildings are to be put.

- 9.—That means be adopted to keep before all citizens, whether direct taxpayers or not, the fact that all contribute to the cost of municipal government and that governmental expenditures affect the cost of living and the prosperity of business and industry from which people draw their living.
- 10.—That, in view of these facts, all resident ratepayers vote on money by-laws and all entitled to vote at municipal elections exercise their rights of participation in the selection of candidates and in voting.

Salaries and wages for the City proper amount to about \$60 per average family of five. Assuming an average income per family of \$7.00 a day, this means that the head of the family (or some other member, or both), would have to work 8½ days per year in order to pay the salaries and wages of his employees in the City service. Including the "outside" Boards, the cost per family for salaries and wages is probably about \$105 per family, or the equivalent of 15 days of one citizen's time at \$7.00 per day.

The number of departments can be cut down with ease to 10, and with thought and care probably to 6 or 7. The City could probably afford to pay more for outstandingly good service, while reducing the number of employees through better utilization of the time of members of the various staffs and reducing the total expenditure for personal services. Unscientific organization and large expenditures are boon companions. Large expenditures and heavy taxation are Siamese twins. One easy way to reduce the burden of taxation is, where there is courage and good will, by creating conditions of organization which will enable civic employees to render the best service with as little waste of time and energy as possible. This would work out both to the advantage of the civic employer and his citizen employer.

CANADIAN TAXATION

TAXATION IS ONE OF THE MEANS BY WHICH REVENUES ARE RAISED TO DEFRAY THE COST OF NECESSARY SERVICES TO CITIZENS AND TO THE BUSINESSES AND INDUSTRIES IN WHICH THEY MAKE A LIVING; BUT INEQUITABLE, EXHORBITANT OR HAPHAZARD TAXATION MAY PROVE A BURDEN TO CITIZENS AND MAY HANDICAP OR RUIN PRODUCTION AND COMMERCE.

ISSUED BY THE
CITIZENS' RESEARCH INSTITUTE
OF CANADA.



TORONTO OFFICES
189 CHURCH STREET
TEL. MAIN 3626

Conference Report No. 23

September 22, 1924

COST OF GOVERNMENT IN CANADA 1922

STORY No. 4

Combined Per Capita Costs of National, Provincial and Municipal Government for 17 Canadian Cities

EDITORIAL NOTE:

The fiscal years used are not identical. For example, the Federal Year is that ending March 31st, 1923. As the aim of this service is not to show actual expenditure correct to the cent but to indicate tendencies in public expenditure, this technical defect is not significant. Again provinces can not be compared too narrowly with provinces and city with city as to expenditure, as the necessity for expenditures vary with local conditions. For example: One province may be organized municipally in only one per cent. of its area and in others in 75% or 100% of their areas. One city may have been founded 100 years ago and another 25 years ago. One may be of slow growth and the

other of rapid growth. One may be paying now for the bulk of its improvements and another may have finished paying for most of them years ago. As frequently pointed out in these reports, these and other factors must be taken into account in interpreting financial facts. Whatever the cause, however, public expenditures are as they are and must be met by public revenues. In any event a nation, a province, or a city, will gain by comparing its present status with its past record. Comparison is a most effective method of controlling public expenditures. Until public accounting and public reporting are standardized citizens and taxpayers will be deprived of a very useful weapon, and will be largely at the mercy of those who either honestly attach no value to informing the public as to their affairs, or whose interest it may be to prevent any general understanding of the true facts.

The Citizens' Research Institute of Canada, in completing its series for the year 1922, extends its thanks to those provincial and municipal authorities who co-operated so fully with the Institute in getting the best figures available in view of the lack of standardization in public accounting and reporting.

The figures given here are taken from the first three stories of this series. The per capita cost of Dominion Government is considered as uniform over the whole Dominion. The per capita cost of governing in any province is considered as uniform within that province. This uniformity between city and city, or between rural and urban district is, of course, not to be found in actual practice, but to arrive at the varying burdens of provincial and municipal government in different districts would be quite impossible and is, moreover, unnecessary for the purposes of this Report. The per capita costs of municipal government in 17 Canadian cities are combined with the per capita costs of the various provinces in which these cities are located, and with the Dominion costs, to arrive at an approximation of the cost of all government in widely separated districts of the Dominion. It is recognized, of course, that the result is only an approximation, but a record of similar estimates over a term of years should indicate the trends of public expenditure and should be valuable otherwise for comparative purposes.

PER CAPITA COST OF GOVERNMENT IN 17 CANADIAN CITIES

1922

CITY	MUNICIPAL (Less Provin- cial Grants but Including Local Improvements)	PROVINCIAL (Less Revenue from Federal Governments)	FEDERAL		TOTAL	
			Without Trading Deficits	With Trading Deficits	Without Federal Trading Deficits	With Federal Trading Deficits
Victoria	\$65.76	\$33.24	\$39.26	\$46.95	\$138.26	\$145.95
Vancouver.....	51.68	33.24	39.26	46.95	124.18	131.87
Edmonton.....	62.79	14.65	39.26	46.95	116.70	124.39
Calgary.....	58.75	14.65	39.26	46.95	112.66	120.35
Regina	56.86	9.60	39.26	46.95	105.72	113.41
Saskatoon	61.11	9.60	39.26	46.95	109.97	117.66
Winnipeg	50.31†	10.00	39.26	46.95	99.57	107.26
Toronto	51.18	9.95	39.26	46.95	100.39	108.68
Hamilton	40.15	9.95	39.26	46.95	89.36	97.05
Ottawa	38.80	9.95	39.26	46.95	88.01	95.70
London	43.97	9.95	39.26	46.95	93.18	100.87
Windsor	51.14	9.95	39.26	46.95	100.35	108.64
Montreal	29.39	5.80	39.26	46.95	74.45	82.14
Quebec	24.47	5.80	39.26	46.95	69.53	77.22
St. John	31.41	6.70	39.26	46.95	77.37	85.06
Halifax	35.25*	6.97	39.26	46.95	81.48	89.17
Charlottetown	12.53	4.22	39.26	46.95	56.01	63.70

*1921-22 Estimated figures.

†Includes Greater Winnipeg Water District (\$5.27).

THE MONTREAL CONVENTION

Those who were privileged to attend the joint convention at Montreal of the Canadian Tax Conference and the Canadian Civil Service Research Conference, the taxation and civil service branches respectively of the Institute, were well repaid for their investment of time and money. The papers presented, prepared as they were by specialists in their various fields, were of a remarkably high order. The discussions were animated, although the time allotted thereto was necessarily limited. The proceedings, which will be ready for distribution in October, should stimulate discussion in every section in Canada represented in our membership, and this office will be glad to receive communications regarding any topic on the programme of the Convention.

Delegates or members were present from as widely separated cities as Sydney, N.S., and Vancouver, B.C. Seven of the provinces were represented among those in attendance, and officials of several Federal and Provincial Departments and a number of municipalities were present and took part in the discussions. Some of the most important manufacturing and commercial houses of the Dominion, being members of the Institute or its branches, were represented by delegates.

The Institute has been assured on all sides that the proceedings should be given wide distribution, and that no firm, corporation, association, business, educational institution, public library or student of public affairs can afford to be without a copy or copies. Already three orders of twenty-five each have been received, and the Institute will be glad to receive further orders during the next ten days, as this will enable the office to make a better estimate of the probable requirements. If desiring copies in addition to the copy which goes with your membership, please fill out and forward the enclosed order form.

CITIZENS' RESEARCH INSTITUTE OF CANADA

CANADIAN
TAX CONFERENCE



CANADIAN CIVIL SERVICE
RESEARCH CONFERENCE

Bulletin No. 39 of the Institute.
Report No. 21 of the Canadian Tax Conference *
Report No. 2 of the Canadian Civil Service Research Conference.

August 20th, 1924

PROGRAMME

OF THE

1. Canadian Tax Conference,
Second Annual Convention
2. Canadian Civil Service Research Conference
First Annual Convention

TO BE HELD AT THE
BOARD OF TRADE
MONTREAL

SEPTEMBER 10th, 11th AND 12th, 1924

September, 10th, 1924

MORNING SESSION

9.00-10.00—Registration.

10.00-10.30—**Addresses of Welcome** by

His Worship, Mayor Duquette, Montreal.

H. B. Mackenzie, Esq., President, Montreal Board of Trade.

Joseph Daoust, Esq.,

President, Montreal Chambre de Commerce.

Reply by Member of Board of the Institute.

CANADIAN TAX CONFERENCE

10.30-11.30—**Business Taxation.**

J. C. Macfarlane, Esq., Canadian General Electric Co.,
Toronto.

11.30-12.30—**Dominion Income Tax**

J. E. Howes, Esq., Toronto.

Discussion on both papers.

12.30-12.45—Appointment of Resolutions Committee.

AFTERNOON SESSION

CANADIAN CIVIL SERVICE RESEARCH CONFERENCE

2.00-3.00—**The Merit System and Its Application in
Connection With the Federal Civil Service.**

Hon. Dr. W. J. Roche, Chairman Civil Service Commission
of Canada.

3.00-4.00—**What is to be Hoped from Civil Service Control**

Principal W. L. Grant, Upper Canada College, Toronto.

Discussion on both papers led by J. M. Macdonnell, Esq.,
National Trust Co., Montreal.

4.00-4.30—Appointment of Resolutions Committee.

8.00-9.00—Meeting of Resolutions Committees.

September 11th, 1924

MORNING SESSION

CANADIAN TAX CONFERENCE

9.30-10.30—Administration of a Municipal Income Tax.

Geo. Hurst, Esq., Income Tax Branch,
Assessment Department, Toronto.

Discussion.

**10.30-11.00—Administration of Personal Property
Taxation for Municipal Purposes.**

E. Murray Olive, Esq., Assessment Commissioner,
St. John, N.B.

Discussion.

**11.00-12.00—Motor Vehicle Taxation in the Province of
Quebec.**

Presented by J. A. Bégin, Esq., Comptroller of Provincial
Revenue, Quebec.

Discussion.

12.00-12.30—Suburban Planning and Taxation.

W. E. Hobbs, Esq., Secretary, Manitoba Legislative Com-
mittee on Suburban Municipalities.

Discussion.

AFTERNOON SESSION

CANADIAN CIVIL SERVICE RESEARCH CONFERENCE

2.30-3.30—Administration of the Provincial Civil Service.

W. H. MacInnis, Esq., Civil Service Commissioner
for British Columbia.

Discussion of Provincial Civil Service Administration opened
by Carleton W. Stanley, Esq., Montreal.

Discussion.

3.30-4.30—Governmental Purchasing.

Professor G. M. Wrong, Toronto University, Toronto.

Discussion.

**6.30-8.00—Joint Dinner of Canadian Tax Conference and Canadian
Civil Service Research Conference, Windsor Hotel.**

Among the speakers will be

Sir Arthur Currie, G.C.M.G., K.C.B.,

Principal, McGill University, Montreal.

September 12th, 1924

MORNING SESSION

CANADIAN TAX CONFERENCE

9.30-10.30—**Symposium on the "Soundness and Equity of the Real Property Tax as Related to Lands and Buildings Locally Assessed in its Present Form of an Annual Tax on Assessed Capital Values."**

Prof. A. B. Clark, University of Manitoba, Winnipeg.
R. Hunter Young, Esq., Board of Valuation and Revision,
Winnipeg.
Prof. O. D. Skelton, Queens University, Kingston.

10.30-11.15—**Educational Costs.**

S. A. Cudmore, Esq., Chief, General Statistics Branch of
the Dominion Bureau of Statistics and Editor of Year
Book.

Discussion.

