Canadian Centre for Policy Alternatives | Manitoba
November 2023

Funding Our Way: Rebalancing Revenues and Spending for a Fair and Prosperous Manitoba

Jesse Hajer, Niall Harney and David Macdonald

www.policyalternatives.ca
RESEARCH
ANALYSIS
SOLUTIONS

CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE

ISBN 978-1-77125-661-2

This report is available free of charge from the CCPA website at **www.policyalternatives.ca**. Printed copies may be ordered through the Manitoba Office for a $10 fee.

Help us continue to offer our publications free online.

We make most of our publications available free on our website. Making a donation or taking out a membership will help us continue to provide people with access to our ideas and research free of charge. You can make a donation or become a supporter on-line at www.policyalternatives.ca. Or you can contact the Manitoba office at 204-927-3200 for more information. Suggested donation for this publication: $10 or what you can afford.

UNIFOR Local567

CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE

Unit 301-583 Ellice Ave., Winnipeg, MB R3B 1Z7
tel 204-927-3200

email ccpamb@policyalternatives.ca

MRA
MANITOBA RESEARCH ALLIANCE

About the Authors

Jesse Hajer is an Assistant Professor in the Department of Economics and Labour Studies Program at the University of Manitoba and a Research Associate with the Canadian Centre for Policy Alternatives – Manitoba. From 2009 to 2016, he served as a Senior Project Manager with the Government of Manitoba where he advised and provided analysis to senior public officials, and completed his PhD in Economics at the New School for Social Research in New York in 2018.

Niall Harney is a senior researcher with the Manitoba office of the Canadian Centre for Policy Alternatives, where he holds the Errol Black Chair in Labour Issues.

David Macdonald is a senior economist with the national office of the Canadian Centre for Policy Alternatives.

Acknowledgements

The research assistance of Jack MacAulay is gratefully acknowledged. Thank you also to Dr. Evelyn Forget and Marc Lee for review and helpful feedback on earlier drafts of this report. Thank you to T. Jonah Pearce of Sixteenth Letter Collaborative for editing the paper.

This report is dedicated to Harvey Stevens, who sadly left us this past year. Harvey was a key contributor to the idea of replacing or reforming the Basic Personal Amount to reduce poverty and provide a basic income. Harvey worked both in academia and more popular settings advocating for related policy change, including undertaking the analysis for such a proposal in the 2020 CCPA—MB Alternative Provincial Budget. Harvey continues to be deeply missed.

Social Sciences and Humanities Research Council of Canada

Conseil de recherches en sciences humaines du Canada

Canada

Introduction

THE LAST FEW years have been quite the ride. Navigating the ups and downs of the COVID-19 pandemic, government support, and the cost of living has been a social and economic rollercoaster in many respects, leaving many wondering if things will ever settle down. Despite the push to move on, the effects of COVID-19 are still with us: lost loved ones, long-term disability, delayed surgeries, amplified mental health challenges, homelessness, and students trying to catch up. In Manitoba, the pandemic layered hardship on health and education systems already vulnerable due to provincial government austerity, with the Progressive Conservative (PC) government, at least initially, doubling down on an agenda of cuts in already hard times.[1] Just as things seemed to be getting back to normal, high inflation and interest rate hikes raised serious concerns around affordability, with governments being called on to provide support.[2]

In response to affordability challenges facing Manitobans, the Manitoba government has implemented one-time cash payments and tax cuts/rebates. Both models of getting cash to Manitobans are controversial in terms of how benefits are distributed, if this is an appropriate use of funds, and what the impact on the fiscal sustainability of public services will be. The tax cuts and rebates, in particular, have been criticized due to the large amounts of cash given back to high income and wealthy individuals; money that could be better targeted to those more in need, or invested in repairing the damage to health, education and social services done by austerity, the pandemic and rising costs. The scale of this giveaway is massive: since 2016, the PC government has announced tax cuts that add up to over $1.4 Billion in annual giveaways. When adjusted for the growth of the economy, this adds up to nearly $1.6 Billion in annual revenues lost to date that could be otherwise supporting public services or other affordability measures for Manitobans on a more targeted basis. This is a staggering amount of money — about equal to Manitoba's annual expenditure on postsecondary education and training in the province, for example, or more revenue than was brought in last year by corporate taxes, fuel taxes, land transfer taxes, the health and education payroll tax, and tobacco taxes combined.[3] The new NDP government has mostly committed to keeping the PC tax cuts, while promising to temporarily suspend the gas tax, costing $323 million on an annual basis.

This report examines the impact of this tax-cutting trajectory and puts forward policy alternatives that deliver support to Manitobans to address cost of living challenges on a more targeted basis. More equitable support and protecting revenues to support public investment is justified for multiple reasons. First, economically marginalized working- and middle-class households who disproportionately bore the burden of the pandemic are still struggling, with the pandemic exacerbating pre-existing social and health inequities.[4] Stubbornly high levels of income and wealth inequality and the associated challenges are becoming increasingly visible to all Manitobans. The growing poverty on display in our communities is not only adding pressure on government services weakened by austerity, it is hindering labour supply and our productive capacity as a province.[5] Secondly, the wealthy have done very well since 2019, with booming stock markets and record corporate profits fueling high returns to investors. Rather than cutting taxes and giving handouts to the already well off, the province should be targeting revenue windfalls to facilitate an inclusive, and equitable social recovery, laying the foundation for future prosperity.[6]

This report argues that such solutions are a better response to the pressures Manitoba households are facing due to inflation and focuses on the ability of the Manitoba government to raise and retain revenues to support high quality public services that are foundational for both a fair and prosperous society and economy. Reviewing the relative position of Manitoba compared to other provinces, this report contests the claims being made by the previous PC government that our province is uncompetitive when it comes to taxation levels, suggesting instead that recent tax cuts are unnecessary, and that there is room for modest targeted increases in taxes on the well-off to fund equity promoting public services and programs. Proposals are put forward for reforming our provincial suite of tax credits and income support programs and creating a Manitoba affordability credit that makes our tax system more progressive while providing a baseline level of support for those most in need.

This report proceeds as follows. Section 1 outlines the revenue lost due to tax cuts since 2016, summarizes some ideas about tax fairness, and argues that tax cuts are a highly inequitable way to distribute cost of living support to households. Section 2 provides some background on Manitoba's fiscal context, examining the pre-pandemic context of austerity, rapid economic recovery from COVID-19 and how Manitoba was on a trajectory toward a large budget surplus. Tax cuts have eaten away at this surplus and brought Manitoba's own source revenues to a modern low relative to the size of the economy. This section also undertakes an interprovincial comparison, demonstrating that Manitoba is not an outlier with respect to tax revenues relative to the size of its economy, and has room to increase taxes while remaining competitive among provinces. Section 3 briefly summarizes the case for public investment, reviewing the dire state of health, education and other public services, the continuing social challenges intensified by the pandemic, opportunities of a green transition, and how tight labour markets are an increased motivator to support investments in mobilizing marginalized populations for successful integration into good jobs. Section 4 presents some fiscal policy alternatives for revenue increases and options for modifying our income tax system to make it more progressive, helping working- and middle-class families with ongoing, reliable support for the rising cost of living.

Section 1

If We Had 1.6 Billion Dollars? The Opportunity Cost of Manitoba Tax Cuts Since 2016

THE STORY OF tax policy change in Manitoba under the PC government has been, after a brief stint of revenue increases, primarily one of cuts and lost revenue, with the largest benefits going to those with high incomes and the wealthy. The first two PC budgets implemented tax changes that on net, modestly increased revenues. Both budgets saw reductions in revenue due to income tax cuts by increasing tax bracket levels and the basic personal exemption by the rate of inflation, but some tax credit programs were eliminated or changed to make them less generous. The two main revenue generating changes included reducing and income-testing the Seniors School Tax Rebate and eliminating tuition fee rebates for students and graduates. The net effect by 2017/18 was an estimated increase in revenues of just over $66 million. The next 6 years saw a change in direction, with changing tax

FIGURE 1 Cumulative Estimated Revenue Loss Due to Tax Cuts, 2016/17 to 2023/24 (in millions)

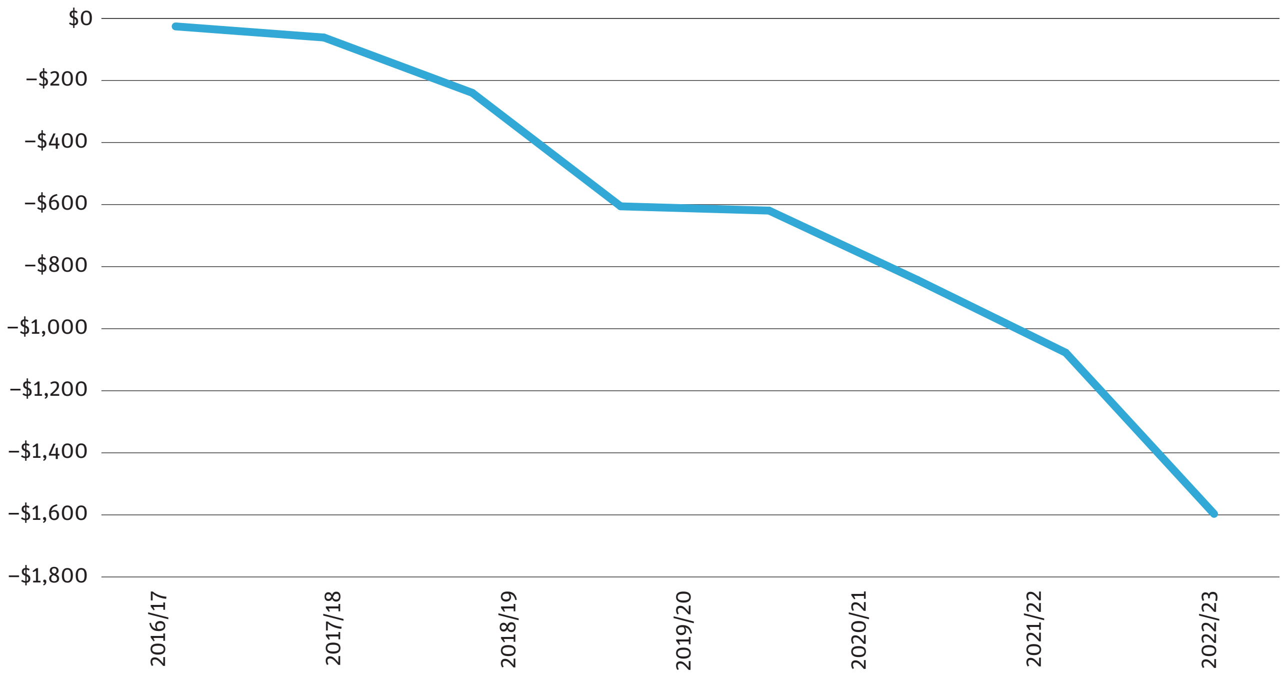


TABLE 1 Estimated Per Year Revenues Losses Due To Tax Cuts 2016/17 – 2023/24 (in millions)

	Net (of tax increases) Unadjusted for Growth of the Economy	Gross (Cuts only) Unadjusted Adjusted for growth of Economy	Adjusted (cuts only)
Income Tax Reductions	–$673.1	–$747.1	–$808.5
Sales Tax Reductions	–$312.1	–$340.0	–$408.3
Education Property Tax Reductions	–$255.6	–$292.6	–$314.5*
Business Tax Cuts	–$13.7	–$57.1	–$64.8
Tobacco Tax	$10.0		
Other tax changes	–$0.6	–$0.6	–$0.7
Total	-$1,245.1	–$1,437.4	–$1,596.8

* $453.2 million is the gross cost of education property tax rebates listed in Budget 2022/23, reflecting a 50% rebate. $292.6 million is a net amount that considers reductions to the pre-existing education property tax credit.

policy leading to new, large reductions in the hundreds of millions of dollars on a near-annual basis.

By 2018/19, increases to the basic personal exemption led to $156 million in additional losses. In 2019/20, the reduction in the PST led to a further $325 million decrease in annual revenues.[7] Initiated in 2021/22 and profiled as an affordability measure in response to inflation, an Education Property Tax Rebate, paid by cheque and mailed to property owners, reduced revenue by an estimated net loss of $292.5 million in 2022/23. The election year budget of 2023/24 announced the largest annual decrease to date, with income tax cuts totaling $486.1 million in lost annual revenue. *Figure 1* summarizes the cumulative estimated annual revenue impact of all tax cuts, adjusted for growth of the economy, while *Table 1* breaks down the lost revenue cuts by policy area.[8] The estimated revenue lost per year due to these tax cuts add up to nearly $1.6 billion.

