

Property Taxes and the Common Good

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The 20th century French philosopher and political economist, Jacques Ancel, once famously observed that “it is not the frame that is important, but what is framed”. His comment is useful, perhaps even essential, in understanding, and responding to the “municipal tax grab” discussion that has consumed Calgary of late.

To recap the key facts of this story: On May 9 Council finalized a property tax increase of 4.4% (previously approved in November 2005), and claimed \$25.7 million that was made available when the provincial government decided to collect less education tax. On the average tax bill this year, the 4.4% increase represents about \$80. With respect to the \$25.7 million not collected by the province, about \$30 on the average tax bill, a good many Calgarians, and vocal taxpayer advocates, want this money returned to individual households. I wonder how many of them are motivated by ideology or opportunism versus an appreciation for what it takes to run a city, to say nothing of caring for the common good? Regardless, here’s why the city did the right thing, especially with the money “freed up” by the province.

Calgary is growing like a rocket, and while there are benefits to this growth, notably jobs and the economic multipliers that flow from the spending of money by the people with those jobs, the infrastructure necessary to support

growth – civic administration, emergency response, policing, roads, housing, schools and the like is being strained. And let’s face it, despite the glow of the current boom, Calgary, like every other city in Canada, is still grappling with years of fiscal restraint by its provincial and federal counterparts. Fact is, if any finger pointing takes place, it should be directed here – NOT at the Mayor and Council. Local governments, and Calgary is no exception, are generally very adroit in their use of money because of the stringent balanced budget requirements and debt limits imposed on them by provincial governments. Most of those stories we all know about governments abusing tax dollars involve provincial or federal shenanigans. So, what about the property tax increase, and the money freed up by the province?

The Canada West Foundation has studied property taxes in Vancouver, Edmonton, Calgary, Saskatoon, Regina, and Winnipeg and its findings sheds important light on the subject. The CWF found that the burden posed by property taxes was small (5.4 cents out of every dollar collected) and had fallen over the last 40 years. That’s right, when measured against personal incomes, the amount of municipal property tax collected today has actually dropped over time. Now consider what those property taxes help to pay for – parks, schools, safe neighbourhoods, good roads, virtually every attribute savvy real estate agents tell us to look for in a house. To be sure, property taxes aren’t perfect. The CWF also found

that “the property tax base expands slowly, and yields only incremental additions in revenue”. Still, these taxes should be understood for what they are – one of the few fiscal tools available to our local governments to forge the common good. And of course, it is poignantly ironic that we are forced to even contemplate property tax hikes at a time when the provincial government is running huge surpluses. If a rebalancing of the fiscal relationship between the province and Calgary could be forged – not an unrealistic goal in a province where two cities account for two-thirds of provincial GDP – we could potentially avoid these property tax tempests altogether.

Today, the words “common good” have a quaint, perhaps even idealistic sounds, but all of us are impoverished if we don’t pay attention to the conditions necessary for the common good to be served. At a minimum, this means addressing the half-billion dollar infrastructure deficit in the western cities. Beyond that, it means putting the public interest above self-interest; working to achieve social and economic conditions that benefit everyone; promoting a personal, governmental and corporate ethic of responsibility and service to others; and doing more to help the disadvantaged, protect the environment, and provide opportunities rather than burdens for future generations. And if anyone’s looking, these challenges are most plainly visible in our cities. The 4.4.% property tax increase, coupled to the money returned by the province, will allow the Mayor and Council to make

some civic improvements, especially in the downtown core, that really matter.

And so it is that I take heart in the perspective of Ralph Meyer, cited in these pages on May 11, who believes returning the equivalent of \$2.50 a month (\$30 a year) to city hall is negligible when compared with what can be accomplished fixing problems downtown. “I’d rather be proactive than reactive”. Truer words were never spoken. If more of us adopted a similar view, Calgary would be the richer for it.

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