



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

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Searching for fairness in Manitoba's Carbon Tax

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Last month our office released a report authored by Harvey Stevens that found the federal carbon tax will reduce more greenhouse gases than the proposed Made in Manitoba Climate and Green Plan. The Premier responded that the federal escalating carbon price will hurt Manitobans (Federal carbon plan seen by think tank as more effective than Manitoba's, August 30th, 2018). But Manitoba's carbon tax will hurt those who can least afford to pay it, even after the carbon tax rebate and new tax cuts are factored in.

A price on carbon increases the prices of goods that use fossil fuels, which is a larger share of total spending for households with incomes under \$50,000 per year. This cost could be entirely off-set for these low and moderate income households who can least afford it. But unfortunately the province is playing a shell game with taxes and hoping we won't notice.

The Progressive Conservatives campaigned on indexing the Basic Personal Exemption to inflation and bringing the PST to 7%. Further analysis finds the Manitoba carbon tax will cost families below the poverty line (low income cut off) \$113/ year but will only be offset by \$23 from the BPE increases. The PST decrease will benefit low and moderate income earners less as they spend less. These are poor substitutes for a progressive carbon tax credit.

The Manitoba government was going to index the BPE and decrease the PST long before the federal government rolled out its carbon tax policy. Manitoba then re-profiled the tax changes as offsets to the carbon tax in an attempt to appease the public and the business community. But the carbon tax should sting enough to discourage use of fossil fuels while funding alternatives like public transit. At the same time low and moderate income Manitobans should not be disproportionately affected.

EcoFiscal commission research shows that policies can be designed so the carbon tax is actually revenue neutral for low and moderate income people. They found it would take 12.6% of carbon tax revenue to fully compensate the first two quintiles of Manitobans (those earning \$50,000/ year and under) for its cost and fund public amenities to fight climate change. Investing carbon tax revenues in affordable, quality public transit and home heating would improve quality of life and help low and moderate income people in particular.

In Manitoba, there will be little provincial money left over to invest in green infrastructure. The province estimates the carbon tax will bring in \$248 million in its first year. But reducing the PST will cost \$300 million

there is an alternative.

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per year. Indexing the BPE costs \$178 million and other small business tax deductions \$1.8 million. It is unclear how much Manitoba will earn from the legalization of marijuana after costs are considered so this revenue is not included. So all told, this shell game is costing Manitoba \$231.8 million annually in lost revenue.

As the province cuts taxation revenue while moving to balance the budget there will undoubtedly be more backward public policy in the face of climate change such as unilaterally ending the 50/50 cost sharing for Winnipeg Transit. Not to mention failing to adequately fund health and education funding to the rate of inflation, a de facto cut.

British Columbia went through a similar experience when its carbon tax was introduced in 2008. The Canadian Centre for Policy Alternatives BC found tax cuts and credits introduced with the carbon tax reduced government expenditures more than the tax brought in, making the BC carbon tax “revenue negative”. The BC carbon tax introduced by the provincial government at the time had a disproportionate impact on low income British Columbians and benefited highest income earners, those who are the biggest emitters. The current BC government is increasing the carbon tax while introducing progressive elements to compensate moderate and low income households and investing in renewables.

It is ironic that at a time when scientists are warning we only have 10 – 20 years before climate change puts us on an irrevocable path to “hothouse earth” Manitoba is stalling on investments to amenities to deal with climate change and aid our daily lives during the huge temperature swings between Manitoba summers and winters.

The province is receiving commentary on its Made in Manitoba Climate and Green Plan, which includes the carbon

tax, until September 30th. Here’s hoping Manitobans see through the shell game and a progressive path can be taken.

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