

LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
8TH ASSEMBLY, 64TH SESSION

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November 25th, 1977

Mr. William O'Henly
Site 11, Box 28
YELLOWKNIFE, N.W.T.

Honourable P.E. Trudeau
Office of the Prime Minister
House of Parliament
OTTAWA, Ontario

Dear Sir:

As a resident of the Northwest Territories I would like to take this opportunity to express some rather strong feelings that I have regarding the taxation system in the Northwest Territories. Though assured that the topic of this letter has been the subject of discussion and complaint for some time and that chances of changing the existing taxation situation are remote, I nevertheless wish to write you. First of all, I would like to make a few relevant points.

- 1) Yellowknife as a capital city has attained the dubious honour of having the highest cost of living in Canada.
- 2) Residents of Yellowknife, indeed, of all settlements in the N.W.T. have to earn a good deal more in money wages than in the south in order to maintain and enjoy a comparable standard of living.
- 3) As you are no doubt aware, each province has its' own system of taxation. In addition, some provinces have instituted schemes for the compensation of high rents paid by low income wage earners.
- 4) In the N.W.T. we do not of course have a provincial taxation system. We do however pay about the same amount in federal tax as we would pay in provincial and federal tax combined down south.

The normal state of affairs for a good many people in Yellowknife is accommodation or subsidized housing. This is only natural because of the high cost of rent and of owning a home here. More often than not, the people who live in subsidized housing are

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either employed in one of the two mines or in the Government. For those who are not so lucky there is often a pay cheque embellished with a taxable living allowance. At the bottom of the scale there are those who receive a straight pay cheque unadorned with any sort of northern allowance. The people in the latter case must nevertheless earn enough to pay the high rents and, if need be, the hopelessly expensive food, oil, gas and electric bills with which we are blessed. (I am not condemning Northern Canada Power Commission's rates mind you. I am certain that every penny paid to that admirable Crown Corporation is a penny well spent. Nor do I object to the inflated cost of living here--the reasons for which are as obvious as they are numerous.)

My complaint is this. Despite the fact that a considerably higher cost of living pervades the N.W.T., many of the non-government people here are being penalized by the tax system.

When I sit down to calculate my taxable income I rejoice in the fact that I do not have to pay provincial tax. However my heart sinks when I discover that the federal component is so much higher in the N.W.T. Federal tax in the N.W.T. includes federal surtax which is calculated as 30% of federal tax. Provincial tax in Ontario is 30.5%. Just across the border in Alberta it is 26% of federal tax. A man earning \$10,000.00 in the N.W.T. pays much the same in federal tax (plus surtax) as he would in federal and provincial tax combined in Ontario. In addition, the man in the N.W.T. may actually be earning only \$8,500.00 and receiving \$1,500.00 in northern allowance in order to compensate for the high cost of living. Hence his allowance is placing him in a substantially higher tax bracket. It is noteworthy that for many government employees and administrators the problem is not serious. If they live in subsidized housing a large portion of the cost of accommodation is never seen by them nor does it appear on their taxable pay cheque. Hence they are not penalized.

Out of this situation two points arise.

Firstly, I submit that those people without subsidized housing have to shoulder a greater tax burden. For example, rent for a modest unfurnished one bedroom apartment in Yellowknife runs about \$350.00 per month. Rent for a comparable government one bedroom

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apartment is approximately \$145.00 per month. A difference of over \$200.00 per month. For a two bedroom apartment the market rent ranges from \$350.00 to \$480.00 but the average is \$415.00 per month. The government apartment would rent for \$163.00 per month, leaving a difference of approximately \$250.00 per month. For a three bedroom the average monthly rent is well over \$500.00. The government rent is approximately \$180.00. The difference is quite substantial, about \$350.00 per month. A modest two bedroom trailer in town rents for over \$400.00 plus utilities. Rent for a government five bedroom house is \$195.00 plus utilities. (The government figures are for Territorial Government Housing in Yellowknife, N.W.T.). The person who rents the one bedroom (\$350.00 per month) apartment must earn \$200.00 per month more than the government employee in the same accommodation. As for the person who rents a modest two bedroom trailer beside a huge five bedroom government home, he must likewise earn \$2,400.00 more per annum in order to pay the rent, -- and he must be taxed on that \$2,400.00. This may not seem like much but when you get into three bedroom apartments, the difference could be \$4,200.00 per annum on an average. The tax on such a sum is substantial since it puts a person into a different tax bracket as well as adding \$4,200.00 to his wage. The tax paying non-government, non-subsidized wage earner therefore has a greater tax burden than his subsidized neighbour.