11.15-12.00—**The Sales Tax vs. The Turnover Tax**

G. C. Rooke, Esq., F.C.A., Regina, Saskatchewan

Discussion.

12.00-12.30—**The Basis of Municipal Credit and the Relation of Municipal Taxation and Municipal Ownership Thereto.**

Horace L. Brittain, Director, Citizens' Research Institute of
Canada.

12.30-12.45—**Reports of Resolutions Committees.**

Adjournment.

If the Conferences are to secure the results they should, they will need the co-operation of all members and the attendance of as many as possible. Representatives will be gladly welcomed in cases where members can not attend. The dinner Thursday evening, at which Sir Arthur Currie is to speak, will be of great interest. An early notification of intention to attend will be greatly appreciated. Notice should be sent to H. L. Brittain, Director, Citizens' Research Institute of Canada, 189 Church St., Toronto. Those desiring to have hotel reservations made for them should write to Mr. J. Stanley Cook, Secretary, Board of Trade, Montreal, P.Q.

CANADIAN TAXATION

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Conference Report No. 21

July 28, 1924

COST OF GOVERNMENT IN CANADA 1922

STORY No. 3

DOMINION GOVERNMENT (Year ending March 31st, 1923)

Owing to the availability of additional information, the analysis of this issue is not strictly comparable to that of last year so that comparative figures are omitted. It will be noted that the current deficits of the National Railways and the Canadian Government Merchant Marine have been included, as the Institute believes that municipal, provincial and national governments should include in each year's current costs, the net deficits on publicly owned and controlled trading operations. There are only two ways of meeting such deficits, either borrowing money or increasing taxation. Unless it is practically certain that deficits will be wiped out in the very near future by increased revenues, the first method of financing would seem to be extremely dangerous. The only safe way of meeting necessary current deficits on trading operations is to consider them a charge against current ordinary revenue and it is to be noted with satisfaction that some governments are definitely pursuing this policy. Even in cases when deficits on trading operations are believed to be purely temporary, it is desirable that the deficits should be given, at least for informative purposes, in connection with the ordinary revenue-expenditure statements of governing bodies.

Revenue of the Dominion of Canada

For the year ending March 31st, 1923

CLASSIFICATION ACCORDING TO SOURCE	TOTAL	PER CAPITA*
	1922-1923	1922-1923
Customs.....	\$118,056,469	\$13.43
Excise.....	35,761,996	4.07
Post Office.....	29,019,776	3.30
Public Works.....	876,383	.10
War Tax Revenue.....	\$181,634,875	\$20.67
Inland Revenue.....	106,482,718	12.12
Income Tax.....	59,711,538	6.80
Business Profits Tax.....	13,031,462	1.48
Miscellaneous.....	2,409,157	.27
Dominion Lands (including Pre-emption Sales, Timber Dues, etc.).....	\$ 2,376,544	.27
Interest on Investments (Including Foreign, Imperial Government and Domestic.....)	15,323,077	1.74
Miscellaneous (including Patents, Fines, Premium, Discounts and Exchange, etc.).....	21,222,728	2.42
GRAND TOTAL.....	\$404,271,848	\$46.00

*The population figure used—8,788,483 (official census 1921.)

Expenditures on Revenue Account of the Dominion of Canada For the year ending March 31st, 1923

CLASSIFICATION ACCORDING TO ACTIVITIES PERFORMED	TOTAL	PER CAPITA*
	1922-1923	1922-1923
Debt Charges	\$139,710,785	\$15.90
Subsidies to the various Provinces... ..	12,207,313	1.39
Subsidies and subventions—Mail and Steam- ship Services	1,070,684	.12
General Government (including Administra- tion of Departments, Cost of living Bonus, etc.).....	35,931,584	4.09
Military and Naval (including Soldiers Civil Re-establishment, Settlement, Demobiliza- tion and Pensions, etc.).....	68,087,589	7.75
Public Works (including Maintenance and Rent of Public Buildings, Roads, Aids to Navigation, etc.).....	16,012,372	1.82
Railways and Canals.....	15,350,295	1.75
Post Office	31,180,814	3.55
Administration of Justice.....	6,681,544	.76
Colonization and Immigration.....	2,354,975	.27
Agriculture, Fisheries and Mines.....	8,999,261	1.02
Lands and Parks.....	4,278,836	.49
Miscellaneous	3,073,284	.35
TOTAL	\$344,939,336	\$39.26
Trading Operations—Being deficits on Can- adian National Railways and Canadian Government Merchant Marine, Limited.....	67,609,577†	7.69
GRAND TOTAL	\$412,548,913	\$46.95

*The population figure used—8,788,483 (official census 1921.)

†Amount of \$57,960,098 shown as "Net Income Deficit" for the year ending December 31, 1922 in the Annual Report of the Canadian National Railway System for the year ending December 31, 1923, and of \$9,649,479 shown as "Deficit after all charges, including Depreciation and Interest" for the year ending December 31, 1922 in the Fourth Annual Report of the Canadian Government Merchant Marine, Limited.

EDITORIAL NOTE

Care has been taken to avoid, so far as possible, duplication of expenditure items, as between ordinary government services and trading operations, such as might occur if any of the same debt charges were to be included in the ordinary revenue-expenditure account and also in the deficits of the governmental trading operations. So far as can be ascertained by the Institute, no such duplications occur in the statements within.

ADVANCE NOTE

The Institute will hold its annual conventions in Montreal on the 10th, 11th and 12th of September. Through the courtesy of the Montreal Board of Trade, the Sessions will be held at its centrally located chambers. These Conventions are :

1. The Second Annual Convention of Canadian Tax Conference.
2. The First Annual Convention of the Canadian Civil Service Research Conference.

Early notification of intention to attend will be greatly appreciated. Notice is given thus early in order to give members an opportunity to arrange their affairs so as to be able to get away to the meetings.

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Conference Report No. 19

May 15, 1924

COST OF GOVERNMENT IN CANADA 1922

STORY No. 1

MUNICIPAL GOVERNMENT

This Report is the first of the annual series on Cost of Government, summarising municipal, provincial and federal costs.

If it were not for the cost of government, there would be no taxation. Therefore, a discussion of costs is fundamental to an understanding of problems of taxation.

EDITORIAL NOTE

The Institute has received more assistance this year in the way of official co-operation than ever before. Hence, in spite of the lack of standardization of municipal accounting and reporting, the element of error has been greatly reduced, although, of course, the Institute can not guarantee the absolute accuracy of all figures given. Variations in local conditions and in methods of financing must also be borne in mind when attempting to compare per capita expenditures of city with city. (Continued on page 4.)

TABLE I.

SOME PER CAPITA MUNICIPAL FACTS, 1922

Per capitas are based on official civic population figures. If any reader disagrees with any population figures given, he may readily revise any per capitas on the basis of an amended population figure.

CITY	Population Civic Census or Estimate	Per Capita Taxable Assessment	Per Capita Taxes Levied Including Schools	PER CAPITA DEBENTURE DEBT					
				For Public Utilities	For School Purposes	Total for all Purposes	Sinking Funds on Hand	Net Total (Total less S.F.)	Net General (Net Total less Net P. Utilities)
Victoria	40,000	\$1197	\$51.51	\$108.00	\$34.69	\$434.61	\$ 44.67	\$389.94	\$288.50
Vancouver	124,616	1381	43.48	42.31	33.28	283.92	74.77	209.15	174.93
Edmonton	60,000	1049	54.60	190.71	61.20	536.59	135.47	401.12	265.37
Calgary	64,706	1115	56.73	146.48	49.88	425.26	58.39	366.87	248.89
Regina	35,000	1255	55.28	139.69	44.94	365.16	77.04	288.12	170.21
Saskatoon	25,743	1189	55.33	127.67	81.91	463.02	85.34	377.68	272.70
Winnipeg	199,300	1244	51.41†	178.56†	38.51	332.32‡	79.35	252.97‡	98.26‡
Toronto	529,083	1467	48.90	121.83	45.20	277.32	58.93	218.39	110.38
Hamilton	120,234	1132	41.91	46.55	30.48	158.48	30.65	127.83	91.99
Ottawa	116,205	1189	35.10	46.97	39.43	198.94	48.00	150.94	111.46
London	61,369	1036	41.50	76.78	31.80	202.97	23.47	179.50	112.87
Windsor	42,122	1224	45.95	57.37	67.85	209.20	2.30	206.90	150.12
Montreal	710,800	998	26.20	35.17*	34.16†	230.87	12.76	218.11	184.77*
Quebec	115,000	770	20.83	42.39	31.07†	176.83	7.16	169.67	128.67*
St. John	50,000	1082	34.24	78.64	18.07	147.46	39.20	108.26	53.21*
Halifax	60,000	994	32.86	46.23	36.90	173.50	24.56	148.94	105.84
Charlottetown	12,337	507	10.57	9.08	4.90	88.50	15.01	73.49	66.33

*Owing to uncertainty concerning the actual amount of outstanding debentures on Water Works Account in Montreal and concerning the proportion of Sinking Fund applicable in 1922 to Utilities, in the case of Quebec and St. John—these figures must be taken as approximate. Official figures for St. John are available for our 1923 Report.

†School debts and Sinking Funds included with municipal figures only in order to make possible a general comparison with cities of other provinces. In Quebec Province the fiscal years of the school districts and of the cities in which they are situate do not as a rule coincide. The possible resulting inaccuracy should not affect the general conclusions drawn from these data.

‡Includes city's liability on account of Greater Winnipeg Water District.

TABLE II.

PER CAPITA MUNICIPAL EXPENDITURE, 1922

Classified by Main Activities, Per Capitas are based on official civic figures.

CITY	General Government	Education	Protection of Persons and Property	Highways, Bridges, Ferries, Etc.	Charities and Correction	Health and Sanitation	Recreation	Local Improvements		Gross Total	Less Revenues from Province	Net Exp. from local Revenues
								City's Share	Property Owners' Share			
Victoria.....	\$10.08	\$14.30	\$6.85	\$8.05	\$3.44	\$6.84	\$.92	\$11.21	\$10.13	\$71.82	\$6.06	\$65.76
Vancouver.....	4.82	14.42	8.21	9.44	5.93	5.59	1.54	2.78	4.68	57.41	5.73	51.68
Edmonton.....	12.32†	21.78	6.99	3.30	4.11	2.97	.77	6.66	5.48	64.38	1.59	62.79
*Calgary.....	11.78	19.78	3.74	6.00	4.85	1.26	6.79	1.71	4.02	59.93	1.18 (Ret.)	58.75
Regina.....	7.77	20.95	7.01	5.10	3.89	4.51	1.09	3.73 [Approx.]	4.70 (Approx.)	58.75	1.89	56.86
Saskatoon.....	14.17†	26.35	7.57	3.52	1.74	3.63	.88	2.20	3.77	63.83	2.72	61.11
**Winnipeg.....	10.83	16.18	6.86	3.78	2.57	4.69	1.31	.47	4.62	51.31	1.00	50.31
Toronto.....	5.02	17.14	8.94	2.93	3.15	6.44	2.39	2.54	3.52	52.07	.89	51.18
Hamilton.....	5.09	13.17	5.05	3.08	6.25	3.04	1.36	1.74	1.57	40.35	.20	40.15
Ottawa.....	4.10	12.59	4.93	4.91	3.87	3.18	1.04	1.60	3.01	39.23	.43	38.80
London.....	5.47	16.12	4.92	2.06	4.89	4.13	.92	1.98	4.02	44.51	.54	43.97
Windsor.....	4.85	19.29	7.10	6.31	.96	.96	1.42	3.33	7.25	51.47	.33	51.14
Montreal.....	9.81†	8.82	5.20	2.74	.92	1.52	.38	?	?	29.39	?	29.39
Quebec.....	9.55†	6.29	5.00	2.60	.31	.56	.16	?	?	24.47	?	24.47
St. John.....	4.15	9.50	4.51	6.16	5.15	1.56	.26	.06	.06	31.41	?	31.41
***Halifax (1921-22 est.).....	8.32	11.30	7.19	3.20	2.22	2.98	.51	?	?	35.72	.47	35.25
Charlottetown.....	4.37	2.64	1.55	3.07	.07	.71	.17	?	?	12.58	.05	12.53

‡Debt charges other than for Education and Local Improvements are included under General Government.

