

# { REVENUE REFORM }

## The Current Situation

Alberta's severe revenue shortage is the most far-reaching problem the provincial government currently faces. With resource revenues disappearing due to the low global price of oil, Alberta is no longer exceptional as a province. The problem is important to solve, particularly since conservative politicians and corporate lobby groups use the pretext of government deficits to fuel their constant calls for cuts to health care, education, and other public services.

Such voices treat budgetary deficits as cause for alarm and immediate action. However, a more constructive approach to public policy is to determine if budgetary problems are short-term or structural in nature and, if they are structural, to work toward a long-term solution.

On the positive side, the NDP government has made two major changes to increase public revenue:

- Increasing income taxes on incomes higher than \$140,000 per year
- Increasing the tax rate on the profits of large corporations from 10 per cent to 12 per cent

The government also made two decisions that make solving the revenue shortage more difficult:

- Reducing the tax rate on the profits of smaller corporations from 3 per cent to 2 per cent
- Largely maintaining the oil and gas royalty structures put in place by previous conservative governments that sell our resources to corporations at ludicrously low prices, particularly when resource prices are high

Recent Alberta governments have been content to rely on high oil and gas prices to fund their operational budgets. The review of royalties, completed in 2016, missed an opportunity for Albertans to receive fair returns from our oil and gas resources. However, the current fiscal situation shows relying on non-renewable resource revenues to fund government operations is not sustainable in the long term. Canada's Parliamentary Budget Officer reports that Alberta needs permanent tax increases or spending reductions in the amount of \$14.1 billion per year to be fiscally sustainable.

On the positive side, comparisons to other provinces clearly show that Alberta's tax system could be improved to raise significantly more revenue. If the province adopted the tax system of any other province in Canada, we could raise between \$8.7 billion and \$22.4 billion in additional annual revenue, which would reduce or eliminate the need to fund operational budgets with non-renewable resource revenue.

Most of the additional revenue would need to be raised via a sales tax and/or higher personal income taxes for most Albertans. Each one per cent increase on incomes between \$18,000 and \$143,000 would raise approximately \$1 billion, while each one per cent increase in sales tax would raise between \$1 billion and \$1.6 billion annually.

Counting on resource revenues to fund government's basic operation is not sustainable, so Albertans must decide how to solve our revenue shortage through fair taxation.



## Priorities for Advancing the Public Interest

The Vision: Increase and stabilize Alberta's base of tax revenue to protect and expand public services.

The Government of Alberta should prioritize action in the following areas to give it sufficient capacity to invest in a more just and fair province.

1. **Reform the government revenue system to raise significantly more tax revenue using the following options:**
  - Increase income tax rates for middle and upper income brackets
  - Introduce a sales tax, mitigated to ensure the impact is minimal on Albertans with low incomes
  
2. **Introduce fair royalty rates on non-renewable resources to save for the future**
  - Increase royalty revenue Albertans receive from our oil and gas resources, particularly when prices are high
  - Allocate non-renewable resource revenue to long-term investments for the benefit of future generations

**Alberta's Tax Shortfall**  
(billions of dollars)