Secondly, it is obvious that the tax paid on the money earned to afford higher rents is, in the end, paying for the government rent subsidies!

Thirdly, I submit that the person in the N.W.T. must shoulder a much higher tax burden than a person in Ontario or any other province. The reasons are only obvious, -- the cost of living. Food is expensive. (According to Regional Public Affairs News Summary #147-77 issued at Yellowknife on October 6th, 1977, food prices in Yellowknife are still rising -- 1% in September alone, while food prices dropped 7/10% down south in the same month.) Petroleum products are not cheap either. The cost of power as I've mentioned, is horrendous. In less than a year the cost of power has increased by 116% from 2.03¢ per KWH to 4.4¢ per KWH. As you

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can imagine, power and petroleum are used liberally in the N.W.T.'s winter climate.

In conclusion then, a person in the N.W.T. must earn a lot more to pay the same bills and yet he is taxed as if he lived in relatively inexpensive Ottawa. It is no wonder that any administrator sent from Ottawa would live in subsidized housing. Why should he have to pay higher food, oil, power and rent and yet pay higher taxes too?

What is the solution to this problem? There are five solutions:

- 1) Go back to Toronto. Never!
- 2) Get a nice subsidized government job. Unfortunately not everyone has the inclination to work in a government job. In addition, it is a standard joke that people hired locally do not generally receive subsidized housing unless they wait a long time or work their way up the glorious ladder.
- 3) Cancel government subsidized housing so that "them's like us". This is of course the cheapest solution. It is the answer that would be expected from Ottawa if it were not such a ludicrous and ineffective solution. However, as I've mentioned, the cost of living (disregarding rents), is still high enough that even government employees have to tighten belts in order to pay the bills. To cancel their subsidized rents would not be fair to them nor would it improve the lot for the non-subsidized person in the least. I am not asking that the government people be denied subsidized housing. I am asking that everyone else be given a fair shake.
- 4) Government subsidies for everyone...Not likely.
- 5) Initiate a program of tax credits.

Earlier I mentioned that a person in the N.W.T. is taxed as if he lived in Ontario. I stand corrected. The guy in Ontario gets a tax credit to ease his rent burden! We do not. We are not allowed tax credits for the fantastic property taxes paid by the home owner up here either, whereas in Ontario such a scheme exists. I would like to propose such a scheme. Let us see how it would look on the tax form:

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TAX CREDITS

Total rental paid in 1977 (attach receipts)	_____	(1)
30% of line (1)	_____	(2)
Property taxes paid in 1977	_____	(3)
Occupancy cost [add lines (2)+(3)]	_____	(4)
Property tax credit - enter \$400.00 or occupancy cost [line (4)], which ever is less	_____	(5)
Add 15% of occupancy cost [line (4)]	_____	(6)
TOTAL TAX CREDIT [(5)+(6)]	_____	(7)
Deduct 3% of taxable income [line 75, page 4]	_____	(8)
NET CREDIT	_____	(9)

Using this scheme...

-A person paying a subsidized rent of \$165.00 per month and earning less than \$16,000.00 per year would receive a tax credit, but a small one.