Equity Impacts of the Tax Policy Changes Implemented

In discussions of tax policy, economists emphasize both *efficiency* and *equity*. Efficiency concerns the impact that tax changes can have on behaviour and seek to minimize incentives that reduce productive activity considered beneficial to society. Some economists, for example, claim that higher income taxes will reduce the hours people choose to work, or that higher corporate taxes will reduce business investment. By driving a wedge between what the price sellers get and what the price buyers pay, some economists suggest that taxes lead to a loss in social welfare greater than that raised in revenue both by preventing private exchanges that would otherwise have taken place and through the costs of administering the tax system. Conservative economists lean on these ideas to argue for lower taxes and smaller government.

There are many problems with this logic. There is little empirical evidence to support the claim that modest increases to income tax reduce labour supply, and the opposite can easily be true: people may actually work more to try to maintain a given standard of living.[9] On the corporate income tax front, there is similar debate and mixed results depending on the methodology used, with little support for the argument when looking at economy-wide impacts.[10] The focus on the costs of taxation also neglect the fact that taxes fund public services that allow the private sector and markets to function.[11] Government support for economic development through the provision of basic infrastructure, education, law enforcement and other foundational supports and services allow businesses and society more broadly to be economically successful and wealth accumulation to take place. In lower tax countries with weaker welfare states, such as Canada and the United States, using taxes to invest in improving government services is likely efficiency enhancing, particularly in the post-pandemic environment of record corporate profits, high inequality and devastated public services.

In 2010, a group of tax specialists assembled by the UK government concluded that tax systems should be progressive and "raise the revenue that government needs to achieve its spending and distributional ambitions whilst minimizing economic and administrative inefficiency, keeping the system as simple and transparent as possible, and avoiding arbitrary tax differentiation across people and forms of economic activity."[12] Although these principles of a good tax system are broadly accepted in the literature, there is still active debate in the economics and law literature on how to best operationalize them through public policy.[13]

In Canada, on the surface at least, we have a progressive tax system, such that higher income earners pay a higher percentage of their income in taxes. As personal incomes rise, people face higher tax brackets. The very unequal distribution of tax credit dollars however undermines the progressiveness of this system.[14] Sales taxes in their simple form are regressive, as low-income individuals spend more of their income on goods and services and save less, but this is blunted by necessities being exempt and/or credits or rebates for low-income earners. Property taxes are similar: before considering targeted rebates, they are normally classified as regressive, since lower income households spend proportionally more of their income on housing. This claim regarding property taxes however ignores that property ownership itself is unequally distributed, that businesses also pay property taxes, and makes strong assumptions about landlords being able to fully pass on the tax to renters, with many having raised questions regarding the regressiveness of property tax.[15]

Looking just at the tax rate relative to income only captures part of the fairness or equity impact of any particular tax change, which cannot be fully understood without examining how the change impacts access to public services. Working- and middle-class households are generally much more reliant on public services and transfers, due to lower incomes and an inability to access expensive private alternatives such as out-of-province medical procedures, in-home caregivers and tutors for their children, or country clubs instead of community centres. Aggressive tax cutting agendas are often paid for by cuts to universal public services that most households depend on. This has been the case with the tax cutting plus austerity agenda of the Manitoba government since 2016, with aggressive expenditure restraint and reductions funding large tax cuts.[16]

Another, arguably more straightforward, way to examine the equity impact of tax cuts is to look at the dollar value of the benefits that go to different groups. Analyses of the major tax cuts implemented by the PC government have shown much larger benefits going to high income and wealthy households. For example, CBC News examined records and determined in 2021 that the value of the Education Property Tax Rebate for homeowners ranged from $8 for a small North End condo to $6,023 for a mansion in the Tuxedo neighborhood, all from the same 25 percent rebate, a rebate that has since been increased to 50 percent.[17] The CBC analysis also found that corporations owned by some of Canada's wealthiest individuals benefited handsomely. Cadillac Fairview corporation, the owners of Polo Park Shopping Centre, received the largest rebate at over a million dollars, and the True North Corporation, partially owned by David Thompson, from one of Canada's wealthiest families, was the third highest beneficiary with a rebate of nearly $260,000.[18] A 2013 analysis by the Department of Finance also showed that a majority of increases to the PST are paid by higher income earners, with 58 percent being paid by households with incomes over $75,000 ($93,415 in 2022 dollars). The Canadian Centre for Policy Alternatives likewise did an analysis of the income tax cuts proposed in Manitoba's Budget 2023, including increasing tax bracket levels and the increase to the Basic Personal Amount (BPA).[19] They found that the top 10 percent of income earners got more money back from the tax cuts then the bottom 50 percent of tax filers combined, and that the poorest 10 percent of income earners saw zero benefit from the changes, while the top 10 percent of income earners got over $1,300 each on average. This is because the BPA is not refundable (you must owe tax to benefit) and the income bracket change by definition only benefits higher income earners.

Why Not Tax Cuts?

The fact that high income and wealthy households are benefiting more from the Manitoba government's recent tax cuts are not due to anything unique about these particular tax cuts; it is a general feature of using tax cuts to distribute income support to the population. Since taxes are based on how much money you are paid or spend, or the value of your property, those who have more will get more when taxes are cut. Using tax cuts to deliver support with the rising cost of living is particularly unjust given the record increase in wealth during the pandemic, driven initially by asset price inflation and more recently by record corporate profits and dividends paid to owners.

A better way to benefit people with lower incomes is to give everyone the same amount of money, with these payments limited to low- and middle-income households. They can also be administered quickly, when trying to help people to deal with temporary loss of income or cost pressures in unusual times. This was the form that most of the Federal COVID-19 supports to households took, including the Canada Economic Recovery Benefit (CERB), and tops-ups to the GST Credit, Old Age Security (OAS), Guaranteed Income Supplement (GIS) for seniors and the Canada Child Benefit (CCB). Manitoba also implemented a one-time $200 COVID-19 cash benefit program for seniors and social assistance recipients in the disability category, at a cost of $50 million.[20] Manitoba more recently implemented additional one-time benefit programs. In 2022, an affordability package worth $87 million was announced including: payment of $250 for the first child plus an additional $200 for each additional child under 18 for every Manitoba family with a household net income of under $175,000; $300 payments for seniors with incomes under $40,000; and a monthly increase in basic social assistance rates ($50 for general recipients, and $25 for those in disability category).[21] In early 2023, a $200-million Carbon Tax Relief Fund was announced with payments of $225 per single person and $375 per couple whose family net income was less than $175,000.[22]

The one-time payments implemented however are a blunt tool and some did not adjust for income. Due to the relatively low amount of the payments (when compared to household costs) and their one-time nature, these payments clearly only offer short-term support. This may be appropriate in the case of the Federal benefits discussed since these benefit programs are indexed to inflation, and the one-time benefit top-ups provide some relief until the indexing catches up. In the case of Manitoba, however, some of the key income support programs, such as the food and non-housing portion of social assistance, are not indexed to inflation. These one-time payments leave the underlying structural erosion of benefits in place. Cash support benefits also do not address exploitation by for-profit corporations with market power in commodities such as housing, telecommunications and groceries.

In general, the use of tax cuts and rebates tied to spending, income or property values are a relatively regressive approach to addressing systemic inequities. While flat-rate benefits are somewhat better, those that are not targeted to low- and middle-class families are particularly expensive, and in general they often still lead to wasted resources and inferior outcomes, compared to investing in universal public services and more targeted income supports. These tax cuts and credits deplete the revenues of the government that could be used to fund targeted investments in equity-promoting public goods and services, social programs and infrastructure that help increase our productive capacity as a province. This report puts forward detailed alternatives for Manitoba's tax system to help provide more targeted cash support while also raising revenues for public services.[23]

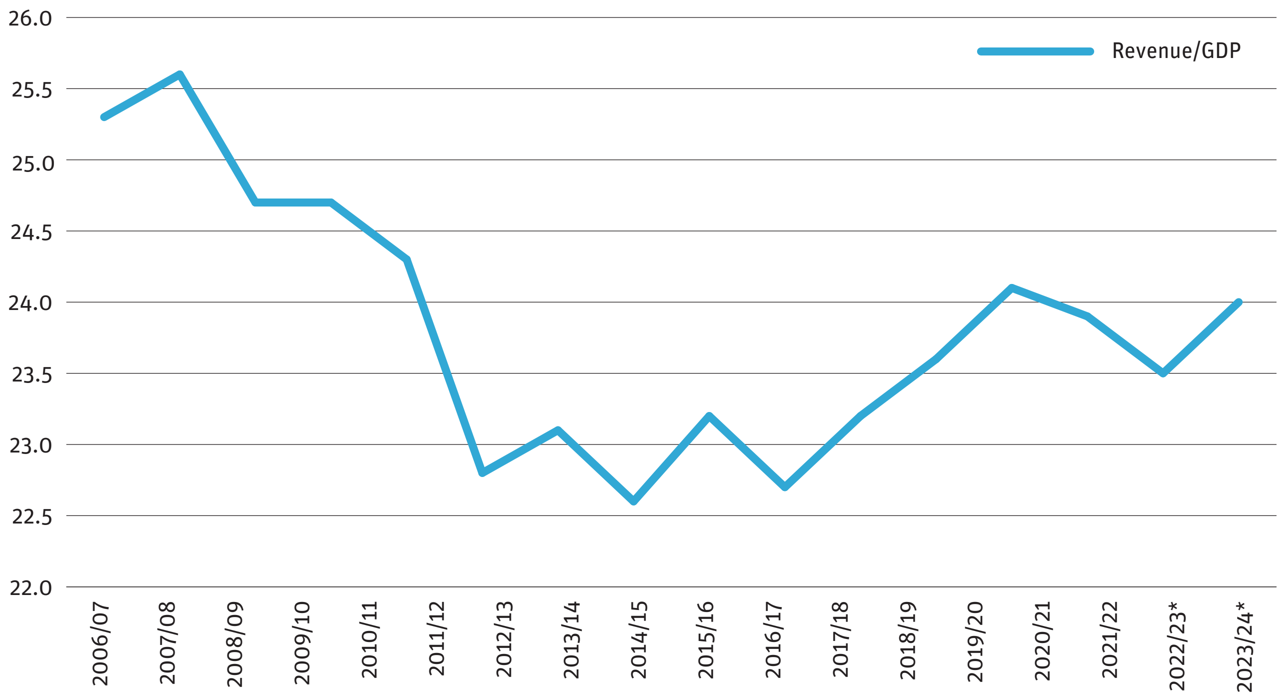
Section 2

Manitoba's Fiscal Context

The Long Term Decline in the Revenue-to-GDP Ratio

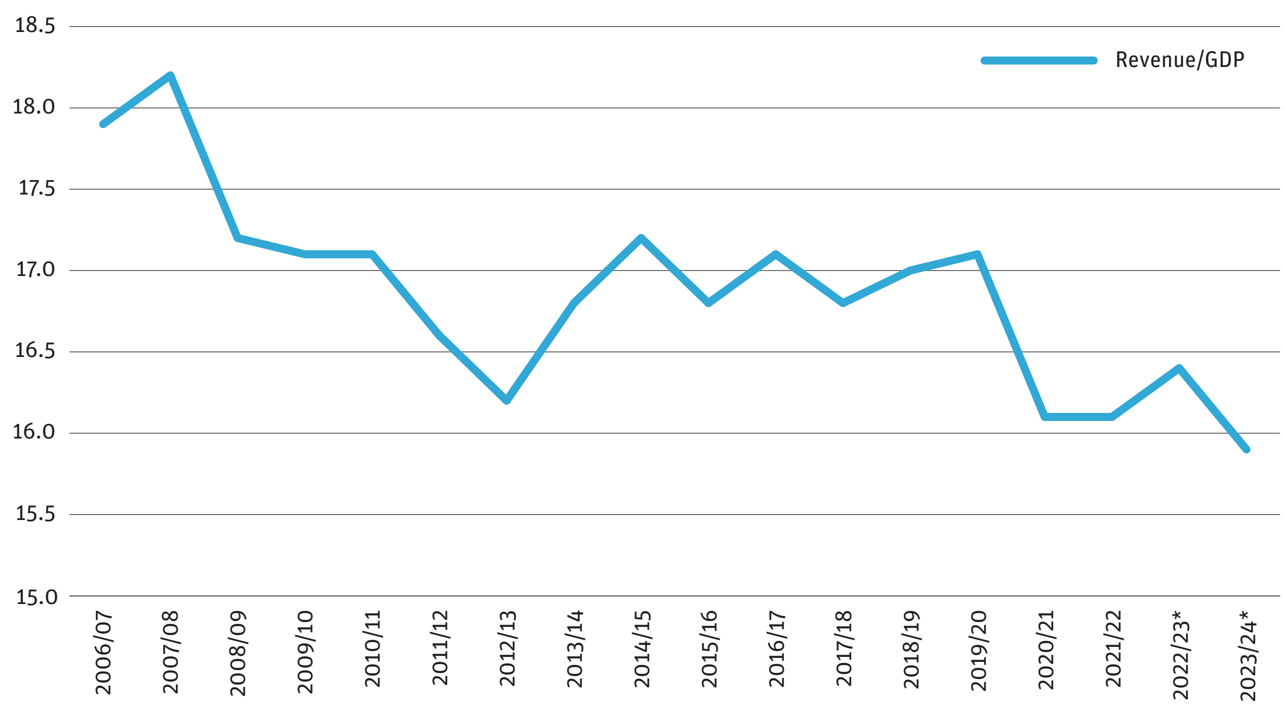
From the mid-2000s, Manitoba has seen a downward trend in the amount of government revenues as a proportion of economic output, measured by Gross Domestic Product (GDP). In 2007/08, prior to the Great Recession, government revenues were equal to 25.6 percent of GDP. As shown in *Figure 2*, over the following 6 years, that amount fell continuously and ended up below 23 percent, where it fluctuated around that level until 2018/19. Revenues as a proportion of GDP increased during the pandemic period to around 23.5 percent and 24 percent, where it is forecasted to be in 2023/24. This partial pandemic recovery however has been driven by increased federal revenues. As shown in *Figure 3*, provincial own-source revenues (total revenues minus Federal transfers) have and are projected to continue falling, from 25.3 percent in 2007/08 to a projected new low of 15.9 percent in 2023/24. Federal funding meant to expand provision of social services is instead partially replacing declining provincial revenues. This has materialized in areas such as child care: while federal dollars have increased drastically to support long overdue improvements to quality and access, provincial money going to child care has actually been cut.[24] Indirectly then, federal funding for programming is financing provincial tax cuts.

