

January 31, 2013

Honourable Ken Krawetz
Deputy Premier
Minister of Finance
Room 312
Legislative Building
2405 Legislative Drive
Regina, SK
S4S 0B3

Dear Minister Krawetz:

Re: Education Property Tax Assessment & Business Competitiveness

Thank you for your letter of January 16, 2013.

Your records will show that our Chamber and the Regina Chamber of Commerce have consistently expressed our concerns regarding Saskatchewan's antiquated and uncompetitive property assessment system and the uncompetitive education property tax loads. Our Chambers have stated these concerns from the inception of the current government and under the previous administration. Facts continue to demonstrate that property assessment and accompanying tax levels are poorly structured and un-competitively high in our province and they are a hindrance to investment.

Our most recent correspondence to your office dated December 7, 2012 and our discussion in 2009 highlighted the merits of capturing a large portion of incremental property tax revenue derived from new business and residential assessment (as distinct from assessment growth derived from revaluation) to address over time the uncompetitive tax loads for both the residential and the non-residential sector. The shortcomings of the current system and the uncompetitive tax loads were also highlighted in the 2010, Canada West Foundation study "A Framework for Saskatchewan's Continuing Prosperity."

To date, there has been little material change in the assessment system or the resulting uncompetitive commercial/industrial education property tax loads. As part of our review of previously presented materials on property tax loads in Saskatchewan in preparation for our Provincial Budget 2013 Report Card, we re-examined the June 1997 study by Professors of Economics, Donald A. Gilchrist and Larry V. St. Louis entitled "The Business and Property Tax in Saskatoon."

A startling finding from our review was the relevance today of the summary finding of a now 16-year old study.

The summary findings were:

“Summary:

This report evaluates local taxes paid by business, in particular the real property levy on business and (where applicable) the business tax. The results support 3 main, mutually consistent, conclusions:

- 1) Simplicity and transparency, and thereby accountability, could be improved by market value assessments taxed at explicitly stated mill rates (which might differ by class of property).
- 2) Business property tax rates in Saskatoon are high relative to other prairie cities. The differences reduce Saskatoon’s competitiveness, and thereby its ability to attract and retain productive investments and employment. The impact is greatest for small businesses.
- 3) Business property tax rates are higher, relative to residential property tax rates, than can be justified by conventional standards of fairness in taxation.”

That study also concluded the education tax levels needed to be addressed at the Provincial Level.

“5.5 The education levy

There is a concern that business property might be over-taxed with respect to the education component of the total local levy on property owners. This concern has some basis, as documented in the inter-city comparisons in Section 3.3 above. It was concluded there that the underlying cause was a relatively high reliance of local schools on local property owners in general, rather than a relatively high reliance on business property in particular. We suggest, therefore, that this concern is best relieved at its source, through a combination of cost containment and increased support from broadly based provincial tax revenues.

It is important to be aware that it is the overall property tax levy that affects competitiveness and equity, and this is captured in the effective tax rate. “

A full copy of this study and be found on our website:

http://www.saskatoonchamber.com/file/Newsroom/Research_Papers/2002/RP-Gilchrist_StLouis.pdf

The fact that this study’s findings are still so relevant shows while some progress has been made on government productivity and income taxes, proper address to this discriminatory capital tax remains outstanding and is surprisingly illusive to your government.

We continue to stress the need to establish a long term phase in and correction of the currently uncompetitive provincial education property tax loads. Combining this change with a more timely assessment cycle and improved tax assessment transparency will accelerate much needed business investment in our province.

An acknowledgement within your 2013 Provincial Budget of the existing inherently flawed and uncompetitive property assessment and provincial property education tax system would go a long way to improve on what has consistently been a failing grade in the provincial property taxation policy category of our 2013 Provincial Budget report card.

Thank you in advance for your attention and, we hope, action on this long standing flaw in Provincial Tax Policy.

Sincerely,

Kent Smith-Windsor
Executive Director

cc: Saskatoon Regional MLA's
Honourable Russ Marchuk, Minister of Education
Honourable Bill Boyd, Minister of the Economy
Hounourable Jim Reiter, Minister of Government Relations
Steve McLellan, CEO, Saskatchewan Chamber of Commerce
John Hopkins, CEO, Regina Chamber of Commerce