†Debt charges other than for Education are included under General Government.

*During 1922 there were no contributions made to the Sinking Funds ostensibly in view "of the rebonding scheme contemplated by the City which was designed to equalize the burden of paying for City's Capital Assets over periods coinciding with reasonable estimates of the lifetime of such assets." (Calgary, Financial Statement, 1922.) The costs as shown are less by an amount unknown to the Institute than the real costs.

**Includes Greater Winnipeg Water District (\$5.27)

***Figures for year ending April 30, 1923, not yet available to the Institute.

EDITORIAL NOTE—Continued

Among the questions a citizen should ask himself are:

- 1. Does the city retire all debts as they mature or does it sometimes refund them?**
- 2. Does it provide adequate sinking funds for its sinking fund bonds?**
- 3. Does it use the sinking fund method or the installment method in capital financing?**
- 4. Has it a large public utility debt or is its total debt largely composed of debenture issues for general purposes only?**

Light is thrown on some of these questions by the debt statement contained herein, but answers for some can be given definitely only by those on the ground who are conversant with all the facts.

Before a citizen decides whether or not his City has a low per capita expenditure for current purposes, he should obtain answers to the above questions as it makes a great difference in sizing up the situation as to general expenditures and taxation whether or not a city is paying as it goes or passing on current obligations to future taxpayers. Not long ago the Institute was told of a case where a debt incurred partly for pavements thirty years ago was recently refunded.

On account of the fact that these figures were prepared under more favourable conditions than last year, 1921 figures are not included herein.

It will be noted that an additional column is included in Table II. in order that it may be seen more readily in succeeding stories how the Institute avoids duplication in arriving at the totals of governmental expenditure.

With all the criticism which may be brought against this method of presentation, such good results are already apparent that the Institute has decided to continue to issue this series as a stimulus to standardizing of accounting, reporting and financing.

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Conference Report No. 25

December 28, 1923

INCOME TAXATION

STORY No. 1

Income Taxation Levied Under Authority of Provincial Laws

The Income Tax, in the history of English Governmental Finance, is a child of necessity. First levied by Pitt in 1789; as a War Tax, it has come to be regarded, both in England and apparently in Canada, as an integral part of the fiscal system.

In Canada the Income Tax has also been seized upon by local taxing bodies as a source of revenue. In some provinces the tax is limited to and revenue therefrom retained by the province. In some other provinces the right of taxation of incomes has been granted to the municipalities.

While without doubt, both on financial and equitable grounds, there is a strong case for the taxation of incomes, it should be looked upon rather as a supplementary tax and levied in due proportion to other receipts and with close attention to the special circumstances of the country. It is best suited to a wide and general use and, in a younger country which stands in need of venturesome capital for its proper development, the over-exercise and over-progression of this form of taxation, it is believed by many, might, and probably would, seriously discourage initiative, retard or prevent the accumulation of capital for financing new enterprises and expanding old ones, and even lead to diminishing returns to the government, from income taxation.

3. In Nova Scotia \$1,000 exemption is allowed generally and \$1,500 in the case of married persons and those supporting dependents. In general, income derived from property which is liable to taxation under the Assessment Act, is exempt. In Nova Scotia an Act was passed in 1919 whereby the province was to collect the Income Tax and distribute a portion of it amongst the municipalities, but it has apparently remained inoperative.
4. In New Brunswick the income of each male inhabitant is taxed, \$200 only being exempt. This amount may be varied by separate Acts for certain cities. St. John, for instance, while increasing the exemption, also levies a higher rate on larger incomes.

The rate of taxation in this group is generally according to the mill rate levied in the municipality in which the income is assessed. It is, therefore, in such cases not a graded tax.

QUERIES.

(1). If an Income Tax should be levied by other than the Federal Government, should it be collected by the province or by the municipality? Can the Government with the larger scope administer the tax with less overhead? If so, why should not one agency only collect the tax and then make an equitable distribution?

(2). If the Income Tax continues to be seized upon by local taxing authorities as a new source of revenue, without a reduction of existing taxes, how long will it be before accumulation of capital ceases? If such taxes are so graded that when over a certain amount is received by the taxpayer the lion's share is taken by the various Governments, will men with surplus capital consider it worth while to venture into the new channels of industry and commerce which is so necessary for the progress of a young country like Canada, or will the easier way of investing in Governmental securities and obtaining a small, sure, and comfortable return of which the greater portion can be kept by themselves, be chosen? Would the recent sale of the large amounts of Canadian and Ontario securities give any indication that this is being done? If this course is being chosen by those with accumulated capital, will it not tend to diminish returns for the Taxing Authorities in the future, not only through the returns from this tax but also by reason of any resulting slowing up of industrial and commercial progress in Canada?

**A Report on Turnover Taxation
will appear in an early issue.**

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Conference Report No. 17

February 29, 1924

TURNOVER TAX

No. 2

SOME QUESTIONS ANSWERED.

A tax which seems simple in its general statement may prove in its practical applications to be quite the opposite. This is becoming increasingly true as commerce is becoming more and more complicated. Naturally any new proposal regarding taxation raises questions among those engaged in different fields of trade, manufacture and professional life. In the following pages an attempt is made to answer some of these questions. This material must be considered as purely explanatory.

SOME QUESTIONS

1. Q. Would the Turnover Tax be an additional or a substitutionary tax?
 - A. Substitutionary, to replace the existing Sales Tax, and as far as possible the surtax and supertax features of the personal Income tax, and such vexatious small taxes as those on stamps and receipts.
2. Q. Would the proposed Turnover Tax produce sufficient revenue for the purposes indicated?
 - A. The percentage (1%) is less than that of the Sales Tax (6%) but the Commodity Turnover Tax would be applied to total gross sales of all commodities at all stages of distribution, and, if the General Turnover Tax were adopted, it would be applied to all turnover of all businesses and professions selling either services or commodities.

The estimates of six different authorities in the United States as to what a General Turnover Tax would produce in that country vary between \$1,700,000,000 and \$6,720,000,000. Proportionally the annual return in Canada from a General Turnover Tax should lie between \$130,000,000 and \$520,000,000. The average of the guesses would be about \$325,000,000. It is quite impossible with the data at hand to estimate the returns from a straight Commodity Turnover Tax, but they would probably be sufficient to counterbalance the loss of the Sales Tax and of several of the particularly vexatious taxes.

3. Q. Would salaries or wages be subject to the imposition of the General Turnover Tax?
 - A. No. They would be taxed as Personal Income.
4. Q. Would the banker, broker, commission merchant, engineer, lawyer, physician, etc., be taxed under the General Turnover Tax, or the Personal Income Tax?
 - A. Where there is no capital investment, no capital account, and where, therefore, all the income would accrue to shareholders, partners, or individual traders, the Turnover Tax would not be applied, but simply the graduated personal Income Tax; where, however, part of the revenue might be applied to the capital account, or to reserves other than depreciation or bad debts, the gross sales would be subject to the Turnover Tax and the distributed profits to the graduated Personal Income Tax. In the case of brokerage and commission houses, the turnover would be the total commissions received by each house. In the case of banks, if the Turnover Tax were to be applied, the turnover could not be considered the total of the capital sum involved, but the total of all amounts received by banks for services rendered. If this were done, the present bank taxation would have to be abandoned, but the general belief among authorities seems to be that banks should not be brought under a Turnover Tax, but that the present system should be continued.
5. Q. Could a 1% Turnover Tax be applied to sales of securities or similar sales?
 - A. No. Experience has shown that the margin is too small. A 1% tax would go beyond the point of diminishing returns, and in fact might almost eliminate returns. If this type of business is to be brought under the Turnover Tax, the turnover could not be considered the total value of securities bought or sold for customers, but the total commissions received.

6. Q. Would not a Turnover Tax be shifted to the Consumer?

A. Certainly, under normal conditions. This is true of all Consumption Taxes. If it were not so, most business and industry would be compelled to suspend. In so far as Business Taxes are not passed on, they tend to encourage the withdrawal of capital from industry. When the percentage not capable of being passed on reaches a certain point, as in our graded personal Income Tax, the tendency becomes a very evident and actual withdrawal of capital from industry and business for investment in tax free bonds, the industries of other countries or other forms of investment accompanied by a minimum of worry and a maximum of net returns. The tax on business profits, when excessive, also puts a premium on extravagance and carelessness in administration. Up to a certain point business and industry are remarkably productive of taxes, but when an additional investment of energy and dollars brings a dishearteningly small return, the additional effort and investment, in many cases, will not be forthcoming.

On the other hand, a contributor writes: "A tax which falls upon people in proportion to their consumption (without compensatory taxes levied according to ability to pay) is bound to be unfair, because the man who spends all his small income on the necessities of life will be taxed on nearly 100% of it, while the man who can afford to save a part of his income will escape at least the Turnover Tax on that part. Whether this unfairness is compensated for in other ways, depends on how much of the Income Tax is retained." (See Question 1, above. Also refer to our Conference Report, No. 4, contributed by Mr. G. C. Rooke, F.C.A., Regina.)

Thus a combination of taxes might not only be more fair but more effective in practice.

7. Q. Would not the cost of collection to the Government and the cost of extra accounting and reporting to the taxpayer be so increased as to make the tax an expensive tax to collect?

A. It is claimed that by issuing licenses at a nominal fee, the local officer would have knowledge of everyone in his district liable to the tax, so that the cost of securing returns from all should not be great. It is urged that as the tax is a straight percentage on turnover, it should not be a difficult thing for any dealer, no matter how small, to determine the amount of the tax, and for the tax authorities to check their accuracy as far as it is ever possible to audit receipts or revenues. Against the criticism that in the aggregate it would require more accounting as the number of taxpayers would be increased, these answers are given:—

- (1), that it would be a good thing to require all businesses to keep accounts and,
- (2), that the cost of the complicated accounting frequently required under the Sales Tax is excessive and that a reduction in this and consequent reduction in cost of government supervision would compensate for any increased cost to the government or the taxpayers due to an addition to the number of taxpayers.

It is further urged that businesses having sales less than \$400 or \$500 per month might be exempted, thus excluding farmers and small dealers and greatly simplifying the administration of the Turnover Tax. On the other hand, it is claimed that the exemption of small dealers handicaps in competition the large dealers who have to collect and pay out the bulk of the Turnover Tax.

8. Q. Would it not be better to limit the Turnover Tax to commodity sales?

A. There is an important body of opinion supporting this view, for the reasons that a Turnover Tax on services might in some cases destroy

the business and that "service" businesses could be more readily and with less danger taxed on profits. It is also urged that businesses selling commodities and those selling services are not comparable, as the latter have only one turnover between producer and consumer.

9. Q. Will the 1% Turnover Tax pyramid and will the Government receive a reasonable share of the increase in cost to the consumer, due to the imposition of the tax?