FIGURE 2 Manitoba Government Revenues as % GDP



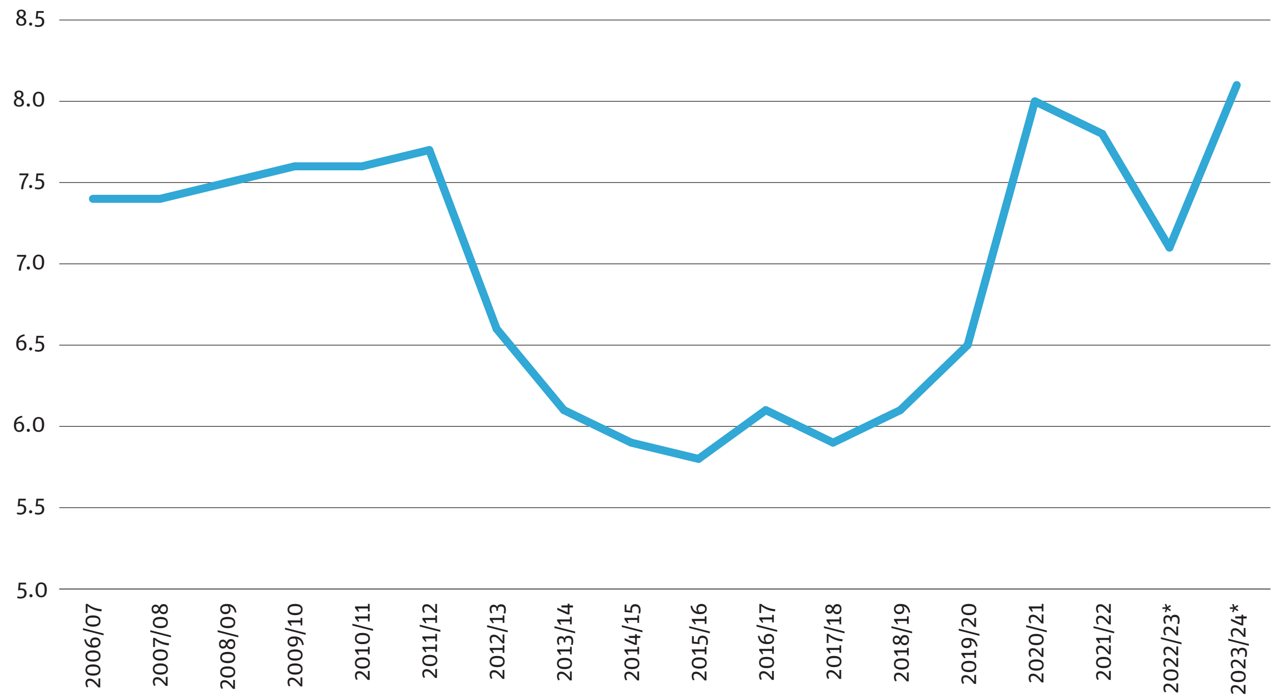
Source: Manitoba provincial government Budget data, Budgets 2011–2023.

FIGURE 3 MB Own-source Revenue as % of GDP



Source: Author's calculations based on Manitoba provincial government Budget data, Budgets 2011–023.

FIGURE 4 Federal Transfers as % of GDP



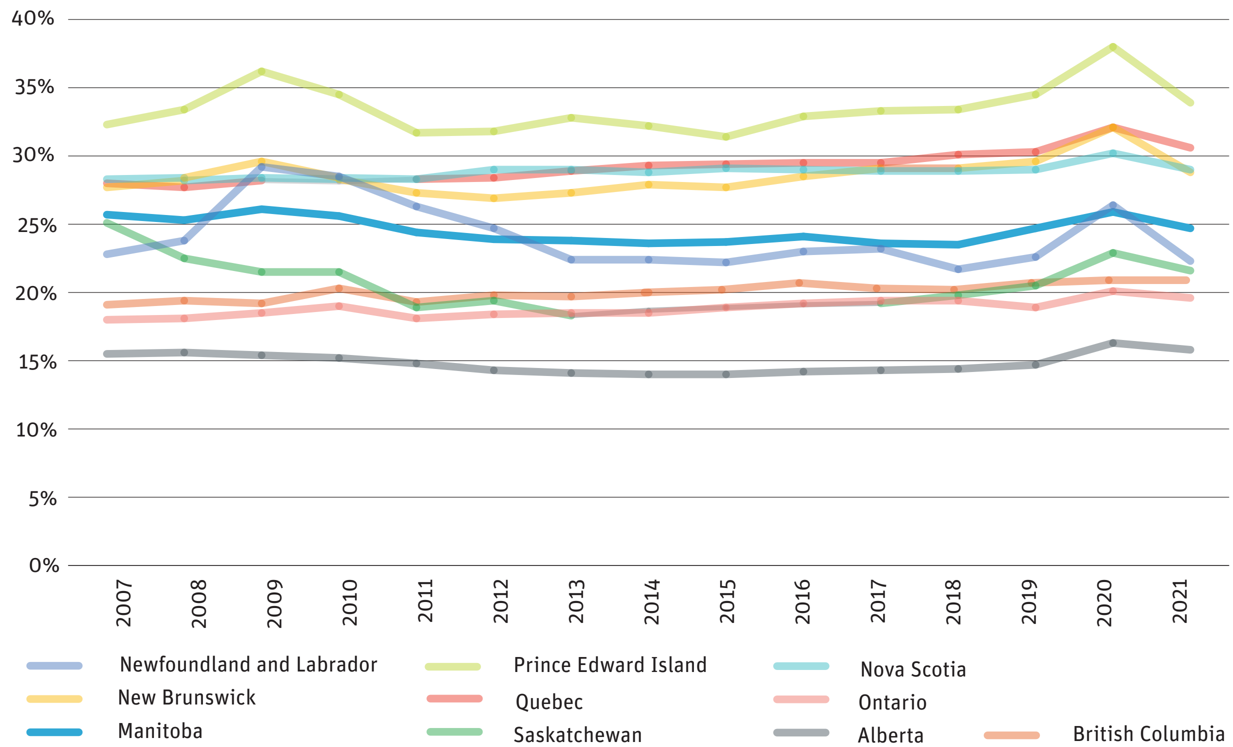
Source: Author's calculations based on Manitoba provincial government Budget data, Budgets 2011–2023.

Manitoba's Relative Position On Taxes

Provincial government revenues can be broken down into own-source revenues and federal transfers. Own-source revenues are composed of taxes, fees and net income from government-owned enterprises and other assets. Federal transfers represent the revenues received from the federal government in the form of equalization payments, and health and social transfers. In Canada, recurring federal health and social transfers help provinces fund core services like health care and education, standardizing funding levels between provinces. As a so-called "have-not province," Manitoba also receives income from equalization payments.

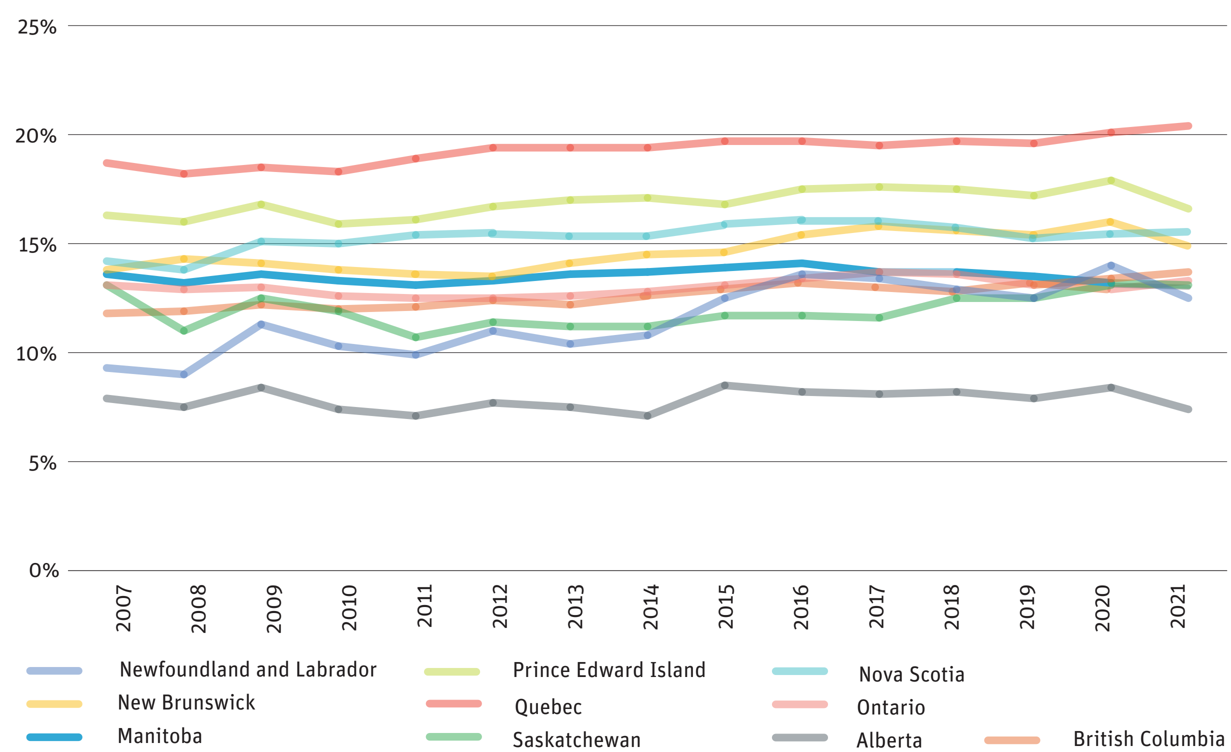
Several economic indicators based on data published by Statistics Canada, show Manitoba, relative to its peers, was either in the middle of the pack or below average in 2021 (most recent data at time of publication) in terms of how much the province collects in tax revenue relative to the size of its economy.[25] *Figure 5* shows that Manitoba is the median province when it comes to provincial government revenues relative to the size of the economy. When looking just at provincial taxes and fees, *Figure 6* shows that Manitoba is well below average, ranked 7th and well below the Canadian average.[26]

