

The Chamber

Building the Best Business Climate in Canada

Cost of the Exodus: The Price of People Leaving

In 1999, the Government of Saskatchewan levied \$2.1 billion in personal income taxes and provincial sales taxes. For the same year, Statistics Canada reported Saskatchewan inter-provincial out-migration of 5,916 people. Calculating the average personal income tax load and provincial sales tax load carried by the average Saskatchewan taxpayer, the Chamber estimates this figure to be \$4,600, using a base of 457,600 taxpayers. This number of taxpayers is the actual number of individuals whom paid personal income tax in 1998 out of 707,000 people filing, as reported by the Government of Saskatchewan, Department of Finance. We use this figure as a proxy for the number of individuals likely to have paid tax in 1999.

If this average tax load figure of \$4,600 is multiplied by the number of people that actually left Saskatchewan in 1999, the cost of exodus for 1999 is equal to \$27,213,600. This number assumes that every individual whom left Saskatchewan was in fact an average taxpayer. If just one-third of the individuals whom left Saskatchewan were taxpayers, which the Chamber believes to be a conservative estimate, then the cost of the exodus for 1999 is equal to \$9,071,200 in annually foregone provincial personal income tax and sales tax revenue as a result of the exodus.

This annual cost of exodus can be expressed on a net present value basis using a discount rate of eight percent. This figure is calculated at \$113 million, which is today's valuation of the future perpetual cash stream on an annualized bases that would be generated in provincial personal income tax and sales tax revenues.

Nominally, (i.e. without discounting) this figure checks in at closer to \$272 million over a thirty-year period. Regardless of the variables used to arrive at the final figure, the point is that every year Saskatchewan loses people, the province's ability to fund social programs, now and in the future, is jeopardized.

The model representing the cost of exodus does not take into account property tax revenue foregone, assuming even one of the taxpayers owned taxable land, which would further increase the tax loss cost of losing each additional taxpayer and further erodes the addition of government services in the areas of education, roads, recreation, policing and fire protection. This figure is also based on tax base alone and ignores the negative economic multiplier from the economic activity that these former residents would have generated within the Saskatchewan economy.

Consider also that Saskatchewan has only experienced positive inter-provincial migration in one quarter since the third quarter of 1984. From 1985 through to the end of the first quarter of 2002, Saskatchewan has lost 135,847 people to other provinces. This loss of tax revenue and economic activity is enormous and measures must be taken to reverse the trend of inter-provincial out-migration.

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