

FAST FACTS



Canadian Centre for Policy Alternatives-Mb • 309-323 Portage Ave. • Winnipeg, MB • Canada R3B 2C1
 ph: (204) 927-3200 • fax: (204) 927-3201 • ccpamb@policyalternatives.ca • www.policyalternatives.ca/mb

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GARBAGE TAXES: SIMPLY ANOTHER WAY TO STIFF PEOPLE OF MODEST MEANS?

Over the past 12 months we have had much debate on taxation issues in the cities of Brandon and Winnipeg. In Brandon, the debate has centered almost exclusively on a proposed tax on garbage, which was formally designated as a “solid waste management fee.” The debate in Winnipeg, in contrast, has been much wider in scope and addressed a very broad range of proposed changes in taxation intended to simultaneously generate more revenues through user fees and sales taxes and reduce dependence on property taxes. Mayor Glen Murray called the tax proposals a “New Deal” for Winnipeg. While the so-called New Deal was shot down in flames, Mayor Murray revealed a new plan that includes a \$1.00 per bag garbage tax.

The Brandon story

As a member of Brandon City Council I have a first-hand understanding as to how these fees, which are usually presented as “green taxes,” work to shift the tax burden from the wealthy to the poor.

The Brandon garbage tax was intended to apply to all households. Households sharing a lane bin with other households would pay \$4.00 a month, while households with a single

roll-out bin would pay \$5.00 a month. The justification offered for such a tax was that it would promote conservation and recycling by making the cost of garbage collection and disposal more transparent. It was also suggested that this was the beginning of a shift to a self-sustaining public utility for the management of garbage.

The proposed tax was criticized on a number of grounds. In particular, it was noted that the tax met none of the usual criteria associated with taxation measures. Because it was totally unrelated to the volume of garbage generated by a household it was not a user fee. The point was made that this would discourage both conservation and recycling. This latter outcome was a cause for concern because Brandon had just established a new, state-of-the-art facility for processing recyclables at the land-fill site.

Nor was the proposed tax based on the ability-to-pay principle. On the contrary, as proposed the garbage tax was even more regressive than the property tax. It was estimated that the garbage tax would generate \$850,000 in revenue. To generate the equivalent amount through the property tax would have required an increase of .9 mills. (A mill represents \$1.00 of

Impact of \$5.00 Garbage Tax vs. .9 Mill Increase in Mill Rate
Four Examples

Assessed values of homes	\$50,900	\$101,800	\$203,600	\$305,400
Portioned (45%) Assessed Value	\$22,905	\$45,810	\$91,620	\$137,430
Current Municipal Mill Rate	25.323	25.323	25.323	25.323
Municipal Property Taxes	\$580.02	\$1,160.05	\$2,320.01	\$3,480.13

With a .9 mill increase	\$20.62	\$41.23	\$82.54	\$123.69
Municipal Property Taxes + .9 mills	\$600.64	\$1,201.28	\$2,402.55	\$3,603.82
.9 mills as % of				
- portioned assessed value	.09	.09	.09	.09
- property taxes	3.4	3.4	3.4	3.4
% change in taxes	3.6	3.6	3.6	3.6

With a \$5.00 Garbage Tax	\$60.00	\$60.00	\$60.00	\$60.00
Municipal Property Taxes + \$60.00	\$640.02	\$1,220.05	\$2,380.01	\$3,540.13
\$5.00 Garbage Tax as a % of				
- portioned assessed value	.26	.13	.06	.04
- property taxes	9.4	4.9	2.5	1.7
% change in taxes	10.3	5.2	2.6	1.7



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property taxes per \$1,000 of assessed value.) The table on the previous page compares the impact of the \$5.00 a month garbage tax (for a single roll out bin) and a .9 mill increase in the property tax for four residences assessed at different values.

Clearly, the proposed garbage tax would be much more regressive than an equivalent 0.9 mill or 3.6 per cent increase in the property tax. At the December 12 council meeting my motion that we replace the garbage tax with a .9 mill increase in the mill rate was defeated by a vote of 9-2. I also voted against the budget (because of the garbage tax, and also hikes in fares and cuts to services in the transit system). By voting for the garbage tax, the 10 members of council who supported the budget also, of course, effectively supported a 3.6 per cent increase in taxes.

The Landlords Didn't Like It

There was little enthusiasm for the garbage tax. Many citizens recognized the garbage tax for what it was, namely, a tax grab of \$850,000, which was designed to allow members of council to assert that council had held the line on property taxes. As well, there was a lot of grumbling about the inequities and disincentives relating to conserving and recycling inherent in the tax. The most vocal and sustained opposition came from landlords, who recognized that, given a requirement that they apply to the Manitoba government for approval to pass the tax through to their tenants, they would have to eat the tax for the current budget year.

In response to the opposition to the garbage tax, a special council meeting was convened on February 4 to change the budget. The recommendation presented to council reads as follows: "In order to raise sufficient revenue to balance the 2004 budget, the mill rate be increased by 2.9% [or 0.75 mills], in lieu of implementing a proposed Solid Waste Management Fee. The reduction from a 0.9 mills equivalent to 0.75 mills reflects the fact that some tipping fees that would have been eliminated under the original proposals will now remain. The motion also called for a public hearing into the revised 2004 Financial Plan, followed by public meetings to seek ways to fund an environmentally responsible waste management plan.

Councillors were saved from voting on this motion by a half-million dollar windfall. Prior to the meeting councillors were told that the city would receive approximately \$500,000 in GST rebates from the federal government for the current fiscal year. The City Treasurer recommended that the council use \$330,000 of this money to reduce the proposed increase in property taxes from 2.9 per cent to 1.5 per cent [about 0.375 mills].

A motion to raise property taxes by 2.9% and use the \$330,000 for housing, sidewalks and roads, and public transit

was defeated. Instead council voted to scrap the garbage fee, increase taxes by 1.5 per cent and use the federal money to cover the difference.

The current intent is to have a public discussion over the next year to consider how to fund "...an environmentally responsible waste management plan." Amongst other things, council intends to try and puzzle out how to: "enhance the already successful waste collection system; lessen dependence on the landfill site for final disposal; enhance the use of materials recycling, remanufacturing and reuse; and develop a funding model which recognizes individual efforts in the 3 R's (Reduce-Reuse-Recycle)." Fortunately, the formation of a Brandon and Area Environmental Council in January of this year should help to ensure that the process of public consultation and debate that the city is seeking will be informed and substantive.

A Lesson From The Brandon Experience

There are many lessons to be learned from the Brandon experience with a garbage tax. In my mind, however, the main lesson, and the lesson that is likely to receive the least attention from councillors in Brandon and elsewhere, is that when new taxes or changes to existing taxes are contemplated the question that should be asked is: does this proposed change in taxes result in increased equity in the system? If the answer is yes, then evaluation and assessment of the tax in relation to other objectives should proceed. If the answer is no, then the proposal should be shelved.

Errol Black

Errol Black is a member of Brandon City Council.

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