FIGURE 5 Provincial Government Revenue as % of GDP



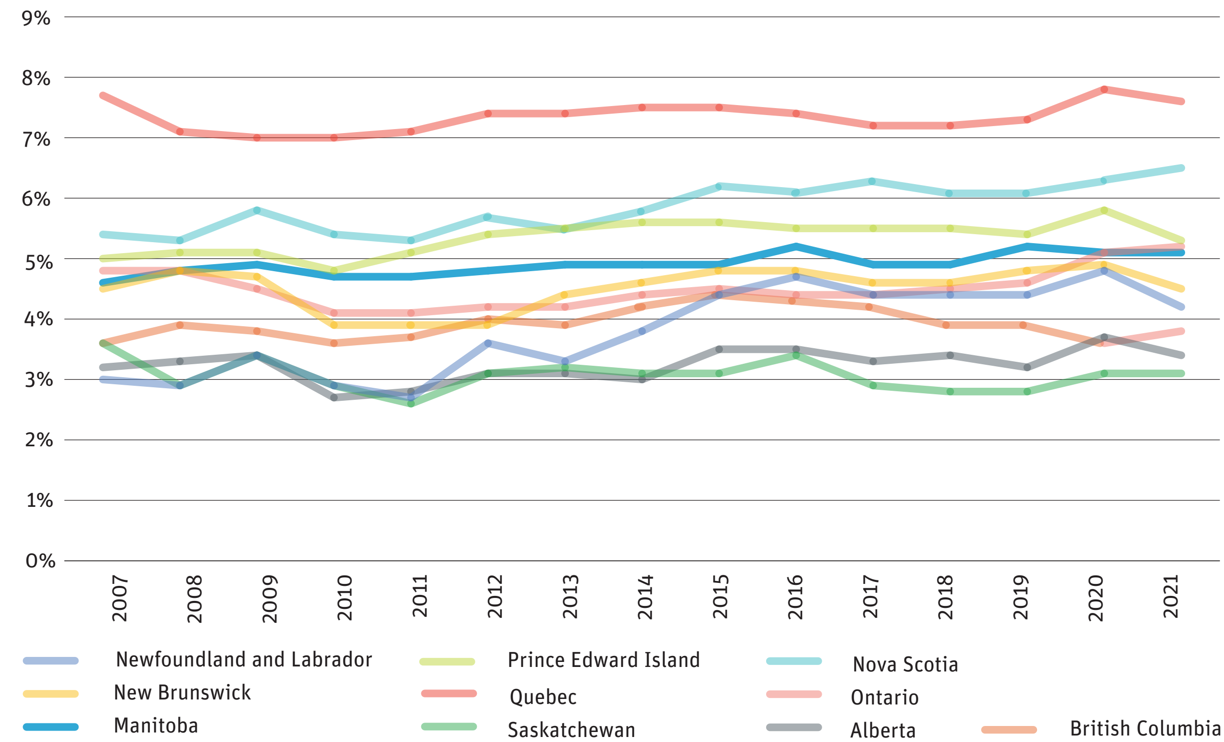
Source: Author's calculations based on: Statistics Canada. "Table 36-10-0450-01: Revenue, Expenditure and Budgetary Balance - General Governments, Provincial and Territorial Economic Accounts," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001; and Statistics Canada. "Table 36-10-0222-01: Gross Domestic Product, Expenditure-Based, Provincial and Territorial, Annual," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201.

FIGURE 6 Provincial Taxes and Fees as a % of GDP



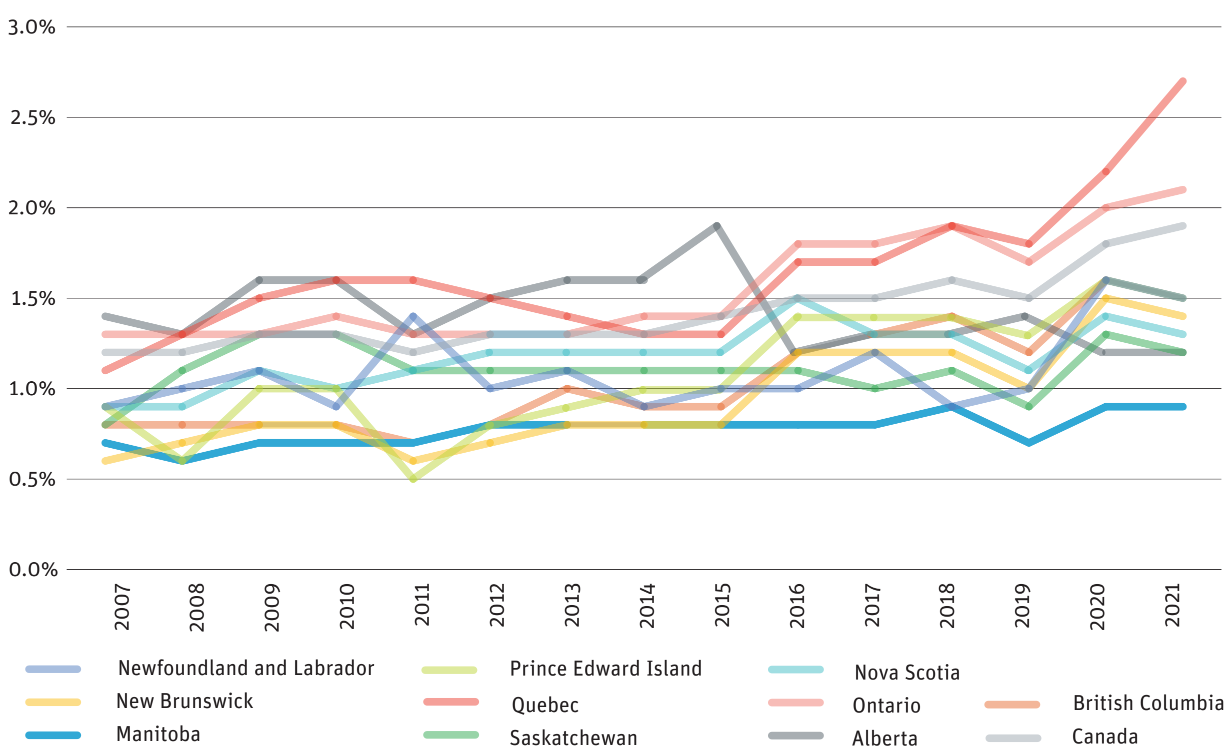
Source: Author's calculations based on: Statistics Canada. "Table 36-10-0450-01: Revenue, Expenditure and Budgetary Balance - General Governments, Provincial and Territorial Economic Accounts," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001; and Statistics Canada. "Table 36-10-0222-01: Gross Domestic Product, Expenditure-Based, Provincial and Territorial, Annual," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201.

FIGURE 7 Provincial Government Income Tax Revenue from Households, as % of GDP



Source: Author's calculations based on: Statistics Canada. "Table 36-10-0450-01: Revenue, Expenditure and Budgetary Balance - General Governments, Provincial and Territorial Economic Accounts," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001; and Statistics Canada. "Table 36-10-0222-01: Gross Domestic Product, Expenditure-Based, Provincial and Territorial, Annual," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201.

FIGURE 8 Corporate Income Tax Revenue as % of GDP



Source: Author's calculations based on: Statistics Canada. "Table 36-10-0450-01: Revenue, Expenditure and Budgetary Balance - General Governments, Provincial and Territorial Economic Accounts," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001; and Statistics Canada. "Table 36-10-0222-01: Gross Domestic Product, Expenditure-Based, Provincial and Territorial, Annual," November 8, 2022. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201.

TABLE 2 Provincial Income Inequality Rankings Before and After Taxes and Transfers, Using the Gini Coefficient, 2021

	Inequality Rank Before Tax and Transfers	Percent Reduction in Inequality form Taxes and Transfers	Inequality Rank After Tax and Transfers
Prince Edward Island	1	−36%	1
Saskatchewan	2	−31%	5
British Columbia	3	−30%	8
Nova Scotia	4	−37%	2
Manitoba	5	−34%	6
Alberta	6	−30%	9
New Brunswick	7	−37%	4
Quebec	8	−38%	2
Ontario	9	−33%	10
Newfoundland and Labrador	10	−39%	7

Source: Author's calculations based on: Statistics Canada. "Table 11-10-0134-01: Gini Coefficients of Adjusted Market, Total and after-Tax Income," May 2, 2023. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110013401.

Figure 7 shows that with respect to income tax revenue from households, Manitoba is ranked 5th among provinces, with exactly the Canadian average rate of 5.1 percent in 2021. In terms of corporate income tax relative to the size of the economy, as shown in *Figure 8*, Manitoba is currently ranked the lowest in terms of its tax revenue from corporations. Manitoba is also the only province not to tax the income of small businesses. The fact that Manitoba ranges from the lowest-to-median among provinces with respect to its tax revenue relative to the size of its economy, shows that Manitoba is not out of step with respect to having high taxes, and suggests that Manitoba has the fiscal space to modestly increase taxes.

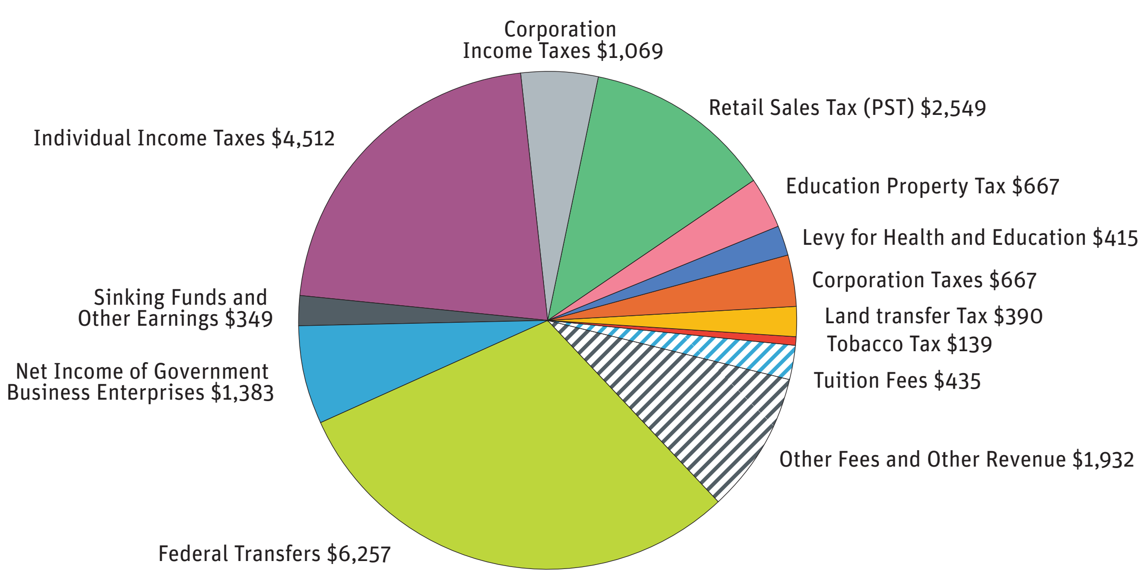
Manitoba could also improve the degree to which our tax and transfer system in Manitoba addresses income inequality. In 2016, Manitoba was the fourth lowest in terms of income inequality, as measured by the Gini coefficient, both before and after taxes and transfers. By 2021, Manitoba had worsened to the fifth-most equal province before taxes and transfers, and dropped two spots to sixth place after taxes and transfers.[27] In 2021, inequality in Manitoba was reduced by 34 percent by taxes and transfers, less than most other provinces. This is partially due to Manitoba having a below-average top marginal income tax rate.[28] Manitoba's tax and transfer system then has room to be more progressive relative to other provinces with respect to redistributing income and reducing inequality in Manitoba.

Federal Transfers Backfilling Provincial Tax Cuts

Manitoba's fiscal outlook has improved considerably since the lows of the Covid-19 recession in 2020–21 cumulating with a realized surplus in the 2022/23 fiscal year, as reported in the recently released public accounts.. Rapid economic growth and price inflation throughout late 2021 and 2022 have grown income and sales tax revenue at a strong clip. High water levels in 2022 sent an extra $625 million in water rentals and fees from Manitoba Hydro to the provincial treasury.[29] This sum is reduced by water rental rate decreases granted by the provincial government, however 2022/23 public accounts will see a net revenue from Hydro in the sum of a few hundred million dollars. Further, federal transfer payments to Manitoba are set to increase by $1.04 billion in 2023/24.[30] The province is looking at a changed fiscal landscape to that of previous economic recoveries with considerable room to invest in ailing public services. Budget 2023 reflects these rosy revenue forecasts. After increasing 7.7 percent in both 2021/22 and 2022/23, revenues were on track to increase by 7.9 percent in 2023/24 before the new income tax cuts.[31] With the new tax cuts, revenue is now forecast only to increase by 4.5 percent.