A. In so far as the tax is passed on, there will be a pyramiding effect, but not so great as in the case of the incoming 6% Sales Tax applied at one point. The example below is based on the supposition that the business man is able to fix his prices by adding a percentage to the cost of commodities to him. Under competitive conditions, he is not always able to do this, but in the long run and on the average, he must be able to add a sufficient percentage to cover his costs, or else go out of business. In any event, the example illustrates the relative economy of the two taxes. This is, of course, schematic and much less complicated than actual examples occurring in business.

EXAMPLE

TURNOVER TAX		SALES TAX	
Sale price finished article	\$100.00	Sale price finished article	\$100.00
TAX	1.00	TAX	6.00
Cost to first purchaser	101.00	Cost to first purchaser	106.00
Sale price to second purchaser, 120% of \$101	121.20	Sale price to second purchaser, 120% of \$106	127.20
TAX	1.21	TAX	0
Cost to second purchaser	122.41	Cost to second purchaser	127.20
Sale price to third purchaser, 120% of \$122.41	146.89	Sale price to third purchaser, 120% of \$127.20	152.64
TAX	1.47	TAX	0
Cost to third purchaser	148.36	Cost to third purchaser	152.64
Cost to third purchaser if there had been no tax	144.00	Cost to third purchaser if there had been no tax	144.00
Increased cost due to tax	4.36	Increased cost due to tax	8.64
Taxes received by Government	3.68	Tax received by Government	6.00
Increased cost not received by Government .....	.68	Increased cost not received by Government	2.64
Percentage of total increased cost received by Government	84.4%	Percentage of total increased cost received by Government	69.5%

It has been claimed that a 1% general Turnover Tax will in no case, unless a very exceptional one, add more than 3½ per cent. to the cost of the commodity.

The possibility of a 1% Turnover Tax producing as much revenue for the Government as a 6% limited Sales Tax depends on two factors:—

1. Its interfering less with business and, therefore, favouring larger gross sales and reduced costs to the ultimate consumer.
2. Its application to all sales of commodities and, possibly, to all sales of services.

If the Turnover Tax can succeed better than the Sales Tax in keeping well within the bounds beyond which business begins to decline and tax returns to the Government begin to diminish, and if its administration is shown to be practically possible in spite of the larger number making returns under it, it will prove to be sounder, (1) from the standpoint of the Government, (2) from that of the practical business economist, and (3) from that of the ultimate consumer.

CANADIAN TAXATION

TAXATION IS ONE OF THE MEANS BY WHICH REVENUES ARE RAISED TO DEFRAY THE COST OF NECESSARY SERVICES TO CITIZENS AND TO THE BUSINESSES AND INDUSTRIES IN WHICH THEY MAKE A LIVING; BUT UNEQUITABLE, EXORBITANT OR HAPHAZARD TAXATION MAY PROVE A BURDEN TO CITIZENS AND MAY HANDICAP OR RUIN PRODUCTION AND COMMERCE.

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TORONTO OFFICES
189 CHURCH STREET
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Conference Report No. 12

August 29, 1923

COST OF GOVERNMENT IN CANADA 1921

STORY No. 2

PROVINCIAL GOVERNMENT

The presence of Provincial or State Government in Canada, as in the United States and Australia, is due to historical causes. The existence of three types of government side by side is inherent in the Federal system, and in large countries like those mentioned, is probably necessary in order that due allowance may be made for differences in needs and viewpoints of widely separated areas and in order that the local needs of any district may not be unnecessarily neglected. We have provincial governments, they are necessary now, they probably will always be necessary.

There are two main ways in which the cost of Provincial Government might be lessened or its growth controlled:

1. Reducing the number of provinces by amalgamating contiguous provinces with similar local interests.
2. Improving the administration of the existing provinces.

The former we are hardly likely to see in our time although, in some cases, logically desirable. The latter offers hope of immediate and beneficial action.

PROVINCIAL REVENUES 1921

Classified According to Source and Compared on a Per Capita Basis

SOURCE Fiscal Year Ending	B.C. Mar. 31, '22	ALTA. Dec. 31, '21	SASK. Apr. 30, '22	MAN. Nov. 30, '21	ONT. Oct. 31, '21	QUE.** June 30, '21	N.B. Oct. 31, '21	N.S. Sep. 30, '21	P.E.I. Dec. 31, '21
Dominion Government.....	\$1.55	\$4.11	\$4.08	\$2.99	\$.97	\$.86	\$1.69	\$1.22	\$4.20
Taxes.....	14.29	5.88	6.22	6.20	4.20	2.22	2.19	2.61	3.81
(a) Succession Duties.....	1.07	.30	.41	.75	1.64	.89	.39	.30	.12
(b) Corporations and Companies.....	.14	.76	.80	1.66	1.06	.70	.66	1.22	.60
(c) Amusements.....	.61	.31	.....	.56	.50	.....	.20	.34	.06
(d) Automobiles.....	1.53	1.22	.93	.86	1.00	.63	.71	.69	.43
(e) Real and Personal Property.....	5.07	3.29	4.08	2.37	.....	.....	.23	.06	1.51
(f) Income and Poll.....	5.87	.....	.....	.....	.....	.....	.....	.....	1.09
Fees, Fines and Licenses.....	5.36*	3.01	1.86	1.78	1.04	1.08	.60	.16	.17
Public Domain (Lands, Forests, Mines, etc.).....	6.98	.47	.....	.15	1.27	1.93	2.88	1.32	.....
Miscellaneous.....	3.43	.94	1.18	2.94	.90	.65	.56	2.34	.46
(a) Charitable Institutions.....	.65	.32	.21	.71	.42	.22	.26	.86	.09
(b) General.....	2.78	.62	.97	2.23	.48	.43	.30	1.48	.37
Total 1921.....	31.61	14.41	13.22	14.06	8.38	6.74	7.92	7.65	8.64
Total 1920.....	28.57†	15.49	14.27	12.94	7.58	6.16	7.94	7.13	8.36
Total 1919.....	25.97†	12.55	12.38	10.82	6.33	5.43	5.87	6.32	5.49
Population (1921 Dominion Census).....	524,582	588,454	757,510	610,118	2933622	2361199	387,876	523,837	88,615

*Liquor Profits \$2.03 per capita included.

**Revenue from sales of liquor not included.

† Based on population of 525,000. See note on opposite page.

PROVINCIAL EXPENDITURES 1921

Classified According to Activities Performed and Compared on a Per Capita Basis

ACTIVITIES Fiscal Year Ending	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.
	Mar. 31, '22	Dec. 31, '21	Apr. 30, '22	Nov. 30, '21	Oct. 31, '21	June 30, '21	Oct. 31, '21	Sep. 30, '21	Dec. 31, '21
Debt Charges (Interest and Sinking Fund etc.)...	\$8.57	\$3.30	\$2.78	\$3.01	\$1.46†	\$1.03	\$3.29	\$2.16	\$.79
Education	6.54	4.23	3.93	3.21	2.32	.75	1.13	1.17	2.76
Legislation and General Government.....	8.24	2.39	2.18	2.09	1.52	1.38	1.49	1.05	.74
Administration of Justice.....	2.21	2.64	2.22	1.61	.64	.73	.37	.14	.40
Agriculture .....	.77	1.32	.83	1.31	.47	.48	.15	.29	.36
Public Welfare Institutions and Charitable Grants	4.33	2.33	2.05	2.80	1.90	.65	.69	1.89	1.48
Highways, Bridges, Ferries, etc.....	4.37	1.72	2.11	1.00	.68	1.17	2.11	1.98	1.78
Capital and Special Expenditures	3.61	.....	.....	.....	.....	.03	.....	.....	.....
(Paid out of current revenue)									
Total 1921.....	38.64	17.93	16.10	15.03	8.99	6.22	9.23	8.68	8.31
Total 1920.....	36.96*	14.69	14.39	13.76	8.08	5.76	7.69	7.32	7.57
Total 1919.....	25.73*	12.36	10.82	10.11	6.97	5.94	6.76	6.26	7.15
Total 1918.....	23.07*	11.48	10.05	8.60	5.73	5.50	6.66	5.26	5.38
Increase per cent.....	67.5%	56.2%	60.2%	74.8%	56.9%	13.1%	38.6%	65.0%	54.5%

† Expenditures on account of Hydro-Electric are not included as these are presumably counterbalanced by revenues received.

* In view of the population given in the Dominion census of 1921, the figure of 525,000 was used for 1920, 1919 and 1918, as being probably nearer to the actual facts than the much larger provincial estimates. For the other provinces, the provincial estimates for these years were nearer to the figures of the Dominion 1921 census and were themselves used herein as the basis for figuring per capitas.

Because comparison and self-examination are frequently the first steps in improvement, for five concurrent years the Institute has presented to its readers comparative figures of per capita costs of Provincial Government. For the reason that provincial accounting and reporting are not standardized, absolute accuracy is not claimed for the figures given. But they are sufficiently accurate to form a basis for the general conclusion that provincial expenditures are increasing, except in one province, much more rapidly than population. It may be said that the increase in the earlier years, at least, was due to the increased cost of living and the increased prices that governments have to pay for everything they buy. But this is beside the mark, unless it can be shown that citizens, who also suffer from the high cost of living, have larger incomes from which to support the burden of taxation which, directly or indirectly, must fall upon them. If increased costs force individuals to retrench, it should force governments to retrench. During the present period when Canada should be nursing her resources, citizens must help their governments to do without rather than help them to find new ways of spending their money.

While the different Accounting and Reporting methods followed by the various Provinces make absolute accuracy in compiling comparative figures of revenues and expenditures impossible, nevertheless the figures herein have been compiled by the Institute with the greatest possible care, and are based on Public Reports and Documents. In order to make the totals comparable, the operating accounts of any Public Utilities have been excluded from General Revenues and Expenditures. These Bulletins are being issued not only to supply useful information, but to stimulate the movement for uniform methods in governmental accounting and reporting to the end that more accurate comparative data may be available. Is not the time ripe for the inauguration of annual conferences of national, provincial and municipal accounting and financial officers?

CANADIAN TAXATION

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189 CHURCH STREET.
TEL. MAIN 3620

Conference Report No. 7

March 17, 1923

PROVINCIAL TAXATION OF CORPORATIONS AND COMPANIES

PART II.—Public Utility Corporations.

To obtain sufficient revenue for successful administration of the State is the primary object of Taxation. For that reason, the fact that a tax is highly productive might ensure its adoption, although other qualities such as convenience, etc., might be entirely lacking. However, in all cases taxes should be equitably levied as far as is humanly possible.

Scientifically considered, the Corporation Tax is just an imperfect Business Tax, and viewed in this light its great defect is its inequality both as between the various classes of business and as between the different Provinces.

NOTE: This report deals only with provincial taxation for provincial purposes and does not touch on municipal taxation on public utility corporations.

RAILWAYS

in the Public Utility class, like Banks in the Financial class of corporations, were among the first to be singled out for taxation by the provinces. The justness of the tax was based on the fact that the business was of a semi-monopolistic nature, and since special benefits were conferred by the State, a special return to the State was warranted. This same argument can be used to justify the equity of this tax on practically all corporations in the Public Utility class.

In Nova Scotia the Corporations Tax Act states that a Public Utility shall be entitled to earn an amount equal to 8% upon the fair value of its property, and that if in any year it earns over 8%, 50% of the excess earnings shall be paid to the province as a tax.

The Tax on Railways in detail:—

PRINCE EDWARD ISLAND:—No special tax.

NOVA SCOTIA:—

- (a) If main line with one track only, \$50.00 per mile, and if more than one track, \$30.00 per mile for each additional. If branch line not more than 60 miles long—\$30.00 per mile for one track.
- (b) 1. If company operates a line over 150 miles long, it shall pay an additional tax of \$20 per mile, if one track, and if more than one, \$15.00 per mile for each additional.
2. Upon each main line or branch exceeding 60 miles but not 150 miles the additional tax is \$10.00 per mile for one track.

