



August 13, 2007

Brian Pallister, Member of Parliament
Chair, House Finance Committee
House of Commons
Ottawa, ON

Dear Mr. Pallister:

Re: House Finance Committee Pre-Budget Consultations for 2007

Thank you for the opportunity to submit a brief regarding the House Finance Committee Pre-Budget Consultation 2007. Please find attached a one page Executive Summary and our response to the three questions posed by the House Finance Committee.

The Poverty Reduction Coalition is a community collaborative, supported by United Way of Calgary and Area, aimed at reducing poverty in Calgary. We work collaboratively with all orders of government, the business community, social service organizations and community members to identify social innovations that reduce the inequities faced by low-income individuals and families. These innovations may involve system reform, application of promising practices and policies, promotion of progressive policies and demonstration projects.

We look forward to the opportunity to discuss this in more detail when we appear before the House Finance Pre-Budget Consultation Committee. If you would like to contact the Poverty Reduction Coalition regarding the attached brief, please do not hesitate to contact Chris MacFarlane, Director at 403-410-1878 or chrism@calgaryunitedway.org.

Sincerely

Jim Dinning, Co-Chair

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An initiative supported by United Way of Calgary & Area



GOVERNMENT OF CANADA 2008 BUDGET CONSULTATION



Poverty Reduction Coalition

Suite 600, 1202 Centre Street SE Calgary, Alberta T2G 5A5 Canada

August 2007

Executive Summary

The Poverty Reduction Coalition is a community collaborative, supported by United Way of Calgary and Area, aimed at reducing poverty in Calgary. We work collaboratively with all orders of government, the business community, social service organizations and community members to identify social innovations that reduce the inequities faced by low-income individuals and families. These innovations may involve system reform, application of promising practices and policies, promotion of progressive policies and demonstration projects.

We would encourage the federal government to review its tax and spending programs through a filter that ultimately improves the well being of ALL Canadians. We would also encourage the federal government to provide the extra support to those who are living in poverty in Canada so they too can enjoy more of our country's prosperity. Good fiscal policy should achieve this aspiration while, at the same time, promoting competitiveness in the domestic and global marketplaces.

Tax changes should also favour investments that grow the stock of affordable housing. Changes such as the elimination of capital gains on donations of real estate to registered charities that provide perpetually affordable housing would be beneficial. Gifts of land and buildings for affordable housing still attract capital gains tax which is a major disincentive. A change in federal policy, consist with the policy for donations of land or buildings to nature conservancy, would create positive incentives for land donations for affordable housing. Further, an elimination of GST on construction materials associated with affordable housing and affordable rental housing developments would create further incentives.

Tax, fees, and other charges modified by the federal government should reflect the promotion of a competitive and well trained workforce. We would encourage the federal government to consider increasing the federal minimum wage. As well, providing tax incentives for employer-sponsored training programs and work-related supports provided by the employer are advantageous to meeting this goal. The recently introduced federal tax program given to employers who acquired day care spaces for their employees' families is a positive example currently in place. Tax incentives such as this in the areas of transportation and training would be beneficial and would further develop Canada's workforce.

We support a fair sharing of the tax burden. Recently, we have seen a growth in Canadian companies' profits but we are not witnessing a similar growth in individual income. We want individuals to see an increase in their take-home pay but we also want our companies to have the latitude to make capital investments so they can compete globally. A balance in tax policy that allows for these two goals is ideal.

Response to General Consultation Questions

1. What criteria do you believe should guide federal decisions about the changes that should be made to taxes, fees and other charges, and about whether they should be broadly based or targeted to a specific group of residents or business sectors?

Our organization's focus is the reduction of poverty in our community. We would encourage the federal government to review its tax and spending programs through a filter that ultimately improves the well being of ALL Canadians. We would also encourage the federal government to provide the extra support to those who are living in poverty in Canada so they too can enjoy more of our country's prosperity. Good fiscal policy should achieve this aspiration while, at the same time, promoting competitiveness in the domestic and global marketplaces.

