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Are taxes too high in British Columbia?

It is commonly reported that BC has the highest taxes in Canada. Critics allege that high taxes dampen economic growth and impede competitiveness. Supporters of this argument cite BC's top marginal tax rate—the rate generally applicable for income over \$80,000 per year. A new CCPA study comparing BC and Alberta suggests a different story when we take a broader look at total taxes paid.

Only 4% of BC taxpayers earn enough to be taxed at the top marginal tax rate.

It is curious that the debate on tax cuts revolves around only one in 25 taxpayers. The top marginal tax rate was 54.2 per cent, declined to 52.7% in 1999 (just below Newfoundland's top tax rate), and is scheduled to fall to 49.9% by the year 2001. If new tax cuts are considered at all for BC, they should be targeted at low and modest income earners, who will spend the extra cash, not put it in the stock market, invest it overseas or pocket the savings.

When average taxes are compared, the picture is quite different.

BC's provincial personal income tax as a share of family income (calculated for a two-income family of four earning the average family income of \$55,000) is 5.8%, slightly higher than Alberta's rate of 5.5% and Ontario's rate of 5.2%, but lower than all other provinces.

When other taxes are factored into the equation, the differences become smaller still.

If all direct taxes are considered—income taxes, property taxes, sales taxes, payroll taxes, etc.—taxes in BC are the second lowest in the country for all but the very wealthiest residents. This is largely because property and payroll taxes in BC tend to be considerably lower than in most other provinces.

While Alberta has the lowest overall taxes, the difference hardly justifies the cost of a move.

A two income family of four, making the average family income of \$55,000 pays provincial income taxes of \$3,189 in BC and \$3,036 in Alberta—not a whopping difference. When all taxes are factored in, the BC family pays \$14,067 in taxes, while the

Alberta family pays \$13,331—a difference of \$736. Even a well-off family of four, with an income of \$90,000, would only end up paying \$830 more in taxes in BC than Alberta.

Increased out-of-pocket costs for services offset the Alberta tax advantage.

In 1992, Albertans spent \$75 less per year in private health expenditures than British Columbians. By 1997, they were paying \$45 more. The same is true for education, where higher university tuition in Alberta of about \$800 per year erodes tax savings. Overall, BC has supported important investments in public education, spending over \$1000 more per pupil on K-12 than Alberta. Post-secondary education spending per capita in BC increased by 10% from 1991 to 1997, compared to a decrease of 22% in Alberta.

Taxes paid in BC are not high by international standards.

According to OECD data, BC's highest marginal tax rate is average for the European Union, and only slightly above the OECD average. Tax comparisons with the United States are often more than offset by out-of-pocket costs for things like private health insurance. Like the Europeans, our taxes fund social programs that are important to our standard of living.

Corporate taxes are not out of line either.

The general corporate income tax rate in BC is 16.5 per cent, compared to 15.5 per cent in Alberta. BC's income tax rate for small business is scheduled to decline from 9 to 8 per cent, compared to 6 per cent in Alberta (and 9.5 per cent in Ontario).

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