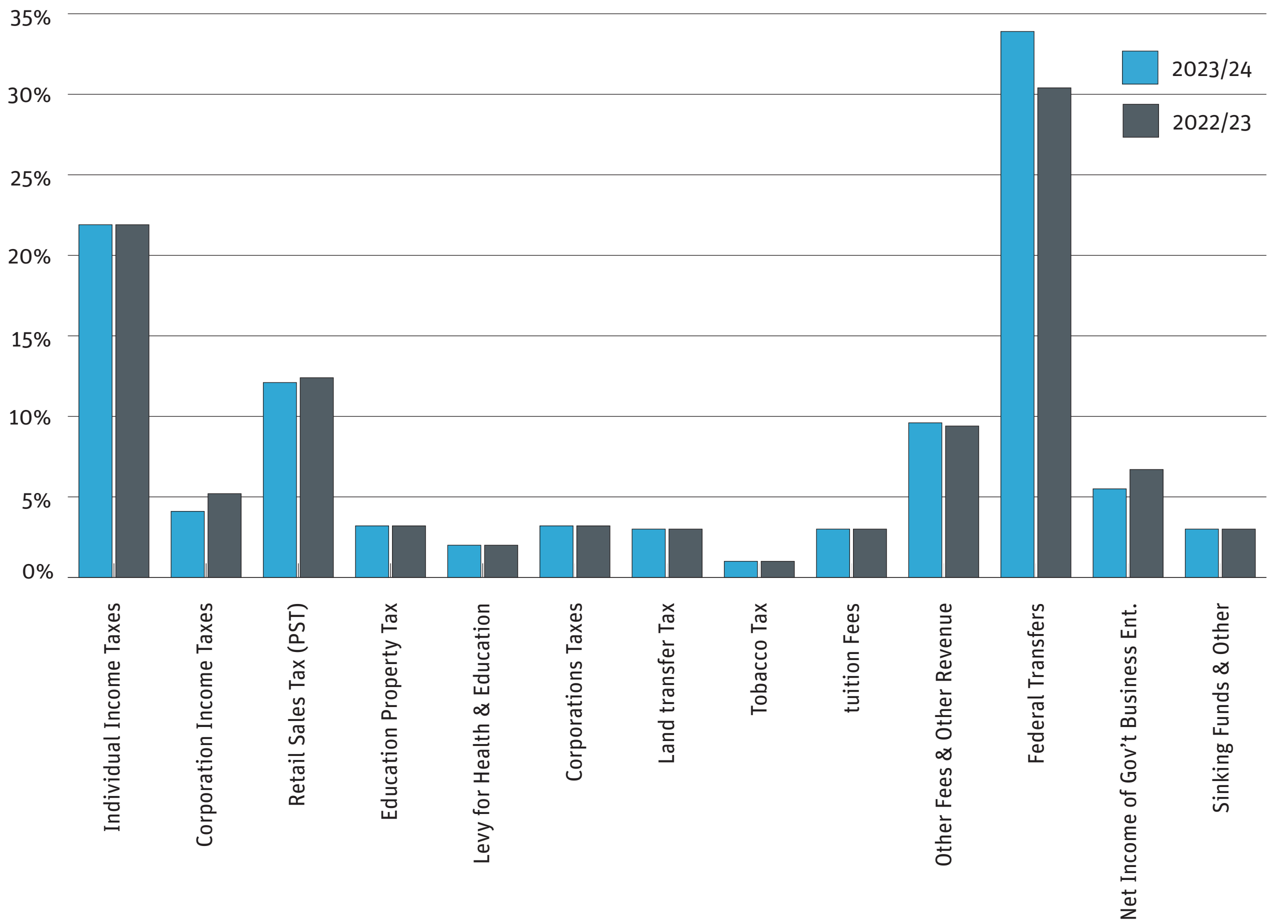
Figure 9 categorizes Manitoba's forecasted revenue for 2022/23 (by source) in Budget 2023 and *Figure 10* shows the change in revenue (by source) compared to the forecast in Budget 2023 for 2023/24. Federal government transfers represented the biggest source of revenue for the province at 33.9

FIGURE 9 Government of Manitoba 2022/23 Revenue Forcast (in millions)



Source: Manitoba Budget 2023

FIGURE 10 Government of Manitoba Revenue Forcast, Budget 2023



Source: Manitoba Budget 2023

percent of total revenues. From 2013 to 2019, this figure hovered around 25 to 27 percent. Relying too much on government transfers for revenue can put provinces in a vulnerable position, as they vary with economic fluctuations. Manitoba, given its more stable economic growth, tends to benefit more in good times than bad, when it comes to equalization.

The second largest forcast component of provincial revenue in 2022/23 was individual income tax, at 21.9 percent of revenues. In 2023/24, income tax is forecast to decrease to 21.6 percent of revenues. The third largest source of revenue is retail sales tax, otherwise known as provincial sales tax (PST), making up 12.4 percent of revenue in 2022/23. The retail sales tax is a tax applied to retail sales or rental of most goods and services in Manitoba and is projected to fall to 12.1 percent of revenues in 2023/24. Overall, we can summarize the recent changes in revenue composition as a large increase in federal transfers displacing provincial revenues, in particular less income tax and government business revenues.

Section 3

The Case for Public Investment

TAX CUTS AND the associated loss of government revenues have come at the expense of deteriorating public investment. There are four main reasons why we suggest this policy approach is misguided in Manitoba. First, provincially funded public services have been decimated by an austerity agenda dating back to 2017 and are in desperate need of rehabilitation. Second, the ongoing impacts of the pandemic require public investments, including the subsequent rising cost of living and the devastating impact this is having on those of lesser means. Third, and related, tight labour markets in the aftermath of the pandemic require public investment to prepare and mobilize potential workers that due to socioeconomic marginalization are not meeting their full potential to contribute and are less likely to be successful in paid employment without public support. Finally, there is an urgent need to support a Green Transition and projects that mitigate the negative impacts of climate change.

Austerity and Dire State of Health, Education and Other Public Services

The negative effects of austerity on core public services across Manitoba is visible and well-documented across health, education and other provincially funded public services. Health care is a central case and has experienced a series of cuts to staff and programs since 2016, as documented by the Manitoba Health Coalition.[32] Initial early cuts to the system including cancelled capital investments, programs supporting women's and newborn health, the closing of quick care clinics, the closure of three emergency rooms in Winnipeg, the elimination of 300 nursing positions and across the board rounds of management cuts. Manitoba's Healthcare Transformation Strategy, prepared by an out of province consultant was imposed on healthcare staff without meaningful consultation. The transformation strategy closed emergency rooms and urgent care centres, alienating healthcare professionals, leading to significant vacancies and worsening services levels.[33] The author of the original strategy, in a follow-up report noted that implementation had led to "workload and staffing instability…[which] are significant and not sustainable" (p.3) and "deep-seated unhappiness in emergency department nurses and physicians."[34] The well-known burden of the COVID-19 pandemic compounded the effects of previous staff and program cuts, leading to continuing backlogs and staffing shortages.

Manitoba health care, especially in rural regions, is being pushed to the brink of collapse. Of the current 68 hospitals in rural and northern parts of the province, 26 emergency departments were open over the 2023 July long-weekend, while 20 were partially closed, and 22 were closed full time due to staffing shortages.[35] Nursing shortages in the province reached an unprecedented all-time high during the pandemic and is a key contributor to the health crisis in Manitoba. In January 2021, 1,283 empty nursing positions equated to a 17 percent vacancy rate, while in the Northern Health Region, the rate was 47.4 percent.[36] High vacancy rates and staff burnout have also been documented across long-term care and home care systems.[37]

While health care spending has increased in Budget 2023, this funding appears to be advancing a privatization agenda, as opposed to rebuilding the public system. Spending on nursing and physician recruitment and retention remained flat in the budget, while the province continues to rely on more expensive private nurses and out of province procedures, as opposed to building capacity in Manitoba.[38] A recent examination of health care spending by University of Manitoba economists showed that Manitoba fell from one of the highest spending provinces on health under the Selinger NDP to one of the lowest under the PCs, with inflation adjusted per-person spending falling by 3.5 percent between 2015 and 2019.[39] Based on surveys with health care workers, they also found that retention and worker morale continues to decline, as a vicious cycle of increasingly toxic work environments and the hemorrhaging of workers continues, alongside falling quality of care, according to a number of indicators.

The experience in health care is typical of the challenges faced across provincial public services due to provincial government austerity, both before and after the pandemic. Chronic underfunding for public education has led to larger class sizes, cuts to special needs programming, increased workload, and educator burn out.[40] Workers maintaining our provincial infrastructure speak of debilitating staffing cuts undermining public safety and value for money.[41] Manitoba parks are staffed with a skeleton crew as environmental site inspections are left undone and drinking water monitoring is being neglected.[42] In Justice, corrections workers are left without the resources needed to support rehabilitation, leading to toxic and dangerous working conditions, while an underfunded courts system delays access to justice, leaving the accused and victims languishing in unacceptable delays.[43] Crown corporations have been forced to implement large staffing cuts, leading to reduced quality of service and system vulnerabilities at Manitoba Hydro, and massive cost overruns on major projects at Manitoba Public Insurance.[44] Cuts in provincial funding for child care has resulted in deteriorating quality of care and an exodus of child care professionals from the sector.[45] Examples exist across all areas of government, with the overall impact being a weakened public service unable to lead and support economic development or meet the basic social service needs of Manitobans.[46]

Pandemic Recovery: Continuing Social Challenges

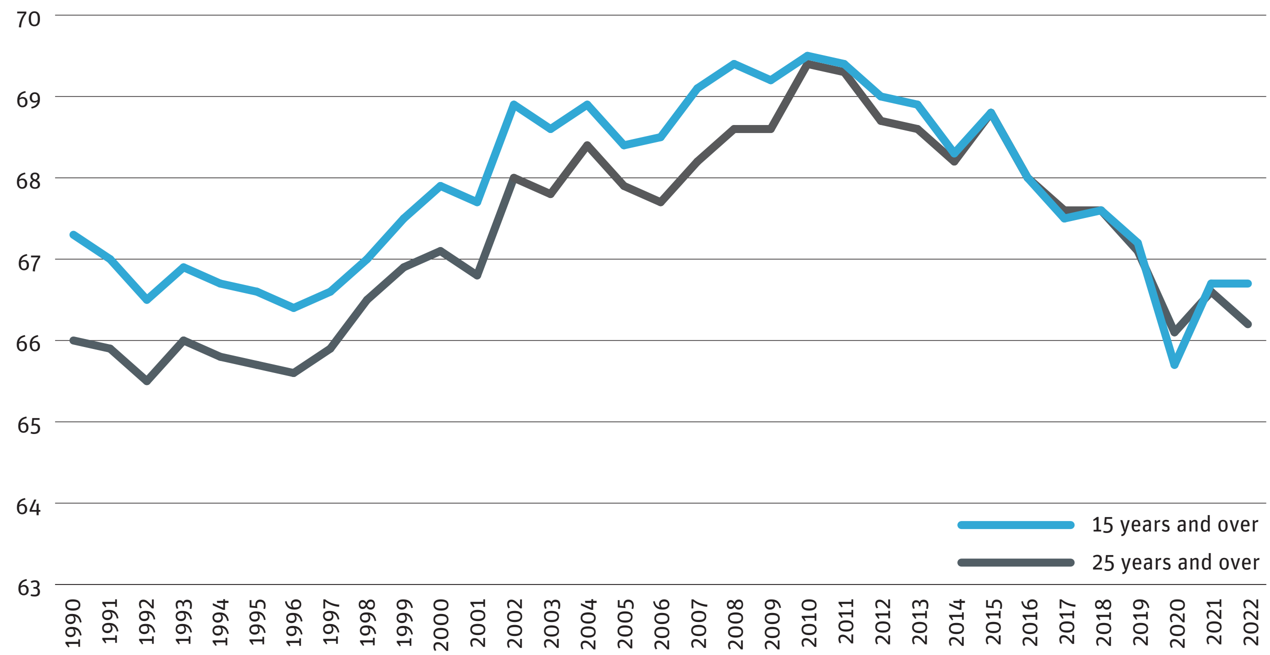
Many Manitobans have tried their best to put the COVID-19 pandemic behind them: a period of disruption and trauma they would rather forget and move on from, rather than dwell on. Unfortunately, the legacy of the pandemic lingers. In addition to the virus continuing as endemic and lasting impacts of long-term disability from acute infection, post-COVID-19 condition or "long-COVID" has affected 15 percent of those who were infected with COVID-19, leaving many unable to work or impaired chronically.[47] COVID-19 has also increased the proportion of the population with a disability, both for those inside and outside of the labour force. While Canadian data is lacking, studies in the United States show an additional 1.2 million people were disabled in 2021 compared to 2020, and the cost of long-COVID to the economy has been estimated at $3.7 Trillion dollars.[48] Mental health and addictions challenges were also inflamed by the pandemic, with the affordability crisis layering additional burden and contribution to further deterioration in wellbeing.[49]

School-aged children are still being impacted by school closures and the associated learning loss, with Canada being one of the countries with the highest number of school days lost to the pandemic, with highly inequitable impacts across the socioeconomic spectrum.[50] The affordability crisis has increased homelessness rapidly across Canada, with over two-thirds of communities facing skyrocketing chronic homelessness and a growing number of deaths of unsheltered people.[51] Overall, the costs of allowing poverty and inequality to fester hinders growth, reduces labour market attachment, and imposes costs on other social services including health, criminal justice, and education systems.[52]

Tight Labour Markets and the Need to Invest in our Potential to Work

Long-term demographic trends are also squeezing labour markets, with the pandemic having aggravated these effects.[53] *Figure 11* shows how the proportion of the population participating in the labour market has been declining in Manitoba since peaking in 2009 at around 69.5 percent, and in 2022, sat between 66 percent and 67 percent.[54] Unemployment rates in Manitoba over the last year and a half have also stayed well below pre-pandemic norms, with rates at their lowest in 15 years.[55] A continuing strong demand for labour and very low unemployment rates provide an opportunity to increase economic growth and reduce poverty through investment in jobs, training and employment programs targeted to those who face barriers to entering the labour market, but this requires public investment in culturally appropriate intensive supports. Community-based organizations and social enterprises have demonstrated capacity to move people into good jobs with the right supports, but this requires public investments.[56] Further, changes to Manitoba's income support system are required to eliminate the "welfare wall," which refers to the high rate of social assistance income claw back which presently dissuades recipients from moving into employment.[57]

FIGURE 11 Proportion of the Population Participating in the Labour Market, Manitoba



Source: Statistics Canada, "Table 14-10-0020-01: Unemployment Rate, Participation Rate and Employment Rate by Educational Attainment, Annual," January 6, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410002001.