-A person paying \$350.00 per month rent would have a tax credit table like this:

at a taxable income of \$ 8,000.00	the tax credit would be	\$349.00
\$10,000.00		\$289.00
\$15,000.00		\$139.00
\$18,000.00		\$ 49.00

-For a lodger paying \$415.00 rent per month:

a taxable income of \$ 8,000.00	gives a tax credit of	\$384.10
\$10,000.00		\$324.10
\$15,000.00		\$174.10
\$20,000.00		\$ 24.10

-For someone paying \$550.00 rent monthly:

at a taxable income of \$ 8,000.00	the tax credit equals	\$457.00
\$10,000.00		\$397.00
\$15,000.00		\$247.00
\$20,000.00		\$ 97.00
\$23,000.00		NIL

-Finally, for the person paying \$600.00 per annum in property taxes:

at a taxable income of \$ 8,000.00	the tax credit would be	\$250.00
\$10,000.00		\$190.00
\$15,000.00		\$ 40.00
\$16,000.00		NIL

As you can see, the scheme would work on a sliding scale. At first glance it may seem as though the income figures are a little high.

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As I have mentioned however, \$15,000.00 or \$20,000.00 is not worth as much up here as it is down south. In addition, since we are taxed as if we lived in Ontario, the person earning these huge sums would be paying a big chunk of his income in federal tax as well as rent. The tax credit would tend to compensate. Nevertheless, the scheme is not rigid. If need be, only those earning less than \$15,000.00 or even \$12,000.00 would be eligible.

As outlined above therefore, the higher income people would expect minimal benefits and the lower income people, maximum benefits. I feel that this is an equitable tax scheme which could and should be applied to the Northwest Territories and Yukon Territory without delay.

Such a scheme, if initiated now, would result in a decrease in the money going into the public purse. Taxes would come down. It is noteworthy however, that the subsidized housing already offered to many government employees is not taxable. It is paid out free and simple. If that subsidy became a taxable fringe benefit however, then the government employee would pay taxes on his subsidy. Hence he would take up some of the burden that I as a tax payer already have in paying his rent. He would also be subject to the tax credit system. Since the number of units in the Territorial Government alone is over 550, tax on those subsidies would be substantial. Indeed, it would act as a compensating factor.

Taxing the government housing subsidies is a course which may not be politically expedient. Disregarding such a possibility therefore, the drain on the public purse would be perhaps 3.5 million dollars as a result of the tax credit scheme.

The reason for the low drain would be because there are so few tax payers up here (less than 18,000). In addition, the amount of tax collected from the N.W.T. in the first place is only a very small amount-(25.4 million dollars in 1974). Hence a drain of 3.5 million or even 5 million dollars tends to lose significance. When compared to the one million dollar tax bill for the Ottawa Government or the million dollar study for the benefit of Point Pelee duck hunters, a drain of 3.5 million dollars surely cannot be seen to radically alter the Canadian economy.

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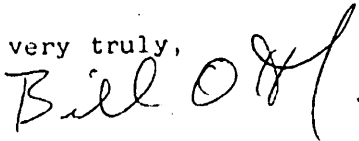
One last point. Although Yellowknife has the highest cost of living of any capital, Ottawa has the highest per capita income. If Ontario can afford to give the citizens of Ottawa generous tax credits surely Ottawa, with the vast resources of Canada behind it can give Northerners the same break. Either Ottawa stops paying lip service to Northern development and acts, or the northern economy in the Northwest Territories will continue to deflate and people will be forced by higher prices, rent, and taxes to leave.

The tax credit scheme does not profess to be mana from heaven but it would show the northerner that he is at least entitled to the same benefits as would be enjoyed by members of the Federal Government with whom he entrusts his tax dollar.

In conclusion, it should be stated that my credentials for writing this letter are only that I am a concerned taxpayer. I am no economist nor do I have access to all the facts but I do believe that a tax credit scheme would be a welcomed break for a great number of northerners who are disenchanted with the high cost of living and with the stifled economic spirit here.

Thank you for your attention and I look forward to your early reply.

Yours very truly,



Mr. William O'Henly

cc: Honourable Monique Begin
Honourable Hugh Faulkner
Honourable Jean Chretien
Honourable Wally Firth
Honourable Sinclair Stevens
Globe & Mail
News of the North
Yellowknifer

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- \$10,000. \$324.
- \$15,000. \$174.
- \$20,000. \$ 24.