NEW BRUNSWICK:—The tax is in the discretion of the Lieutenant-Governor, but is not to be less than \$50 and not more than \$100 per mile within the province.

QUEBEC:

- (a) Upon main line within the province \$30 per mile for one track, and \$15 per mile for each additional track.
- (b) Upon a branch line, \$20 per mile for one track, and \$10 per mile for each additional track.

ONTARIO:

- I. (a) In an organized municipality \$60 per mile for one track, and \$40 per mile for each additional track.
(b) In unorganized territory, above taxes are \$40 and \$20 respectively.
(c) Railway or system of railways not 150 miles from terminus to terminus, above taxes \$15 and \$5, respectively.
(d) Railway or system of railways not over 30 miles from terminus to terminus, above taxes, \$10 and \$5, respectively.
- II. If Railway is over 150 miles from terminus to terminus, an additional tax of \$25 and \$20, respectively.

MANITOBA: The Tax is at the discretion of Lieutenant-Governor-in-Council, but is not to exceed 3% of gross revenue received within province.

Railway companies are exempt from municipal taxation, except for Local Improvements, and for land not in use for railway purposes. In the case of the C. N. R. during currency of bonds guaranteed by province, tax not to exceed 2% of gross earnings.

TELEPHONE COMPANIES.

PRINCE EDWARD ISLAND: No special tax.

NOVA SCOTIA: $\frac{1}{5}$ of 1% on the paid-up capital. If such capital is more than \$30,000, an additional 2% upon income from within Province.

Also 25c upon every telephone instrument used in the Province; 5c upon every message transmitted where initial charge more than 25c, to be paid by the person transmitting and collected by the company.

NEW BRUNSWICK: $1\frac{1}{2}\%$ upon gross earnings within Province, and an additional 25c for each telephone under rental within Province.

QUEBEC: $\frac{1}{10}$ of 1% upon amount of paid-up capital.

ONTARIO: $\frac{1}{4}$ of 1% upon the amount of paid-up capital if such capital exceeds \$100,000.

MANITOBA: To be determined by Lieutenant-Governor-in-Council, but not to exceed 2% of the gross earnings.

SASKATCHEWAN: No special tax.

ALBERTA: On companies operating for gain in cities of 10,000 population or over, 50c for each instrument rented from it; under 10,000 population, and in incorporated towns or villages, 25c per instrument rented.

BRITISH COLUMBIA: 2% upon gross income.

ELECTRIC LIGHT AND POWER PLANTS.

PRINCE EDWARD ISLAND: 1% upon gross revenue.

NOVA SCOTIA: $\frac{1}{5}$ of 1% upon paid-up capital. If such capital is over \$30,000, an additional 2% upon gross income in the Province, and also 25c per meter.

NEW BRUNSWICK: No special tax.

QUEBEC: No special tax.

ONTARIO: $\frac{1}{10}$ of 1% on paid-up capital, and an additional tax of $\frac{1}{2}$ of 1% on net revenue earned within Province.

MANITOBA: According to population. If under 3,000, \$25; if over 3,000 and under 10,000, \$50, and so by grades of increase according to population until when population over 75,000 and under 125,000 the tax is \$500; with \$100 additional for each 50,000 additional population.

SASKATCHEWAN: No special tax.

ALBERTA: An Electric Light Company pays a tax of \$500 in city if population 10,000 or more; \$100 if population under 10,000; \$25 in incorporated towns or villages. A Power Company, not municipally owned, in a city or town over 15,000 population, pays a tax of \$1,000.

BRITISH COLUMBIA: 2% upon gross income.

GAS COMPANIES.

In Nova Scotia, Ontario and British Columbia, these companies are taxed on the same basis as Electric Light Companies. In Manitoba the tax is \$500. In the other Provinces no special tax is levied.

GENERAL.

Various other corporations are taxed by the individual Provinces, but the taxation of these is not so general throughout the Dominion as the ones dealt with. For instance, in Prince Edward Island, Stock or Bond Salesmen not residing in the Province are taxed, or also if selling securities of a corporation, the head office of which is outside the Province. In Quebec and Ontario, Sleeping Car Companies, etc., other than Railway Companies, are taxed. In Ontario, Race Tracks and Liquor Export Companies are also heavily taxed. Sometimes, also, Provinces tax corporations specially indigenous to that Province, such as Lobster Canneries and Factories in Prince Edward Island, and Salmon Canneries and Whale Oil Manufactories in British Columbia.

In some Provinces also, the tax is made to apply generally to incorporated companies, and even to all persons doing business. For instance, Prince Edward Island and British Columbia have a Provincial Income tax, and it is probable that such a tax may be introduced in Manitoba next year. In Nova Scotia, where an incorporated company has a capital of \$25,000 or more, a tax of 1/10 of 1% on paid-up capital employed in Nova Scotia is levied, with a minimum of \$25. Quebec taxes all incorporated companies not specially mentioned, as follows, 1/10 of 1% on paid-up capital, and in addition \$30 for each place of business in Montreal or Quebec, and \$15 for each place elsewhere. In Saskatchewan, companies not specially designated pay fees prescribed by Lieutenant-Governor-in-Council. In Alberta, other companies are taxed 40c for every \$1,000 of authorized capital.

POINTS TO BE NOTED.

1. In not one instance is there a uniform tax base in all the Provinces in connection with any Public Utility taxed. For instance, some choose a percentage on gross earnings; some a percentage on fixed capital; some a flat rate based on the number of offices of the company, or the mileage over which it operates, but in no case is there uniformity throughout.

QUERY: Do such variations tend to make conditions more easy and convenient for Canadian business?

2. Even where a similar base is used in different Provinces, variations exist as to the amount of tax levied.

3. Provision is usually made for exemption from taxation of municipally owned public utilities.

Is it not possible to arrive at ONE fair tax base for each class or kind of corporation taxed and have this BASE adopted by all the different Canadian Provinces?

How much would such a move mean to Canadian business?

Is not a Conference to discuss this, amongst other questions, a worth-while project?

CANADIAN TAXATION

TAXATION IS ONE OF THE MEANS BY WHICH REVENUES ARE RAISED TO DEFRAY THE COST OF NECESSARY SERVICES TO CITIZENS AND TO THE BUSINESSES AND INDUSTRIES IN WHICH THEY MAKE A LIVING; BUT INEQUITABLE, EXORBITANT OR HAPHAZARD TAXATION MAY PROVE A BURDEN TO CITIZENS AND MAY HANDICAP OR RUIN PRODUCTION AND COMMERCE.

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189 CHURCH STREET
TEL. MAIN 8620

Conference Report No. 6

February 17, 1923

PROVINCIAL TAXATION OF CORPORATIONS AND COMPANIES for the purpose of PROVINCIAL REVENUE

PART I.—Financial Corporations.

Although the Corporations Tax was at first levied only on the large Corporations such as Banks, Insurance Companies and Railways, its application has been broadened until in some Provinces it now includes all incorporated companies.

As a discussion of this tax, covering all the Provinces, is a large subject, it will be taken up in several reports. This report covers Provincial Taxation of such financial institutions as Banks, Insurance Companies, etc. Other reports will follow.

Provincial Taxation of Corporations and Companies

might be understood to include the following:

1. The special fees charged for incorporation.
2. License fees levied on Extra-Provincial and Foreign Corporations.
3. Annual fees charged for filing returns.
4. Fees collected on transfer of company share certificates.

However, these are more in the nature of payment for special privileges conferred or for special services rendered. For instance: 1 is a charge for the special right of limited liability, etc., and 2 is an alternative method used by the Province in order to reach companies incorporated without its jurisdiction. Numbers 3 and 4 are in the nature of a direct charge for special work. For these reasons, therefore, the above have been omitted in the present discussion but will be considered in a later report.

GENERAL FACTS.*

No one principle is followed by all the Canadian Provinces in levying the Corporations Tax, nor with the exception of British Columbia does any one province appear to apply one general principle in its taxation of all corporations. British Columbia, in lieu of its provincial income and personal property tax, levies the tax on the basis of gross income, and varies this in the case of Banks and Railways. Saskatchewan and Manitoba also use the gross income basis to some extent, but frequently vary or combine it with other ideas. In Ontario no general principle seems to have been applied, but each corporation has been taxed according to the type of business conducted. Quebec favors a percentage tax on the paid up capital, with added taxes graded according to the location and number of offices in the Province. In New Brunswick a percentage tax on gross business seems to be the underlying principle, while Nova Scotia's taxes are along lines similar to those in Ontario. Prince Edward Island, like British Columbia, has a general Provincial Income Tax, but varies the principle in its application to specified lines of business.

Those Provinces which contain important municipally owned Public Enterprises exempt them from the special corporations tax. Railways are frequently taxed under a special act.

The following gives the principal details of the Provincial Taxation of Corporations of the Financial Class. All of the minor variations could not, of course, be considered in a publication of this type, and their application is not of sufficient importance to affect the general result.

BANKS.

There is great variation in the principles applied by the different provinces in the taxation of banks.

In PRINCE EDWARD ISLAND there is a tax of 1/10 of 1% on the average volume of business done within the province, with a minimum tax of \$1,333. Where the volume of business exceeds \$2,500,000, this rate is decreased to 1/30 of 1%, with a minimum tax of \$2,500.

* At the time of preparation of this report the New Revised Statutes of Alberta were not obtainable, and the taxes levied by Alberta will, therefore, have to be considered in a later report.

NOVA SCOTIA, 1/10 of 1% on the paid up capital of the bank employed in Nova Scotia, which for this purpose is held to be 1/20 of the total paid up capital—undivided profits, etc., of the bank.

In addition the following taxes are levied:

1. If the capital is over \$500,000 and there is an office in Halifax, the tax is \$3,000, with an additional \$150 for each other office in Halifax and \$500 for each branch office elsewhere up to and not exceeding 5 in number; on all over 5 and up to and including 10, \$300 on each in excess of the 5th; on all over and above the 15th, \$200 each.

2. If the capital is \$500,000 or upwards and there is no office in Halifax, the tax is \$1,500, with \$250 for each office in the Province up to and not exceeding 10 in number.

3. If the capital is less than \$500,000 the tax is \$800, with \$150 for each office within the Province.

NEW BRUNSWICK: The tax is 1/30 of 1% on the average monthly volume of business done within the Province.

Note: Business done for the Provincial Government is exempt.

QUEBEC: The tax is 1/10 of 1% on the paid up capital.

In addition:

For each head or chief office in Montreal or Quebec.....	\$200
For each other office in Montreal or Quebec.....	\$150
For each other office in any other place.....	\$ 30

ONTARIO: The tax is 1/5 of 1% on the paid up capital, and 1/10 of 1% on the reserve fund and undivided profits.

In addition:

For the principal office of the bank in Ontario.....	\$3,000
For each additional branch in Ontario.....	\$ 100

MANITOBA:

For the principle office in the Province.....	\$2,400
For all other branches in the city or town where Pr. Of. is located	\$ 100 each
For all other branches in the Province up to and not ex- ceeding four in number.....	\$ 300 each
For other branches over 4th and up to and including 14th	\$ 200 each
For other branches over the 14th.....	\$ 100 each

Private Bank:

In a village or rural municipality not over 500 popula- tion	\$150
For all other private banks.....	\$300 and in addition for each branch.....
	\$ 50
but additional tax is not levied on more than one branch in any one city, town or village.	