Low-hanging Fruit of a Green Transition

Transitioning from fossil fuels toward electrification in Manitoba supports goals for greenhouse gas reductions and local economic development instead of paying for oil and gas produced out of province. Redirecting power produced by Manitoba Hydro currently sold in low-value export markets towards domestic consumption is a win-win: the public utility gets a higher price for its electricity produced, while electrification, when paired with other green energy investments such as electrification of buses, cars, geothermal heating and cooling etc., reduces the cost of living for Manitobans.[58] Several social enterprises already specialize in this work in Manitoba, leveraging training opportunities for hard-to-employ populations while advancing this important work.[59]

Section 4

Fiscal Policy Alternatives for Manitoba: A More Progressive Income Tax System

MAKING OUR TAX and government transfer system more equitable and raising additional revenues is necessary to meet the challenges Manitobans face collectively as a province, ranging from the rising cost of living, climate change, deteriorating health and education systems, and finding workers to meet our growing demand for labour. This section puts forward tax policy options that Manitoba can pursue to raise revenues, while also proposing changing tax credits, specifically the Basic Personal Amount, to make our tax system more progressive.[60]

TABLE 3 Enhance Basic Personal Amount Benefit Levels

Household Type	Maximum Amounts	Income Threshold at Which No Benefit Received
Single adult	$16,800	$67,200
Couple	$19,800	$79,200
Single Parent	$17,000	$68,000
Two Parent Two Child	$22,200	$88,800

Income and Sales Tax Measures

Turning the basic personal amount into an income-tested refundable tax credit

The Manitoba government's changes to the basic personal amount have added up to over $500 million in lost annual revenues since 2016. As discussed in Section 2.1, this tax break is actually a well-disguised tax cut for the well-off, benefiting higher-income earners the most while providing the lowest-income earners no relief at all (since the credit is non-refundable). We propose to enhance benefit levels by increasing the maximum amounts, making the benefit refundable, and paying the benefit monthly.[61] We propose reducing the benefit at a rate of 25 percent of net income, to ensure that higher income earners do not benefit. The benefit would act as a basic income, and would replace most other tax credits and income support programs provided by the province, including the Employment and Income Assistance and Rent Assist programs. We propose that such benefits be paid out monthly similar to these programs.

Table 3 summarizes a sample set of benefit amounts that increase benefit levels to just above two-thirds of the poverty line. Appendix 1 has more detailed information on the impact of the enhanced BPA relative to existing benefit levels. The maximum amounts for low-income earners bring all four of our family types up to at least two-thirds of the poverty line.

Return taxes rates to 2016 levels and introduce a new high-income tax bracket

The Manitoba government has introduced a series of income and sales tax cuts since 2016. We propose restoring those tax rates to 2016 levels including the PST. We also propose a new higher income tax rate on income earned above $100,000. The addition of one or more high-income tax brackets would improve tax fairness while also generating Manitoba a significant amount of revenue. Manitoba has seen no change in the top marginal tax rate over the past 18 years. Our proposed changes result in the following tax brackets:

- 10.8 percent rate on income between $0 and $31,000
- 12.75 percent rate on income between $31,001 and $67,000
- 17.4 percent rate on income between $67,000 and $100,000
- 24 percent on income over $100,000

Eliminate a number of small tax credits:

We propose eliminating the following small tax credits, consolidating all credits in the new enhanced BPA.

1. Age amount
2. Family Tax Benefit
3. Fitness amount
4. Children's Arts Credit
5. Personal Tax Credit
6. Education Property Tax Credit
7. Renters Tax Credit
8. Seniors school tax rebate
9. School Tax Credit for Homeowners

Most of these credits are non-refundable and therefore of greater benefit to higher-income families who have the income to claim these credits, while the refundable ones are more than compensated for by the new enhanced basic personal amounts proposed above for approximately half of income earners.

Summary impact of personal tax changes

The above proposed personal tax changes are not revenue neutral. The net cost of the changes is $256.7 million, which we propose to pay for by increased taxes and the elimination of credits for corporations. These enhancements will lead to an average change in disposable income of $491 per family,

TABLE 4 Impact of Proposed Income and Sales Tax Changes Across Household Income Spectrum

Decile	Disposable Income	% Loss	Neutral	% Gain	Average Change in Disposable Income
1	Up to $23,789	0.0%	0.0%	100.0%	$12,601
2	$23,790 to $30,999	0.5%	0.0%	99.5%	$8,951
3	$31,000 to $42,157	1.3%	0.0%	98.6%	$6,267
4	$42,158 to $51,703	5.6%	1.0%	93.5%	$3,788
5	$51,704 to $62,896	48.2%	1.4%	50.6%	$1,877
6	$62,897 to $77,058	69.9%	2.1%	28.0%	–$902
7	$77,059 to $92,803	83.9%	0.0%	16.1%	–$2,985
8	$92,804 to $113,417	93.7%	0.5%	5.8%	–$4,374
9	$113,418 to $148,995	96.2%	0.0%	3.7%	–$5,931
10	Above $148,996	98.2%	0.0%	1.8%	–$14,419
All		49.7%	0.5%	49.8%	$491

Source: Authors simulation based on Statistics Canada. "Social Policy Simulation Database and Model (SPSD/M)," 2023. https://www.statcan.gc.ca/en/microsimulation/spsdm/spsdm.

Notes: *Disposable Income* is income after taxes and transfers but before consumption taxes. The household *gain* and *loss* percentages are based on *consumable income* (disposable income less consumption taxes). The *Neutral* category accounts for those experiencing less than a $100 change.

providing extra support with the rising cost of living. Unlike the measures currently being implemented by the Government of Manitoba, the vast majority of those who have lower incomes would meaningfully benefit.[62] *Table 4* shows the impact of our proposed income and sales tax changes across the household disposable income spectrum. By increasing taxes on high-income earners and redistributing credits, much higher benefit levels can be made available for the bottom half of income earners. For example, a family with disposable income in the range of $51,704 to $62,896 receives on average $1,877 more in benefits than under the government current approach outlined in Budget 2023.

Revenue impact: –$256.7 Million

Business Tax Measures

Increase the corporate income tax rate by 1 percent, point to 13 percent

In Manitoba, corporate income tax generates a significant amount of tax revenue for the provincial treasury. In 2022/23, revenue from corporate income tax is forecasted to come in at just over one billion dollars, comprising 5.2 percent of total provincial revenues.[63] With that said, the share of corporate contributions to provincial revenue has declined over the last two decades, reflecting successive corporate tax rate cuts and business tax reductions. As outlined in *Figure 8*, Manitoba's corporate tax revenue as a percentage of GDP is the lowest of any Canadian province. We propose a 1 percent increase to corporate income tax, while keeping the tax exemption on small businesses.

Revenue impact: +$82 Million

Reverse business tax cuts to health and education levy

The Manitoba Government has made a number of changes to the health and education levy that reduces the revenues generated by this payroll tax on larger businesses. We propose reversing those measures.

Revenue impact: +$39.7 Million

Additional revenue from PST on businesses:

Businesses pay an estimated 41 percent of the PST. The PST brings in approximately $364.1 million dollars of revenue per percentage point.

Revenue impact: +$149.3 Million

Eliminate the School Tax Rebate for Corporations:

Businesses receive a 10 percent rebate on their education property taxes. We propose eliminating the credit, including the business portion.

Revenue impact: +$39.8 Million[64]

Eliminate the Child Care Development Tax Credit

The Child care development tax credit is designed to promote private for-profit child care development. Evidence shows that this form of child care provision results in a lower quality of care and poor outcomes for children.[65] We propose eliminating this tax credit and investing the resources in restoring provincial funding cuts to child care.

Revenue impact: +$1.7 Million

Other Measures

Introduce a Mansions Tax and make the Land Transfer Tax more progressive

Over 72 percent of Manitobans support a tax on homes worth a million dollars.[66] We suggest an annual "mansions tax" on homes worth a million dollars or more. The current land transfer tax is only mildly progressive in that the rate increases only up to property values of $200,000. We recommend introducing a higher rate on higher valued homes, building upon research on this topic in British Columbia. These measures together will target a revenue increase equal to 50 percent of the current land transfer tax.

Revenue impact: +$67 Million

Summary Impact of Tax and Revenue Measures

Table 5 summarizes the net impact on revenues of our proposed policy changes to Manitoba's tax and transfer system aimed at making it more progressive. Together, the combined changes are projected to increase revenues by $122.8 Million.

TABLE 5 Summary Total Revenue Change

Income and Sales Tax Measures	−$256.7
Business Tax measures	+$312.5
Other Measures	+$67.0
Net Revenue Increase	**+$122.8**

Conclusion

GOVERNMENTS REQUIRE REVENUE to ensure a safe, stable society for communities and individuals to thrive. The revenues secured by government pay for setting up and enforcing regulations that ensure food is safe, water and air are clean, and our human rights are respected. Taxes allow us to provide universal supports and services when facing illness, disability, unemployment, crime, natural disasters, poverty, or old age. They provide the basic infrastructure and coordination required for a modern economy and society to function. The COVID-19 pandemic served as a painful reminder that private markets have their limits, and we are fundamentally dependent on governments to ensure our health and well-being. Governments, like many working- and middle-class households, are navigating and often struggling with the ups and downs of the post-pandemic context. We need to ensure our public services are functioning, resilient and well-resourced to rebuild and support a fair and prosperous province in these challenging times.

Unfortunately, the Government of Manitoba has been going in the opposite direction since 2016, raiding the treasury and running up deficits to provide tax cuts for the rich, while allowing public services to fall into crisis and disarray. While support was required for many working- and middle-class households to address the cost of living crisis, the PC government used it as an opportunity to advance a regressive agenda, smuggling in tax cuts for the wealthy, while providing little-to-no support to those most in need.

This report presents a series of policy alternatives that does not hand out scarce public money to the wealthy, but instead targets benefits to those who need it most, while increasing revenues to help rebuild and reverse the damage to public services done by years of austerity. In addition to reversing the PC government's tax cuts for the wealthy and corporations, we propose modest increases in taxes on corporations and high-income earners who have done very well during the pandemic with record profits, dividends and increases in asset values. We also proposed a significant change to the Basic Personal Amount (BPA), clawing it back from higher income earners while making sure lower income earners get the highest benefit. Our proposed changes, as a whole, generate $124 million more dollars to invest in rebuilding our health, education and other social services that have been damaged by provincial government austerity.

Our overall package of policy reforms also supports moving people marginalized from paid work into the labour force. It does so indirectly by generating additional revenue that could support evidence-based training programs focused on those facing barriers to employment, but also by reducing the "welfare wall" in Manitoba's income support system. The "welfare wall" refers to the idea that clawbacks on social assistance income dissuades recipients from seeking employment. Our proposal moves these income supports out of welfare, into a benefit that declines slowly as people earn income. This encourages risk taking and employment as people get to keep their benefits as they transition to paid work. This was the motivation behind the Rent Assist program increasing benefits substantially for those not on social assistance and is part of the broader rationale for a basic income.[67]

We have attempted to show how significant the loss of $1.6 billion dollars in revenue has been by contrasting it with a more progressive alternative: that with some modest additional tax increases on the top half of income earners, these tax cuts could have easily funded a basic income for all Manitobans at two-thirds of the poverty line. This alternative is partially just for illustrative purposes: This money could alternatively have gone towards creating thousands of new child care spaces, creating 24 hours drop-in centres and jobs for our most at-risk youth, restoring healthcare services, or ensuring all children's learning needs were being met in our schools; Or these funds could have funded a monthly affordability benefit of $350 per month for all households with incomes below $75,000. The key point is that the loss of $1.6 billion dollars is a lost opportunity to restore public services, reduce inequality and promote social inclusion.