Changes to taxes, fees and other charges must promote the overall well-being of ALL Canadians, while targeting specific groups to meet key social and economic ends. The Working Tax Credit introduced in the last federal budget was a good example of a tax measure that was targeted at a particular group. We commend the Government of Canada's Budget 2007 commitment of \$550 million per year to the Working Income Tax Benefit (WITB) for low income families. The WITB provides up to \$500 per year for individuals and \$1,000 for families to reward and strengthen incentives to work. More than 1.2 million low-income Canadians are expected to benefit from this initiative. Canadians exiting social assistance through employment should be encouraged and supported; higher taxes and reduced benefits will not facilitate a easy transition for this group. We would support a further increase in the WITB to further facilitate this transition for these individuals and families.

Tax changes should also favour investments that grow the stock of affordable housing. Changes such as the elimination of capital gains on donations of real estate to registered charities that provide perpetually affordable housing would be beneficial. Gifts of land and buildings for affordable housing still attract capital gains tax which is a major disincentive. A change in federal policy, consist with the policy for donations of land or buildings to nature conservancy, would be create positive incentives for land donations for affordable housing. Further an elimination of GST on construction materials associated with affordable housing and affordable rental housing developments would create further incentives.

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2. *Given that corporations provide employment, are owned by individuals and contribute to the economic growth of the nation:*

- *What is the appropriate form and level of corporate taxes, fees and other charges?*
- *To what extent should federal revenues be derived from corporations rather than from individuals?*
- *Should the federal government ensure that corporate taxation in Canada is competitive with that in other countries, and what consideration should be given to the various levels and types of public goods provided by countries?*

The Poverty Reduction Coalition would encourage the federal government to create a tax environment that encourages Canadian companies to constantly 1) increase the skills of their employees and, 2) re-invest in new equipment and technology, thereby improving productivity and environmental performance.

We would also support a fair sharing of the tax burden. We want individuals to see an increase in their take home pay but we also want our companies to have the latitude to make those capital investments so they can compete globally. Small, medium and large companies -- and their financial well being -- are critical to the nation's wellbeing. Besides sources of employment for Canadians, they play key leadership roles through their corporate social responsibility activities and charitable donations in all sectors of our society.

We favour using the tax system to induce corporations to partner with social services agencies to invest in solutions that create more affordable housing and train more of our marginalized citizens. Ultimately, we want a tax system that gives the social services sector the resources it needs to do the 'heavy lifting' that will benefit our citizens.

We would encourage the federal government to follow the Canadian Mortgage and Housing Corporation's (CMHC) March, 2002 recommendations that Real Estate Investment Trusts (REITs) and Real Estate Investment Corporations (REICs) be allowed to structure ethical fund equity investments in affordable housing.

Finally, we believe that Canada should be generally competitive with G8 countries but our tax policy environment should not be defined by this. We should be looking towards continued competitive benefit for Canadian companies and prosperity for individuals because that is what drives economic growth.

3. *Given that Canadians contribute to the nation as employees, corporate stakeholders, volunteers and community residents:*

- *What is the appropriate form and level of personal taxes, fees and other charges?*
- *To what extent should federal revenues be derived from individuals directly rather than from corporations?*
- *Should the federal government ensure that personal taxation in Canada is competitive with that in other countries, and what consideration should be given to the various levels and types of public goods provided by countries?*

We support a fair sharing of the tax burden. Recently we have seen a growth in Canadian companies' profits but we are not witnessing a similar growth in individual income. We want individuals to see an increase in their take-home pay but we also want our companies to have the latitude to make capital investments so they can compete globally. A balance in tax policy that allows for these two goals is ideal. Providing tax incentives to companies to train their staff, to continue to be innovative and to protect the environment would benefit individuals. As well, increasing the net-income of low and middle class Canadians will ultimately benefit Canadian companies.

Besides sources of employment for Canadians, small, medium and large business in Canada play key leadership roles through their corporate social responsibility activities and charitable donations in all sectors of our society. Tax incentives to further encourage this would be advantageous. For example, we have a shortage of affordable housing in Calgary and other parts of Canada. This shortage will have critical consequences for the employability of the Canadian workforce and for their social and physical health. Partnerships among the public, private and social services sectors are critical in addressing this issue. Tax policies that promote public-private partnerships in affordable housing should be encouraged.