SASKATCHEWAN:

For the principal office in the Province.....	\$1,200
For every other branch office in a city.....	\$ 300
For every other branch office in a town.....	\$ 150
For every other branch office.....	\$ 50

Private Bank:

If head office situate in a city or town.....	\$ 200
If head office situate in a village.....	\$ 100
with an additional \$25 for every branch in the Province.	

ALBERTA: See note, page 2.

BRITISH COLUMBIA:

For the principal office in the Province..... \$3,000
For each other branch or agency within the Province..... \$ 500
This tax is in lieu of Provincial Income Tax.

TRUST COMPANIES.

The principles applied by the various provinces in the taxation of Trust Companies vary almost as greatly as those applied in the case of Banks.

PRINCE EDWARD ISLAND:

For each such company..... \$400

NOVA SCOTIA:

On the paid up capital employed in Nova Scotia up to
\$100,000 1/4 of 1%
If such capital is more than \$100,000.....1/10 of 1% for
every additional \$100,000 or fraction thereof, with a minimum
tax of \$200.

There is an additional tax on the gross annual income in N.S. as follows:

If business transacted in N.S. is not more than \$50,000..... 1 %
If business transacted in N.S. is over \$50,000 but not over
\$100,000 1½ %
If business transacted is in excess of \$100,000..... 2 %

NEW BRUNSWICK:

The tax is to be levied at the discretion of the Lieutenant-Governor-in-Council, but not to exceed..... \$250

QUEBEC:

On the paid up capital up to and including \$1,000,000.....1/5 of 1%
and for each additional \$100,000 or fraction thereof..... \$25
With an additional tax
For each place of business in Montreal or Quebec..... \$50
and for each place of business in every other place..... \$20

ONTARIO:

On the paid up capital up to \$100,000.....1/4 of 1%
and for each additional \$100,000 or fraction thereof.... \$100
With an additional tax of 1% on the gross annual income from
business transacted within Ontario.

MANITOBA:

On the gross income received within the Province a tax of..... 2%
With a minimum of \$100 if the paid up capital is \$100,000 or less,
and \$175 if it exceeds that sum.

And in addition

On monies invested in trust, etc., 1% on gross earnings therefrom
unless tax has already been paid by the principals interested.

SASKATCHEWAN:

On gross revenue received on company funds invested in Saskatchewan 1½%
 ½ of 1% on gross revenue on investments in Saskatchewan when company acting as Trustee, Agent, etc.
 On gross revenue received from all sources within Saskatchewan, except those above 1½%.
 With the same minimum tax in force as in Manitoba.

ALBERTA: See note, page 2.

BRITISH COLUMBIA:

On gross revenue received from business transacted in the Province, or income brought into or used in B.C..... 2%

INSURANCE COMPANIES.

The general principle applied in the taxation of these companies is the levying of a percentage on the gross premiums, usually graded according to the class of insurance business. British Columbia, however, taxes gross income, and Prince Edward Island levies a stated amount. In considering gross premiums exemption is made in case of reinsurance, etc., in order to avoid double taxation. Also in the case of mutual companies only cash premiums are taxed.

PRINCE EDWARD ISLAND:

A Fire Insurance company having a principal office without the Province \$200
 Principal office within the Province..... \$100
 Life Insurance company, principal office not in the Province... \$300
 Accident Insurance company, principal office not in the Province \$ 75
 Guarantee Insurance company, principal office not in the Province \$ 50
 Combined Accident and Guarantee, principal office not in the Province \$100

NOVA SCOTIA:

A tax on the gross premiums of.....2% with a minimum tax of \$100.

NEW BRUNSWICK:

- (1) Upon all companies which hold a license under Insurance Act of Dominion of Canada to do business throughout Canada, as follows:
 Fire Insurance company—On gross premiums received in the Province, 2%, with a minimum of \$100.
 Life Insurance company—A tax of \$100, and in addition thereto a tax of 1½% on the gross premiums within the Province.
 All other Insurance companies—2% on the gross premiums, with a minimum of \$25.
 - (2) If company incorporated in a Canadian Province but not licensed under the Dominion Act, a tax of 2% on gross premiums, with a minimum of \$25.
- (Note: In N.B. the expression "net premium" is used in the same sense that "gross premium" is in the other Provinces, so that gross has been used above in order not to create confusion.)

QUEBEC:

Life Insurance company—On the gross premiums received within the Province a tax of $1\frac{3}{4}\%$, with a minimum of \$400.

All other Insurance companies except Marine and Mutual, 1% on gross premiums, with a minimum of \$250.

Marine Insurance—A tax of \$250.

Mutual companies as stated in the general heading.

ONTARIO:

Life Insurance company—On all gross premiums received in the Province $1\frac{3}{4}\%$

All other Insurance companies—On gross premiums received in the Province 1 %

(Note: Ontario and Quebec have a provision to permit the increase in their taxes against a company incorporated in any other Province or Country if said Country or Province discriminates against an Insurance company incorporated in Ontario or Quebec respectively.)

MANITOBA:

On all gross premiums received in the Province..... 2 %

SASKATCHEWAN:

On gross premiums received in the Province graded as follows:

Where gross premium is less than \$50,000..... 1 %

Where gross premium is \$ 50,000 but less than \$100,000..... $1\frac{1}{4}\%$

Where gross premium is \$100,000 but less than \$150,000..... $1\frac{1}{2}\%$

Where gross premium is \$150,000 but less than \$200,000..... $1\frac{3}{4}\%$

Where gross premium is \$200,000 or more..... 2 %

If the company has an authorized capital of \$100,000 or less there is a minimum tax of \$100. If this capital is over \$100,000 this tax is \$175.

There is an additional tax of .40c on every \$1,000 if company lends or invests money over and above \$25,000 in the Province.

ALBERTA: See note, page 2.

BRITISH COLUMBIA:

2% on gross income, as in Trust Companies.

LOAN COMPANIES.

PRINCE EDWARD ISLAND:

The tax is \$400.

NOVA SCOTIA:

- (a) On the fixed or permanent paid up capital of the company employed in the Province $\frac{1}{20}$ of 1%, and in addition $\frac{1}{20}$ of 1% on the amount of money invested by the company in Nova Scotia, with a minimum tax of \$100.
- (b) If a company has terminating or withdrawable capital, as well $\frac{1}{20}$ of 1% on the terminating or withdrawable capital after the first \$100,000 in addition to (a).
- (c) If terminating or withdrawable only, $\frac{1}{20}$ of 1% on the paid up terminating or withdrawable capital after the first \$100,000, and $\frac{1}{20}$ of 1% on amount of money invested in Nova Scotia.
- (d) Every Loan Company receiving deposits or doing business of Savings Bank in addition shall pay a tax.
(Same as in Ontario, see Section (d)).

NEW BRUNSWICK:

The same tax as for Trust Companies, \$250 maximum.

QUEBEC:

When the company has no fixed capital the tax is.....	\$100
If there is fixed capital of \$100,000 or less the tax is.....	1/10 of 1%
If fixed capital exceeds \$100,000 but not \$200,000 tax is.....	\$150
If fixed capital exceeds \$200,000 but not \$300,000 tax is.....	\$200
If fixed capital exceeds \$300,000 but not \$400,000 tax is.....	\$250
If fixed capital exceeds \$400,000 but not \$500,000 tax is.....	\$300
If fixed capital exceeds \$500,000 tax is.....	\$400 and
for every additional \$1,000,000 or fraction thereof over \$1,000,000	a tax of \$50.

And in addition

If capital exceeds \$100,000 for each place of business in	
Montreal or Quebec.....	\$100
In every other place.....	\$ 50
If fixed capital is \$100,000 or less, or if there is no fixed capital, these	
additional taxes are \$50 and \$25 respectively.	

ONTARIO:

- (a) On fixed or permanent paid up capital.....1/25 of 1%
And on all monies invested in Ontario (excluding
office premises and cash in bank).....1/25 of 1%
with a minimum tax of \$100.
- (b) If there is terminating or withdrawable capital, also 1/25 of 1%
On all such terminating or withdrawable capital over
\$100,000, in addition to tax under (a).
- (c) If there is terminating or withdrawable capital only....1/25 of 1%
On all after first \$100,000 and in addition.....1/25 of 1%
Of all monies invested in Ontario in excess of
\$100,000, excluding as in (a).
- (d) If company receives deposits or does business of Sav-
ings Bank, in addition a tax of
On each \$100,000 of deposits or part thereof up to \$1,000,000 \$25
On each \$100,000 of deposits or over \$1,000,000, but not over
\$2,000,000 \$15
On each \$100,000 of deposits or over \$2,000,000..... \$ 3

MANITOBA:

On gross income within Province.....	3/4 of 1%
With a minimum tax of	
If paid up capital less than \$50,000.....	\$ 25
If paid up capital is \$50,000 but less than \$100,000.....	\$ 50
If paid up capital is \$100,000 or more.....	\$100

SASKATCHEWAN:

For each \$1,000 in investment in the Province a tax of 40c, with a minimum tax graded according to authorized capital, the same as in Manitoba.

ALBERTA: See note, page 2.

BRITISH COLUMBIA:

The same tax as is levied on Trust Companies in this Province.
Guarantee Companies are also taxed on this basis.

BUILDING COMPANIES AND LAND COMPANIES.

In the Provinces of Prince Edward Island, Nova Scotia, New Brunswick, Ontario and Quebec these Companies are taxed in the same way as Loan Companies. In British Columbia, where a Provincial Income Tax exists, no special taxation is levied on them as such.

MANITOBA:

On every \$1,000 invested within the Province a tax of..... 40c
With a minimum tax of \$25 if paid up capital is less than \$50,000:
\$50 if \$50,000 or more but under \$100,000; and \$100 if
\$100,000 or more.

SASKATCHEWAN:

For every \$1,000 of business done within the Province..... 40c

ALBERTA: See note, page 2.

THE CORPORATIONS TAX is an ACCEPTED and ESTABLISHED tax. Good arguments can be advanced in support of the principle of taxing corporations according to the type of business carried on, BUT ARE THERE SUCH GOOD ARGUMENTS IN FAVOR OF TAXING IDENTICAL TYPES OF BUSINESS ON DIFFERENT PRINCIPLES IN EACH PROVINCE?

IS NOT A CHAOS OF TAXING PRINCIPLES, SUCH AS THAT OUTLINED HEREIN, A HANDICAP ON CANADIAN BUSINESS?

WOULD A DOMINION-WIDE CONFERENCE OF THE PARTIES INTERESTED NOT HELP TO BRING ABOUT THE ADOPTION OF MORE UNIFORM METHODS?

CANADIAN TAXATION

TAXATION IS ONE OF THE MEANS BY WHICH REVENUES ARE RAISED TO DEFRAY THE COST OF NECESSARY SERVICES TO CITIZENS AND TO THE BUSINESSES AND INDUSTRIES IN WHICH THEY MAKE A LIVING; BUT INEQUITABLE, EXHORBITANT OR HAPHAZARD TAXATION MAY PROVE A BURDEN TO CITIZENS AND MAY HANDICAP OR RUIN PRODUCTION AND COMMERCE.

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OF CANADA.



TORONTO OFFICES
189 CHURCH STREET
TEL. MAIN 3620

Conference Report No. 3

November 4, 1922

MUNICIPAL TAXATION IN CANADA

Business Taxes—Part II.

In Ontario the Business Tax was established to replace the Personal Property Tax. In some other Provinces, municipalities may levy both Business Taxes and Personal Property Taxation. It will be necessary, therefore, in outlining Business Taxation in the Eastern and Western Provinces, to make more or less reference to Personal Taxes.

The Institute, as in other cases, has not been able to get complete returns from its questionnaires and must, therefore, proceed with the information now available. In addition to this, amendments to provincial legislation, concerning which the Institute has not complete information, may have been passed at recent sessions. The information given in this and the preceding Report, however, gives a fair picture of the chaotic nature of business taxation for municipal purposes. The Institute will welcome, from any member of the Conference, communications giving additional information or drawing attention to any important omissions or misinterpretations of provincial Acts.

BRITISH COLUMBIA.

In this province no provision has been made to empower municipalities to collect a Business Tax. The province collects taxes on some classes of personal property. Recently municipalities have been empowered to impose personal taxes. Just how much advantage has been taken of this power is not known to the Institute.

ALBERTA.

The three general Acts governing municipalities in Alberta make provision for the assessment and taxation of business. It is left to the discretion of the municipalities whether or not they shall adopt the tax. A municipality may elect whether the basis of the tax shall be upon rental values of the premises occupied or according to the floor space occupied by business concerns.

Six Alberta cities replied to the Institute's questionnaire. Five of these imposed the tax on the rental basis and the other on the floor space basis. Of these six cities, four received no revenue from taxes on personal property and two did. One of the latter specified automobiles, stock and equipment as among the kinds of personal property taxed.

SASKATCHEWAN.

The Saskatchewan City Act and the Town Act make provision for Business Tax as follows: "The Assessor shall fix a rate per square foot of floor space (irrespective of partitions, stairways, etc.) of each building or part thereof used for business purposes and shall, as far as practicable, classify the various businesses." While the Village Act and the Rural Municipalities Act do not provide for a Business Tax, they provide for certain taxation of the stock-in-trade of a merchant. All of these Acts except the City Act contain special provisions with regard to the taxation of grain elevators.

MANITOBA.

The Business Tax (a percentage of the rental value) in 1906 was made available for all incorporated towns and villages in Manitoba. Statutory provision was also made for the imposition of a special tax on owners of lumber yards and also the owners of horses, cattle and vehicles kept for business purposes. Provision is also made for the taxation of telephone, telegraph and electric light companies on the value of their personal property. The Municipal Assessment Act makes available to municipalities the taxation of stock-in-trade, but this seems to have become, in many cases, a dead letter. The Deputy Municipal Commissioner, in a brief synopsis of the law relating to the taxation and assessment of property in Manitoba, says with reference to personal property:—"Although the Assessment Act of the Province authorizes the imposition of a tax on personal property, it is to be noted

that by reason of the exemption of this class of property owned in rural communities and the adoption of the principle set forth in the Business Tax Act in cities, and almost wholly in towns and villages, the provisions of the Assessment Act are largely ineffective, and of no avail whatsoever, except in those portions of rural municipalities where farming operations do not prevail." Returns on the questionnaires were received from two Manitoba cities. In one of these cities the Business Tax was at the time 62.3% of the rental value and in the other 12½% of the rental value. The return from one of these cities states that "driving horses or those not used in connection with a business are taxed. Stocks in stores, etc., are not assessed."

QUEBEC.

The Institute's information from Quebec is not complete, but excellent returns have been received from 12 municipalities. Special charters for some cities in the province provide for Business Taxes. According to information supplied to the Institute for ten cities, the tax would seem to vary between 2% and 8½% of the annual rental value of the premises occupied. One states that it uses different bases for retailers and manufacturers, the first a rental basis and the other a small percentage of the assessed value of premises. Of the twelve municipalities from which replies were received, two received income from taxes on personal property.

MARITIME PROVINCES.

No mention seems to be made in the Rates and Taxes Act of New Brunswick, the Assessment Act of Nova Scotia or the laws of Prince Edward Island with reference to a Municipal Business Tax. The taxation of personal property is provided for in the statutes of each of these provinces.

In Nova Scotia, however, under the authority of the Tax Act, the city of Halifax imposes a tax on business. The Section under which this tax is authorized reads as follows:—

"371. (1) The Business Tax shall be a tax payable by every occupier of any real property for the purposes of any trade, profession or other calling carried on for the purposes of gain, except such as is exempt as is herein provided, and shall be payable by the occupier whether as owner of such property for real property tax or not.

"(2) Such tax shall be at the rate fixed as hereinafter provided on fifty per cent. of the value of the premises so occupied, except in the case of premises the value of which is less than two thousand dollars, and occupied solely for the purpose of selling merchandise by retail, in respect to which the tax shall be at the said rate on twenty-five per cent. of the value of the premises so occupied."

SUMMARY.

In view, first, of the many variations in matters of detail; second, of the number of municipalities with separate charters; and third, of the incompleteness of the information as yet available, it is, of course, impossible to give a summary not subject to many qualifications. In order, however, to give a general view of Municipal Business Taxation in Canada and some of its relations to Personal Property Taxation, as a preparation for the discussion at the Annual Convention, a very brief and general summary is presented herewith, subject to any amendments which may have been made since the material for the report was collected.

British Columbia.

No provision seems to have been made for a real municipal Business Tax.

Alberta.

Business Tax available to all classes of municipality, basis either on rental value or area of floor space. Some cities and all towns and villages may assess personal property.

Saskatchewan.

Cities and towns may impose Business Tax on basis of floor space. Villages and rural municipalities may tax personal property.

Manitoba.

Cities, towns and villages may tax business on rental value. Assessment Act makes available to municipalities taxation on stock-in-trade.

Ontario.

The Business Tax is on basis of varying percentages for various classes of business, on assessed value of lands and premises occupied. No personal property tax.

Quebec.

Cities and towns under separate charters impose Business Tax on basis of rental value. Wide statutory powers granted municipalities to tax personal property.

Maritime Provinces.

No Business Tax seems to be provided in general Acts in these provinces. Personal Property Tax is widely used. In at least one city a Business Tax is imposed on 50% of the value of premises. In this city there is no Personal Property Tax.

At present the tendency seems to be away from the Personal Property Tax. The Business Tax, on some basis, seems to be growing in favour, although there is considerable criticism of all forms now in use. In some quarters there is a strong move to put business taxes on the basis of a small fixed percentage of the net profits or a still smaller percentage of the gross revenues. The Institute will be glad to receive from members of the Conference any ideas or information on the subject of Municipal Business Taxation.

CANADIAN TAXATION

TAXATION IS ONE OF THE MEANS BY WHICH REVENUES ARE RAISED TO DEFRAY THE COST OF NECESSARY SERVICES TO CITIZENS AND TO THE BUSINESSES AND INDUSTRIES IN WHICH THEY MAKE A LIVING; BUT INEQUITABLE, EXHORBITANT OR HAPHAZARD TAXATION MAY PROVE A BURDEN TO CITIZENS AND MAY HANDICAP OR RUIN PRODUCTION AND COMMERCE.

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TORONTO OFFICES
189 CHURCH STREET
TEL. MAIN 3620

Conference Report No. 1

September 4, 1922

MUNICIPAL TAXATION IN CANADA

To get a bird's-eye view of municipal taxation in Canada is extremely difficult. Each province has its own general system of municipal taxation. Some provinces have different taxation provisions for different grades of municipalities, such as rural municipalities, villages, towns and cities. Several provinces give special charters to cities, and these charters may confer tax powers not identical with those granted in the general law.

The industry of legislatures is well known. Hundreds of laws are enacted annually by provincial legislatures, and not a few of these deal with municipal taxation, so that it is almost impossible to keep information as to municipal taxation strictly up-to-date. Again, in many cases, municipalities have not taken advantage of all the powers granted by permissive legislation. As it is important to get a picture of what is actually done in taxation as well as of what may legally be done, the Institute has not only studied the provincial laws dealing with taxation, but has sent questionnaires to hundreds of Canadian municipalities in the attempt to secure first-hand data as to actual conditions. Many replied, but many did not; so that the facts presented in the forthcoming reports are not 100% complete. The Conference will be deeply indebted to any readers who will point out any important omissions or any misinterpretations of provincial statutes which they may observe. The Institute simply has taken the first step which it was necessary in the interests of the public for somebody to take. This first step having been taken, the best results can not be obtained without the hearty co-operation of all.

ASSESSMENT AND TAXATION OF REAL PROPERTY

Real Estate Taxation is the mainstay of the municipal revenues of the municipalities of each province. Each provincial government authorizes municipalities to assess, and levy taxes on land. Until comparatively recently some of the western provinces had legislation exempting improvements more or less completely and generally from taxation.

BRITISH COLUMBIA.

In the year 1919, the legislature of British Columbia amended the Municipal Act by authorizing municipalities to tax land and improvements at their actual value.

The Inspector of Municipalities in his latest report, dated June 15, 1922, states, "Among the cities there are ten which still exempt improvements entirely from taxation, as compared with eighteen in the year 1915; and among the districts there are now fifteen which exempt improvements, as compared with twenty in 1915."

The 1919 legislation had the following very interesting provisions with regard to the assessment of certain public utilities:—

"(1) The poles, cables and wires of any telephone, telegraph, electric light or electric power company within the limits of any municipality shall, for the purposes of assessment and taxation, be deemed to be land, and the amount of assessment thereon shall be in the cities of Victoria and New Westminster \$200 per mile, and in all other city municipalities \$100 per mile, and in all district municipalities \$75 per mile of such poles, cables or wires.

"(2) a. The miles of single track of any tramway company shall, for purposes of assessment and taxation, be deemed to be land, and the amount of assessment thereon shall be at the rate of \$5,280 per mile or fraction thereof of track.

"b. The miles of single track of any railway company, and in the case of track upon privately owned rights-of-way, the land upon which such tracks are laid, shall be assessed as land at their value, as a portion of a going concern.

"(3) A railway company or tramway company is deemed to be land. The amount of assessed value thereof respectively shall be the actual value. The cost, less a reasonable amount for depreciation.

"(5) Water mains and pipes of a water company are deemed land. The assessment shall be \$1 per foot.

"(6) Gas company—Mains assessed at 40c. per running foot."

ALBERTA.

The general municipal Acts of the Province of Alberta since the year 1916 have been amended several times in respect to the assessment of improvements on land. At present (i.e., the date of the beginning of this study) the Town Act authorizes the council of a town to pass a by-law to assess and impose taxes upon buildings and improvements upon lands, not exceeding their actual value. The Village Act limited the power of villages to

- "(d) On dwelling houses assessed at not more than \$3,500 on not less than 80% of the assessed value;
- "(e) On dwelling houses assessed at not more than \$4,000 on not less than 90% of the assessed value."

It is also provided that the council of a township shall have the same power, and, in addition, the by-law may, in the case of farms, extend and apply to all buildings used for farming purposes.

This amendment gives power also to any local municipality, without the assent of the electors, to pass a by-law exempting from taxation, except for local improvements and school purposes, for a period not exceeding ten years, dwelling houses assessed at not more than \$3,000 owned and occupied by officers or men who were on active service overseas during the war with the naval or military forces of Great Britain or Great Britain's Allies.

In 1920 the Municipal Tax Exemption Act was incorporated in the Ontario Statutes. Under the authority of this Act the council of a city, town, township or village, with the assent of the qualified ratepayers, may pass a by-law exempting from taxation for all purposes, including school purposes, on a graduated scale. The first year of the reduction not less than ten per cent. and not more than twenty-five per cent. of the assessed value of improvements, income and business assessment is exempted from taxation, and from year to year thereafter a further additional percentage, not less than ten and not more than twenty-five per cent., is exempted until the whole or such portion of such assessed value as may be fixed by the by-law is so exempted.

EQUALIZATION OF ASSESSMENT

Equalization of assessment is provided for in Ontario counties in order to prevent injustices to any municipalities within the counties. But there is no equalization as between counties and cities. During the war there was a provincial tax of one mill on the total assessment of the municipalities. Only because it was a war measure were the resulting injustices tolerable. If ever again such a provincial tax is imposed, a board having powers to equalize assessments, such as is found in some of the Western provinces, will have to be set up. An idea of what happens when assessments are equalized provincially may be obtained from the "Statistical Information Respecting the Municipalities of the Province of Manitoba" for the year 1921, published by the Provincial Government. Whether or not there is provincial taxation on the basis of municipal assessment, should there not be in every province a provincial Board of Assessment with supervisory powers over all local assessors and with authority to prescribe province-wide standards of training and efficiency for assessment officers? Many assessment officers are now thoroughly efficient. Should not all be well trained and efficient?

The most recent move in advance in this direction seems to be that taken at the latest session of the Saskatchewan Legislature. The Act passed, the Saskatchewan Assessment Commission Act, provides for the establishment of a permanent assessment commission, composed of three members, as a branch of the Department of Municipal Affairs. "It shall be the duty of the commission to exercise general supervision over the administration of the assessment provisions of the Municipal Acts of Saskatchewan, and to confer with, advise and direct assessors in the discharge of their duties."

EASTERN PROVINCES.

In the provinces of Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island, municipalities have been given full authority under the municipal laws to assess buildings and improvements upon lands at actual value. When land is referred to in these laws, it is interpreted to include buildings and improvements.

The actual practice under the various provincial laws varies from province to province, and even from municipality to municipality within the same province. In the questionnaire referred to above, information on this point was sought, but the results were largely negative. One town in Nova Scotia reported that land was assessed at 50% of its actual value, but improvements at 75% of its value. In 1918 the Bureau of Municipal Research made an assessment study of the Province of Ontario, and found all sorts of anomalies in the practical interpretation of the law. No doubt the same thing is true of the other provinces. While the Assessment Act states that land shall be assessed at its actual value, nine different interpretations of this as to improved land existed among 20 municipalities for which the facts are available. Twelve of these municipalities assessed on the selling price value; one assessed on the basis of revenue produced; another assessed at 80% of actual value, one at 66%, one at 60%, one at from 40% to 60%, one at from 60% to 65%, and one at 65%. These probably interpreted actual value to mean sale value. The Act states also that the value of the buildings shall be the amount by which the value of the land is thereby increased. This is interpreted in a later section as follows: ". . . buildings shall be assessed for the amount of the difference between the selling value of the whole property and the selling value of the land if there were no buildings on it."

Of the 20 municipalities mentioned, 6 were guided by the letter of the law and 14 adopted various other standards, such as the following: "80% of value on a cubic-contents basis for each of three building types," "70% to 75% on a square-foot basis, modified by consultation with builders," "building permit and rental value, etc.," "40% on basis of experience as contractor, modified by improvements, state of supply and demand, and classes of people in control of properties."

Of the 20 assessment departments, 11 assessed improvements at the same percentage as the land on which the improvements were erected, 7 assessed improvements at a lower percentage, one at a higher percentage, and one on an entirely different basis.

In 1919 the Ontario Assessment Act was amended to provide for partial exemption of dwelling houses from taxation. This legislation provides as follows: "The council of a city, town or village may, with the assent of the electors qualified to vote on money by-laws, pass a by-law providing that taxes and rates, except for school purposes, on dwelling houses assessed for not more than \$4,000, shall be levied and imposed on such percentage of the assessed value as may be thought proper, but not on a less percentage than the following:—

- "(a) On dwelling houses assessed at not more than \$2,000 on not less than 50% of the assessed value;
- "(b) On dwelling houses assessed at not more than \$2,500 on not less than 60% of the assessed value;
- "(c) On dwelling houses assessed at not more than \$3,000 on not less than 70% of the assessed value;

assess improvements, to sixty per cent. of actual value. Rural municipalities as yet have no authority for imposing a tax upon buildings and improvements. The Town Act makes the assessment of buildings and improvements upon lands compulsory by towns, if any debentures issued are in arrears, either in regard to principal or interest, immediately prior to May 1st in any year. The law provides that, without any by-law to that effect, all improvements shall be assessed under these circumstances at not less than fifty per cent. of their value. The Village Act places the same obligation upon any village (other than a summer village) after any debentures have been issued by the corporation and as long as such debentures remain unpaid.

Under authority of the Municipal District Act, lands containing minerals which are leased or otherwise in the possession of any person other than the owner, or worked by the owner for sale or use in his business, or for profit, shall be assessed separately in respect to such minerals.

All the cities tax buildings and improvements to lands. The replies to questionnaires from a few of the cities give the percentages at which improvements are actually assessed, as follows:—

Edmonton	60%
Calgary	50%
Medicine Hat	55%
Red Deer	50%

SASKATCHEWAN.

The municipal laws in the Province of Saskatchewan provide for the assessment of land at fair actual value. The City, Town and Village Acts limit the assessment of improvements on lands to sixty per cent. of their value. The Rural Act authorizes the assessment of buildings on parcels of land not strictly agricultural in nature or use and not exceeding forty acres in extent. In this case the assessment must not exceed sixty per cent. of fair actual value. In rural municipalities, land containing coal upon which a mine is operated is assessed for the purpose of a school district at its value as a mine, inclusive of plant and equipment.

For the financial year ending April 30, 1921, the actual assessment of improvements in the cities was as follows:—

Moose Jaw	45%
North Battleford	45%
Prince Albert	45%
Regina	30%
Saskatoon	35%
Swift Current	60%
Weyburn	30%

MANITOBA.

The Assessment Act of Manitoba limits the assessment of improvements upon land to two-thirds of actual value. It is provided that in rural municipalities the ordinary farm residence and buildings upon any parcel of land improved for farming purposes shall be assessed (but not for the purposes of taxation) at two-thirds of the full value. In cases where lands are improved for other than farming purposes, they are assessed at two-thirds of the full value and taxed thereon.

Previous to the passage of this Act the Wild Lands Tax Commissioner of Saskatchewan had equalization duties with regard to rural municipalities, in that he fixed the aggregate assessment of these municipalities. The duties of the Wild Lands Tax Commissioner have been transferred to the commission. The present Act is the culmination of a gradual evolution since the passage of the Patriotic Tax Act in 1916 and that of the Wild Lands Tax Act in 1919.

SUMMARY

It is evident that there is no agreement as to—

1. What the legal provisions should be for the assessment and taxation of real estate;
2. What the practical interpretation of the law should be within any particular province.

Would not interprovincial conferences on real estate taxation and assessment tend to bring about—

1. Better provincial legislation;
2. More nearly uniform legislation;
3. Better methods in actual practice;
4. Higher professional attainments among assessors?

Only one province seems to be doing anything for the training of municipal officials. Should not the provinces, through the universities or otherwise, offer practical professional courses in real estate assessment and taxation to those officials, now actually performing the work, who may welcome the opportunity for further training?

NOTE

The facts given in this Bulletin are based on the best information available to the Institute. A large part of this is not later than 1920. Some is as late as 1922; but no doubt many changes of recent date have not come to the attention of the Institute. Will any reader having knowledge of such changes or of any inaccuracies in or omissions from this Report, please notify the Institute? Such additional information will be included in future Reports.

CANADIAN TAXATION

TAXATION IS ONE OF THE MEANS BY WHICH REVENUES ARE RAISED TO DEFRAY THE COST OF NECESSARY SERVICES TO CITIZENS AND TO THE BUSINESSES AND INDUSTRIES IN WHICH THEY MAKE A LIVING; BUT INEQUITABLE, EXHORBITANT OR HAPHAZARD TAXATION MAY PROVE A BURDEN TO CITIZENS AND MAY HANDICAP OR RUIN PRODUCTION AND COMMERCE.

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OF CANADA.



TORONTO OFFICES
189 CHURCH STREET
TEL. MAIN 3620

Conference Report—General Introductory,

August 3, 1922

In Canada we have
probably over 5,500 Taxing Authorities

including

- 1 National Government;
- 9 Provincial Governments;
- 58 Cities and Urban Municipalities with 10,000 population or over;
- 195 Urban Municipalities with population between 2,000 and 10,000;
- 605 Urban Municipalities with population from 400 - 2,000;

and an unknown number—at least 4,500—of Rural Municipalities, Districts and School Municipalities with independent taxing powers.

No one person or governmental authority knows how much these 5,500 authorities raise annually in taxes. No one knows from what sources these taxes are raised, and in what relative amounts—taking the country as a whole. No one knows what new forms of taxation are introduced each year and where, or what old forms of taxation have been scrapped and where. As a nation, we are in a tax jungle. We virtually shut our eyes and trust to luck to find our way out.

THE TAX JUNGLE

The forms of taxation are decided upon by the National Government and the nine Provincial Governments, although many municipalities either through permissive provincial legislation or through provisions in special charters have considerable leeway in deciding on methods of taxation. There is even room for difference of opinion as to the best division of the taxation field between the Dominion and the Provinces.

REALTY TAXES

Even in such a universal form of taxation as real property taxes, there is little uniformity.

Within provinces, the provisions of the law as to the taxation of improvements may be different for the different grades of municipality and may vary as between agricultural and non-agricultural land.

The percentage of value of improvements legally taxable, varies between nothing and 100% for different municipalities. In actual practice, the percentage of assessed valuation on actual value varies between 25% and 125%, perhaps within the same municipality. Some provinces get revenue from taxes on real estate, some do not.

BUSINESS TAXES

Here the divergence in practice is equally great. In some provinces, cities, towns, villages and townships or rural municipalities may (or must)

impose a business tax; in others, only cities and towns, or perhaps villages may do so. Other provinces make no provision for municipal business taxes in their general laws, but may do so by special charters of individual municipalities. The business tax may be on a floor space basis, or on a rental basis. It may be arrived at by applying the general tax-rate to a certain percentage of the assessed value of the property occupied. A business tax may exist side by side with a tax on stock-in-trade or it may not.

PERSONAL PROPERTY TAXES

Some provinces do not allow personal property taxation by municipalities. Others do. The general law of a province may allow such taxation, while in the same province charters of one or more municipalities may not grant the power.

INCOME TAXES

A citizen of a municipality in one province may have to pay a provincial income tax and a national income tax. In another, he may have to pay a municipal and a national income tax. In one Canadian city, if it were to exercise its legal powers in this respect, which it does not, it would appear that a citizen might have to pay three income taxes. National, provincial and municipal income taxes are collected by independent tax machinery, involving the duplication of overhead, and the keeping of information of material value in hermetically sealed compartments.

TO BRING ORDER OUT OF CHAOS
three things are pre-eminently necessary :

1. Co-operation and continuous conference between the Dominion and the Provinces;
 2. Co-operation and continuous conference between Provinces;
- and
3. In order to bring about 1 and 2, a strong, citizen organization of research and publicity in the taxation field, which should create an insistent and enlightened public opinion and thus make progressive reform in taxation, good politics.

With this end in view, the Citizens' Research Institute of Canada has established a department of research in taxation under the name of

THE CANADIAN TAX CONFERENCE

of the

Citizens' Research Institute of Canada.

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Every member of the Institute—i.e. a contributor of \$25 or over per annum—is, of course, a member of the Conference, and receives all general publications of all departments of the Institute. Any Canadian citizen may become a member of the Conference for an annual fee of \$10, will receive all publications of the Taxation Department of the Institute, will have a right to take part in deliberations at the Annual Convention of the Conference, and will receive the printed Report of the Convention. Membership in the National Tax Conference of the Citizens' Research Institute of Canada offers an opportunity to any Canadian citizen to take an effective part in the development in Canada of a co-ordinated system of taxation.

Report No. 1, the first detailed Report of the series, will deal with Assessment and Taxation of Real Property.