During the 2023 election campaign period, both major parties doubled down on these tax cuts. The NDP committed to maintain the $1.6 billion cumulative tax cuts implemented since 2016, including those in Budget

2023. They also promised no tax increases except clawing back the School Tax Rebate on large out-of-province corporations, as well as temporarily suspending the gas tax. From a revenue perspective, this is better than the PC's election proposal, which was over $1.2 billion in additional cuts if re-elected. However, the NDP's position to move forward with the PC budget is effectively a maintenance of the problematic status quo. Only the Manitoba Liberals made any serious proposals to generate revenues and make the tax system more progressive.

The NDP gas tax suspension is another example of how tax cuts are skewed to benefit the already well off, while leaving those most in need with little or no support. Based on average distance traveled and average fuel economy, the typical driver can be expected to save approximately $178 per year from the gas tax cut.[68] The gas tax however brings in $323 million dollars in revenue per year or $282 dollars per person 15 years or older. Sending out $282 cheques or refunding that amount on each person's annual taxes could have benefited all Manitobans, including those that will get zero benefit from the tax cut, including those who can't afford private vehicles and rely on alternative such as public transportation. Alternatively, the government could have made public transit free for all existing users and still had hundreds of millions of dollars left to improve and expand service, including to rural and northern communities.[69] Instead, the NDP gas tax cuts give nothing to the poorest while rewarding those driving low efficiency luxury vehicles.

The election commitments of the new NDP government place serious constraints on Manitoba's ability to repair the damage of seven years of austerity in health, education and other public services. This risks four more years of austerity, although less severe than would have been required under the PC election commitments.[70] It is possible that strong economic growth could continue to generate some room to maneuver, and the NDP also has additional health transfers that it did not account for in its fiscal blueprint.[71] However, the NDP's commitment to balance the budget within four years means that a recession or change in direction at the Federal government level could necessitate massive cuts to public services if unwilling to reconsider increasing taxes.

Regardless of the short-term economic outcomes, the long-term trajectory necessitates a fresh look at generating additional revenue for public services in Manitoba through progressive tax increases if our public services are to be sustained and we are to meaningfully tackle Manitoba's climate, inequality and labour force challenges. Given the size of the NDP victory, the collapse of the Manitoba Liberals, the disarray of the PCs, and Manitoba's history of giving governments at least two terms in power, the path forward for increasing revenues and making the Manitoba tax system more progressive appears to require convincing the new NDP government to examine options over the coming four years in the lead up to a second mandate. Given the scale and urgency of the challenges ahead, after four years of governing under self-imposed fiscal constraints, Manitobans, the majority of who currently value investments in public services over tax cuts, may find a more receptive audience.

Appendix: Impact of Changes to Basic Personal Amount

TABLE A1 Basic Personal Amount Maximum Benefit Levels After Proposed Reforms Relative to Poverty Line

Proposal	Reformed Basic Personal Amount (Replacing all EIA benefits (including Rent Assist) and Renters Tax Credit)	Monthly Increase in Benefits to Recipient	% of MBM
Single individual considered employable	1,400	$499	67.8%
Single person with a disability	1,400	$204	67.8%
Single parent, one child	1,500	$51	68.1%
Couple with 2 children	1,850	$50	68.6%

TABLE A2 Basic Personal Amount Maximum Benefit Levels After Proposed Reforms Across Income Levels

	Single Person		Single Parent , 1 Child		Couple, 1 Child	
Net Annual Income	**Monthly**	**Annual**	**Monthly**	**Annual**	**Monthly**	**Annual**
$ –	$1,400	$16,800	$1,500	$18,000	$1,850	$22,200
$10,000	$1,192	$ 4,300	$1,292	$15,500	$1,642	$19,700
$20,000	$983	$11,800	$1,083	$13,000	$1,433	$17,200
$30,000	$775	$9,300	$875	$10,500	$1,225	$14,700
$40,000	$567	$6,800	$667	$8,000	$1,017	$12,200
$50,000	$358	$4,300	$458	$5,500	$808	$9,700
$60,000	$150	$1,800	$250	$3,000	$600	$7,200
$70,000	$ –	$ –	$42	$500	$392	$4,700
$80,000	$ –	$ –	$ –	$ –	$183	$2,200
$90,000	$ –	$ –	$ –	$ –	$ –	$ –
$100,000	$ –	$ –	$ –	$ –	$ –	$ –

TABLE A3 Total Income With Proposed Changes to Basic Personal Amount for Those Without Work Income

		Monthly	Annual
Single Individual Considered Employable	Basic Social Assistance	$245	$2,940
	Rent Assist	$612	$7,344
	Federal GST Rebate	$39	$467
	Canada Workers Benefit	$ –	$ –
	Renter Tax Credit	$44	$525
	Sub Total (Current Total Income)	$940	$11,276
	MBM	$2,123	$25,471
	% of MBM	44%	
	Reformed Basic Personal Amount	$1,400	$16,800
	Increase in Benefits to Recipients	$499	$5,991
	% of MBM with Reformed Basic Personal Amount	68%	
Single Individual With a Disability	Basic Social Assistance	$461	$5,537
	Rent Assist	$691	$8,292
	Federal GST Rebate	$39	$467
	Canada Workers Benefit	$ –	$ –
	Federal Disability Amount	$ –	$ –
	Renter Tax Credit	$ 44	$525
	Sub Total (Current Total Income)	$1,235	$14,821
	MBM	$2,123	$25,471
	% of MBM	58%	
	Reformed Basic Personal Amount	$1,400	$16,800
	Increase in Benefits to Recipients	$204	$2,446
	% of MBM with Reformed Basic Personal Amount	68%	
Single Parent, One Child	Basic Social Assistance	$409	$4,908
	Rent Assist	$996	$11,952
	Federal GST Rebate	$52	$628
	Canada Workers Benefit	$ –	$ –-
	Renter Tax Credit	$ 44	$525
	Canada Child Benefit	$492	$5,903
	Sub Total (Current Total Income)	$1,993	$23,916
	MBM	$3,002	$36,021
	% of MBM	66%	
	Reformed Basic Personal Amount	$1,497	$18,000
	Increase in Benefits to Recipients	$51	$615
	% of MBM with Reformed Basic Personal Amount	68%	
Couple with 2 Children	Basic Social Assistance	$761	$9,127
	Rent Assist	$996	$11,952
	Federal GST Rebate	$78	$934
	Canada Workers Benefit	$ –	$ –
	Renter Tax Credit	$44	$525
	Canada Child Benefit	$984	$11,806
	Sub Total (Current Total Income)	$2,862	$34,344
	MBM	$4,245	$50,942
	% of MBM	67%	
	Reformed Basic Personal Amount	$1,850	$22,200
	Increase in Benefits to Recipients	$50	$596
	% of MBM with Reformed Basic Personal Amount	69%	

Endnotes

1 Jesse Hajer and Lynne Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path for Manitoba* (Winnipeg: Canadian Centre for Policy Alternatives– Manitoba, 2021), https://www.policyalternatives.ca/publications/reports/covid-19-austerity-and-alternative-social-and-economic-policy-path-manitoba.

2 Jesse Hajer, *Understanding and Responding to the Rising Cost of Living in Manitoba: An Update for Workers, Lower-Income Households and Allied Organizations* (Winnipeg: Canadian Centre for Policy Alternatives – Manitoba, 2022), https://policyalternatives.ca/publications/reports/understanding-and-responding-rising-cost-living-manitoba.

3 Authors' calculation based on Manitoba, *Budget 2023* (Winnipeg: Manitoba, 2023), www.gov.mb.ca/asset_library/en/budget2023/budget-2023.pdf.

4 Toba Bryant, Scott Aquanno, and Dennis Raphael, "Unequal Impact of COVID-19: Emergency Neoliberalism and Welfare Policy in Canada: Unequal Impact of COVID-19," *Critical Studies: An International and Interdisciplinary Journal* 15, no. 1 (July 31, 2020): 22–39, https://doi.org/10.51357/cs.v15i1.108.

5 Facundo Alvaredo, *The World Inequality Report: 2018* (Cambridge: Harvard University Press, 2018), https://doi.org/10.4159/9780674984769.

6 Canadian CED Network, "Evaluation and Social Return on Investment Resources," accessed September 16, 2022, https://ccednet-rcdec.ca/en/evaluation-SROI.

7 Although this loss was partially offset by the later introduction of the PST on online streamlining services, marketplaces and accommodations generated an estimated $26.5 million in new revenues starting in 2021/22.

8 Revenue losses are adjusted by multiplying by the annual GDP growth rate in subsequent years. Tax cut amounts are counted as the full-year loss estimates. All data from annual Manitoba Budget publications.

9 Charles Manski, "Income Tax and Labour Supply: Let's Acknowledge What We Don't Know," Voxeu Column (blog), *VoxEU – Centre for Economic Policy Research*, (August 23, 2012), https://cepr.org/voxeu/columns/income-tax-and-labour-supply-lets-acknowledge-what-we-dont-know; Basil Dalamagas and Stelios Kotsios, "Personal Income Tax: Incentive or Disincentive to Work Effort?" *Revue économique* 59, no. 4 (2008): 777–811, https://doi.org/10.3917/reco.594.0777.

10 Jim Stanford, *Having Their Cake and Eating: It Too Business Profits, Taxes, and Investment in Canada – 1961 Through 2010*, (Ottawa: Canadian Centre for Policy Alternatives, 2011), https://policyalternatives.ca/publications/reports/having-their-cake-and-eating-it-too.

11 Charles Manski, "Removing Deadweight Loss from Economic Discourse on Income Taxation and Public Spending," Voxeu Column (blog), *VoxEU Centre for Economic Policy Research*, August 18, 2013. https://cepr.org/voxeu/columns/removing-deadweight-loss-economic-discourse-income-taxation-and-public-spending.

12 James A. Mirrlees, Stuart Adam, and Institute for Fiscal Studies (Great Britain), eds., *Tax by Design: The Mirrlees Review*. (New York: Oxford University Press, 2011).

13 E. A. Heaman and David Tough, eds., *Who Pays for Canada? Taxes and Fairness* (Montreal: McGill-Queen's University Press, 2020); Stephen Gordon, "The Incidence of Income Taxes on High Earners in Canada," *Canadian Journal of Economics/Revue Canadienne d'économique* 53, no. 2 (May 2020): 437–59, https://doi.org/10.1111/caje.12433; Ethan Ilzetzki, "Tax Reform and the Political Economy of the Tax Base," *Journal of Public Economics* 164 (August 2018): 197–210, https://doi.org/10.1016/j.jpubeco.2018.06.005.

14 David Macdonald, *Out of the Shadows: Shining a Light on Canada's Unequal Distribution of Federal Tax Expenditures* (Ottawa: Canadian Centre for Policy Alternatives, 2016), https://www.policyalternatives.ca/loopholes.

15 Musgrave, Richard A. "Is a Property Tax on Housing Regressive?" *The American Economic Review* 64, no. 2 (1974): 222–29. https://www.jstor.org/stable/1816045. ";Devin Bissky Dziadyk, "Property Taxes: Effective, But Regressive? A Review of the Evidence," Institute on Municipal Finance and Governance, 2021, https://imfg.munkschool.utoronto.ca/research/doc/?doc_id=560.; Kevin Erdmann, "Are Property Taxes Regressive?," George Mason University Mercatus Center, August 13, 2019, https://www.mercatus.org/economic-insights/expert-commentary/are-property-taxes-regressive.

16 Hajer and Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path*.

17 Joanne Levasseur and Caroline Barghout, "Owners of Pricey Properties Pocketed Big Bucks from Tax Cuts Promised to Help Low-Income Manitobans," CBC News, May 12, 2022, https://www.cbc.ca/news/canada/manitoba/education-tax-rebate-analysis-1.6449804.

18 Joanne Levasseur, "Billionaires' Companies Benefit from Manitoba Education Property Tax Rebate," CBC News, July 25, 2022, https://www.cbc.ca/news/canada/manitoba/education-tax-rebate-billionaires-companies-1.6529655.

19 CCPA-MB, "More of Budget 2023 Tax Changes Go to Manitoba's Richest 10% than Bottom 50% Combined," *Policy Fix* (blog), March 10, 2023, https://policyfix.ca/2023/03/10/more-of-budget-2023-tax-changes-go-to-manitobas-richest-10-than-bottom-50-combined/.

20 Hajer and Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path*.

21 Manitoba, "Manitoba Families Most in Need to Benefit from $87-Million 'Family Affordability Package,'" News Releases, August 31, 2022, https://news.gov.mb.ca/news/index.html?item=56181&posted=2022-08-31.

22 Manitoba, "Manitoba Government Announces $200-Million Carbon Tax Relief Fund," News Releases, January 26, 2023, https://news.gov.mb.ca/news/index.html?item=57800&posted=2023-01-26.

23 For more details on how additional revenues could be spent in a manner that supports inclusive social and economic prosperity for Manitoba, see Lynne Fernandez, ed., *Change Starts Here: Manitoba Alternative Provincial Budget 2020* (Manitoba: Canadian Centre for Policy Alternatives, 2020), http://www.deslibris.ca/ID/10103890; Hajer and Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path*; Hajer, *Understanding and Responding*.

24 Susan Prentice and Jesse Hajer, "Child Care Also an Austerity Victim," Canadian Centre for Policy Alternatives - Manitoba, 2023, https://policyalternatives.ca/publications/commentary/child-care-also-austerity-victim.

25 Statistics Canada, "Table 36-10-0450-01: Revenue, Expenditure and Budgetary Balance - General Governments, Provincial and Territorial Economic Accounts," November 8, 2022, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610045001; Statistics Canada, "Table 36-10-0222-01: Gross Domestic Product, Expenditure-Based, Provincial and Territorial, Annual," November 8, 2022, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201.

26 The Canadian average in 2021 for provincial own source revenues to GDP was 13.8%, while Manitoba's ratio was 13.1%.

27 Statistics Canada, "Table 11-10-0134-01: Gini Coefficients of Adjusted Market, Total and after-Tax Income," May 2, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110013401

28 Manitoba's income tax rate for the highest income tax bracket was 17.4, compared to the (unweighted) provincial average of 18.6. "Canadian Income Tax Rates for Individuals – Current and Previous Years."

29 Manitoba, "Manitoba Government Releases 2022-23 Mid-Year Fiscal and Economic Report," News Releases, December 20, 2022, https://news.gov.mb.ca/news/index.html?item=57237.

30 Manitoba, *Budget 2023*.

31 Manitoba, *Budget 2023*.

32 Manitoba Health Coalition, "MB Health Care Cuts & Changes," 2023, https://www.mbhealthcoalition.ca/timeline.

33 Hajer and Fernandez, C*OVID-19, Austerity and an Alternative Social and Economic Policy Path*.

34 David Peachey, *Assessing Phase Two Healing Our Health System* (Winnipeg: Winnipeg Regional Health Authority and Health Intelligence Inc., 2019), http://s3.documentcloud.org/documents/6146124/Dr-Peachey-s-report-on-Phase-2.pdf, 3, 26.

35 Michelle Gerwing, "One-Third of Rural or Northern ERs in Manitoba Closed This Long Weekend: Doctors Manitoba" [Video recording], *CTV News* (Winnipeg), July 29, 2022, https://winnipeg.ctvnews.ca/one-third-of-rural-or-northern-ers-in-manitoba-closed-this-long-weekend-doctors-manitoba-1.6008117.

36 Ian Froese, "Winnipeg's Nurse Vacancy Rate Double What Former Health Minister Considered 'Normal,'" *CBC News*, April 21, 2021, https://www.cbc.ca/news/canada/manitoba/winnipeg-nurse-vacancy-rate-double-1.5996337; Alec Regino, "Manitoba Pushing Its Nurses to the Brink," New Canadian Media (blog), June 29, 2021, https://newcanadianmedia.ca/manitoba-nursing-shortage/.

37 Niall Harney, *Revitalizing the Conditions of Care in Manitoba: Supporting Long-term Care and Home Care Workers in the Recovery from COVID-19* (Winnipeg: Canadian Centre for Policy Alternatives – Manitoba, August 2023).

38 Thomas Linner, "Budget 2023/24 Does Not Make Up for Seven Years of Health Care Cuts and Privatization," *Commentary, Canadian Centre for Policy Alternatives – Manitoba Office*, March 17, 2023, https://policyalternatives.ca/publications/commentary/budget-202324-does-not-make-seven-years-health-care-cuts-and-privatization.

39 Katerine Burley, Robert Chernomas, and Ian Hudson, "A 'Made in Manitoba' Crisis," *Winnipeg Free Press*, July 14, 2023, https://www.winnipegfreepress.com/opinion/analysis/2023/07/14/a-made-in-manitoba-crisis.

40 Ee-Seul Yoon, "Austerity in Public Education Hurts," *Brandon Sun*, August 26, 2023, https://www.brandonsun.com/opinion/2023/08/26/austerity-in-public-education-hurts.

41 Jesse Hajer, Keith Jennifer, and Michael Conway, "Hard Infrastructure, Hard Times: Report Launch," YouTube video, (Winnipeg: CCPA Manitoba, August 24, 2021), https://www.youtube.com/watch?v=RCcxqyVFNyk.

42 Mark Hudson, "Manitoba Can't Afford Cuts to Parks, Environmental Protection.," *Winnipeg Free Press*, August 15, 2023, https://www.winnipegfreepress.com/opinion/analysis/2023/08/15/manitoba-cant-afford-cuts-to-parks-environmental-protection.

43 Elizabeth Comack and Amelia Curran, "Treating One Symptom, Not the Disease," *Winnipeg Free Press*, July 5, 2023, https://www.winnipegfreepress.com/opinion/analysis/2023/07/05/treating-one-symptom-not-the-disease.

44 Niall Harney and Lynne Fernandez, "Slashed to the Bone," *Winnipeg Free Press*, August 5, 2023, https://www.winnipegfreepress.com/opinion/analysis/2023/08/05/slashed-to-the-bone.

45 Susan Prentice and Jesse Hajer, *Child Care Also an Austerity Victim*. https://policyalternatives.ca/publications/commentary/child-care-also-austerity-victim

46 Hajer and Fernandez, *COVID-19, Austerity and an Alternative Social and Economic Policy Path*.

47 Julie Bosman, "Not Over Yet: Late-Summer Covid Wave Brings Warning of More to Come," *The New York Times*, August 28, 2023, https://www.nytimes.com/2023/08/28/us/covid-cases-hospitalizations.html.

48 Lily Roberts, Mia Ives-Rublee, and Rose Khattar, "COVID-19 Likely Resulted in 1.2 Million More Disabled People by the End of 2021—Workplaces and Policy Will Need to Adapt," *Center for American Progress*, February 9, 2022,https://www.americanprogress.org/article/covid-19-likely-resulted-in-1-2-million-more-disabled-people-by-the-end-of-2021-workplaces-and-policy-will-need-to-adapt/ ; David Cutler, "*The Economic Cost of Long COVID: An Update*" (unpublished manuscript), *Mossavar-Rahmani Center for Business & Government*, *Harvard Kennedy School*, 2023, https://www.hks.harvard.edu/centers/mrcbg/programs/growthpolicy/economic-cost-long-covid-update-david-cutler.

49 Statistics Canada, "Self-Rated Mental Health Decreases after Another Year of the COVID-19 Pandemic," The Daily, June 7, 2022, https://www150.statcan.gc.ca/n1/daily-quotidien/220607/dq220607e-eng.htm; Canadian Mental Health Association, "Budget 2023 out of Touch with Mental Health Crisis," *CMHA National*, March 28, 2023, https://cmha.ca/news/budget-2023-out-of-touch-with-mental-health-crisis/.

50 Louis Volante and Don A. Klinger, "COVID-19 and the Learning Loss Dilemma," *EdCan Network*, April 26, 2023, https://www.edcan.ca/articles/covid-19-and-the-learning-loss-dilemma/.

51 Jen St. Denis, "How to Slow the 'Wave' of Homelessness in Canadian Cities," *The Tyee*, November 30, 2022, https://thetyee.ca/News/2022/11/30/How-To-Slow-Wave-Homelessness-Canadian-Cities/; Bill Graveland, "'Perfect Storm' of Inflation, High Prices Driving More into Homelessness, Say Advocates," *CBC News*, December 19, 2022, https://www.cbc.ca/news/canada/calgary/calgary-homelessness-prices-inflation-1.6691068.

52 John Millar and Laurel Rothman, "Poverty Costs Canada Billions of Dollars Every Year," *Evidence Network*, August 29, 2023, https://evidencenetwork.ca/poverty-costs-canada-billions-of-dollars-every-year/.

53 Alistair, Steele, "Where Have All the Workers Gone? Don't Blame COVID, Economists Say," *CBC News*, July 23, 2022, https://www.cbc.ca/news/canada/ottawa/ottawa-workers-covid-retirements-1.6529325.

54 Statistics Canada, "Table 14-10-0020-01: Unemployment Rate, Participation Rate and Employment Rate by Educational Attainment, Annual," January 6, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410002001.

55 Statistics Canada, "Table 14-10-0380-01: Labour Force Characteristics, Three-Month Moving Average, Seasonally Adjusted," August 4, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1410038001.

56 Shauna MacKinnon, *Decolonizing Employment: Aboriginal Inclusion in Canada's Labour Market* (Winnipeg: University of Manitoba Press, 2015); Shauna MacKinnon and Kirsten Bernas, *Making the Case for a Labour Market Intermediary: The Experience of BUILD*. (Winnipeg: Canadian Centre for Policy Alternatives – Manitoba, 2015), https://policyalternatives.ca/publications/reports/making-case-labour-market-intermediary-0.

57 Sarah Cooper, Jesse Hajer, and Shayna Plaut, *Assisting Renters: Manitoba's Rent Assist in the Context of Canada's National Housing Strategy*. (Winnipeg: Canadian Centre for Policy Alternatives – Manitoba, 2020), https://www.policyalternatives.ca/publications/reports/assisting-renters.

58 Manitoba's Climate Action Team, "Manitoba's Road to Resilience: A Community Climate Action Pathway to a Fossil Fuel Free Future Manitoba's Climate Action Team," accessed August 29, 2021, https://www.climateactionmb.ca/road2resilience/.

59 Lynne Fernandez, *How Government Support for Social Enterprise Can Reduce Poverty and Green House Gases* (Winnipeg: Canadian Centre for Policy Alternatives – Manitoba, 2016), https://policyalternatives.ca/publications/reports/how-government-support-social-enterprise-can-reduce-poverty-and-greenhouse.

60 The policy suggestions outlined in this section are drawn directly from the 2020 Alternative Provincial Budget.

61 This proposal builds on previous proposals calling for modifying or replacing the basic personal amount with a refundable tax credit as a form of basic income. See: Wayne Simpson, "Refundable Tax Credits Would Help Alleviate Poverty," *Winnipeg Free Press*, July 15, 2019, https://www.winnipegfreepress.com/opinion/analysis/2019/07/15/refundabletax-creditswould-helpalleviate-poverty; Fernandez, *Change Starts Here*.

62 As shown in Table 4, and our modelling predicts that a very small number of lower-income households would be less well off under our proposals.Steps should be taken to assess these cases upon implementation to ascertain if these losses are justified, for example if they are occurring for seniors who are wealthy but have low current taxable incomes, or if these results are cases where intervention may be justified to supplement incomes of those in need. Some of the revenues generated through our set of proposals should be set aside for this purpose.

63 Manitoba, *Budget 2023*.

64 Manitoba, 37.

65 Prentice, Susan, and Jesse Hajer. "Childcare in Manitoba: Austerity's Harms." Canadian Centre for Policy Alternatives – Manitoba, 2023. https://policyalternatives.ca/node/120.

66 IIva Poshnjari, "Majority of Canadians in Favour of Taxing Homes over $1M: Survey – BNN Bloomberg," *BNN Bloomberg*, November 15, 2022, https://www.bnnbloomberg.ca/majority-of-canadians-in-favour-of-taxing-homes-over-1m-survey-1.1846804.

67 See Cooper, Hajer, and Plaut, *Assisting Renters; Evelyn Forget, Basic Income for Canadians: The Key to a Healthier, Happier, More Secure Life for All* (Toronto: James Lorimer & Company, 2018).

68 Natural Resources Canada estimated that Manitobans drive on average 14,800 kms per year, while average fuel economy Canada is estimated at 8.6 litres/100KM. Canada's population 15years and older is estimated at 1,147,318. Data sources include: Natural Resources Canada, "Canadian Vehicle Survey 2008 Update Report," October 6, 2010, https://oee.nrcan.gc.ca/publications/statistics/cvs08/chapter2.cfm?attr=0; International Energy Agency, "Fuel Economy in Canada," IEA, December 13, 2021, https://www.iea.org/articles/fuel-economy-in-canada; Statistics Canada, "Table 17-10-0005-01: Population Estimates on July 1st, by Age and Sex," November 13, 2023, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501.

69 Michel Durand-Wood, "Gas Tax Holiday Doomed to Fail," Winnipeg Free Press (blog), November 8, 2023, https://www.winnipegfreepress.com/opinion/analysis/2023/11/08/gas-tax-holiday-doomed-to-fail.

70 Jesse Hajer, "PC Tax Cut Claims Don't Add up," *Winnipeg Free Press*, October 2, 2023, https://www.winnipegfreepress.com/opinion/analysis/2023/10/02/pc-tax-cut-claims-dont-add-up.

71 Tom Brodbeck, "Not out of the Question for Kinew to Make Good on Pricey Promises," *Winnipeg Free Press*, October 16, 2023, https://www.winnipegfreepress.com/breakingnews/2023/10/16/not-out-of-the-question-for-kinew-to-make-good-on-pricey-promises.

CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE