FISCAL/TAXATION

A. Getting Ontario Back to Fiscal Balance

Submitted by: The London Chamber of Commerce. Co-sponsored by the Tillsonburg District Chamber of Commerce.

Issue

Ontario's debt continues to grow and is expected to reach $347 billion in 2018-19. The Province has reported deficits in 24 of the last 29 years resulting in Ontario becoming the most indebted sub-nation in the world.[50] The public debt burden becomes even more sizeable once Ontario's portion of the federal debt is factored in, an estimated $300 billion out of a total of $779 billion.[51] Interest on the provincial debt is expected to reach $12.5 billion in the current year making it the fourth largest line item on the government's expense statement. With interest rates forecasted to continue an upward trajectory, the cost to service the debt will only increase, thereby diverting funds from essential services such as housing, education, and healthcare. The provincial government's economic and fiscal review released in November 2018 indicates that the government is keenly aware of the dire situation that Ontario faces fiscally, and it has taken strong steps to tackle out of control spending. It fails, however, to include a concrete plan to tackle the debt and provide a timeline of when the government expects to bring the province back to fiscal balance.

Background

While running deficits in years of sluggish growth or during recessionary periods is considered a reasonable fiscal approach, Ontario's economy has been growing at rates of about 3%+ over the past few years. Although growth rates are forecasted to decrease below 2% over the short term, and well below the levels experienced before the Great Recession of 2008-2009, this only means that Ontario will have to do more with less. The size of Ontario's debt during 2009-10 was $194 billion or about 32% of GDP.[52] Since then, $153 billion more was added reaching a net Debt-to-GDP ratio of almost 41%. This unprecedented level of borrowing took place during a period of positive economic growth, albeit not one as booming as the years prior to the Great Recession. Lower rates of growth have widely been accepted as the new norm in the new economy, but government spending has not adjusted accordingly.

In a recent update released by the IMF in December 2018, the organization warns that another global recession is just around the corner and governments around the world are ill prepared to deal with another downturn. BlackRock, the world's largest money management firm puts the chances of another recession happening in 2021 at 54%.[53] Ontario's current financial position has prompted Moody's to recently downgrade the province's credit rating from Aa3 to Aa2,[54] therefore compromising the province's ability to raise funds in case of a severe downturn.

The Chamber applauds the government's recent efforts to bring accountability back to the province's finances and we're encouraged to see that some of the Chamber's recommendations are being implemented. The Chamber has long advocated for governments to apply more rigour to regularly mandated program reviews across all ministries and departments. The Auditor General's office has also been tirelessly working to untangle the complexity of various government mandated programs, and to bring transparency to the

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[50] Ontario's Economic and Fiscal Outlook Fall 2018

[51] Fraser Institute, Livio Do Matteo, https://www.fraserinstitute.org/article/the-trudeau-and-ford-governments-two-fiscal-statements-one-debt-problem

[52] Fraser Institute, https://www.fraserinstitute.org/article/brief-history-of-ontario-public-debt

[53] CBC News, Jonathon Gatehouse, The National, http://www.cbc.ca/amp/1.4939070

[54] Financial Post, https://business.financialpost.com/news/economy/moodys-downgrades-ontarios-credit-rating-from-aa3-to-aa2-citing-deficit

government's often opaque process of reporting. We are pleased that the government is taking the Auditor General's recommendations to task in its efforts to uncover waste and irregularities.

Current levels of debt and deficit within the province are a threat to Ontario's economic prosperity. With the millennial generation being more mobile than any generation prior to it, Ontario runs the risk of losing much of its top talent if it cannot sustain a reasonably high standard of living. Furthermore, business in Ontario will find it increasingly difficult to attract new talent from other provinces and countries as the provincial debt makes Ontario less and less competitive.

The recent findings that the current deficit had been understated by $8 billion as a result of the government's borrowing to reduce hydro bills, begs the question of what else might be underreported and what the true size of the deficit is. Furthermore, the current environment of rising interest rates will only make servicing the debt more expensive. And, Canada's shrinking demographic of working age Canadians means that the debt burden will fall on fewer shoulders now, and in the future.

It is, therefore, critical that the government act to immediately put in place a concrete plan that addresses the current deficit, brings the province's finances back to balance, and works towards reducing the provincial debt.

Recommendations

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Implement an action plan that sets targets to reduce the debt-to-GDP ratio to 35% over the next five years with a long-term goal of 30%. Although it may seem a lofty goal, we believe the seriousness of Ontario's debt/deficit situation warrants it, and even if the government fails to meet the 30% target, they will ultimately be better served by reaching for a more ambitious goal than for a vague measure of success.
2. While the government has made some progress in this area, we urge that they continue the review of government funded programs, and measure the spending of public dollars against value-added metrics, and/or return on investment.
3. Build upon the progress that has been made to date by continuing to review the Province's handling of surplus properties. Ontario is the second largest property owner in the country, behind only the federal government. According to the Auditor General of Ontario the province owns 4,838 buildings of which 812 are vacant costing the province about $19 million a year to maintain. During the five year period ending in 2016/17 the government sold properties worth $229 million.[55] However, the process of selling surplus properties is slow and behind schedule.
    a) Funds generated from the sale of assets should go directly toward paying down the debt.
    b) Revenues generated from repurposing assets should be invested to enhance other economic activities.
4. Expand Alternative Service Delivery (ASD) in areas of government where service quality can be improved. By opening up service delivery to the private and not-for-profit sectors, ASD models take advantage of market incentives to enhance productivity, achieve greater efficiencies, and harness new technology.

Effective Date: May 4, 2019
Sunset Date: May 4, 2022

[55] Office of the Auditor General of Ontario, 2017 Annual Report http://www.auditor.on.ca/en/content/annualreports/arreports/en17/v1_311en17.pdf

B. Protect Public Sector Services by Monitoring the Public Sector's Total Compensation Premium
Submitted by: Sarnia Lambton Chamber of Commerce, Greater Kitchener Waterloo Chamber of Commerce, Newmarket Chamber of Commerce

Issue

Ontario's public services are under threat as the province struggles to contain deficit spending while also carrying a growing debt burden. One of the major contributors to spending is the total compensation premium paid to public sector workers relative to those in the private sector. Intelligent and targeted policies aimed at understanding the fiscal and economic impact of this premium will bring fairness to employment across Ontario, increase competitiveness, and enable long-term sustainability of essential public services.

Background

Recent research has demonstrated a significant wage gap between Ontario's public and private sectors. The Ontario public sector wage premium (the degree in which public employees earn more than private sector employees) is estimated to be 10.3 percent, after controlling for such factors as gender, age, type of job and industry.[56] The rate is 7.3 percent after factoring in unionization. Non-wage benefits are also elevated: 82.7 percent of public sector workers were covered by a registered pension compared to 24.6 percent of private sector workers; nearly all were covered by a defined benefit pension (compared to only 39.8 for private sector works); they retired on average 2 years earlier and were substantially less likely to lose their job.

When 'total compensation' (i.e. wages plus non-wage benefits such as pension, health benefits and vacation time) of government workers, is out of line with the private sector, it places an excessive burden on the provincial budget and on the lower paid private sector workers who effectively subsidize their counterparts in the public sector.

Effective legislation on public pay accountability is possible. Ontario's Pay Equity Act 1990 successfully reduced sex-based wage discrimination. And legislation on public expenses successfully controls the business-related expenses of public sector employees (Public Sector Expenses Review Act 2009, etc.).

The first step is reliable data that include non-pay benefits. This would enable 'total compensation' metric benchmarking. At the moment, such data is not being collected in Canada. Canada should follow the example of the U.S., which collects data on 'total compensation' in the private sector as well as at the municipal, state and federal levels. The Ontario government should press the Federal Government to mandate this data collection by Statistics Canada.

Data should also control for factors such as occupations that don't significantly compete with the private sector, (e.g. teachers) and gender and other anti-discriminatory wage-parity measures.

Thereafter the goal should be to bring 'total compensation' in the public sector in line with that in the private sector.

Recommendation

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Collect data for 'total compensation' metric benchmarking to bring total compensation in the public sector in line with that in the private sector.

Effective Date: September 29, 2020
Sunset Date: September 29, 2023

[56] Palacios, et al. 2019. Comparing Government and Private Sector Compensation in Ontario. Fraser Institute.

C. Achieving Property Tax Fairness Across Ontario

Submitted by: Sault Ste. Marie Chamber of Commerce and Burlington Chamber of Commerce, Co-sponsored by the Mississauga Board of Trade, Thunder Bay Chamber of Commerce, Milton Chamber of Commerce, and Timmins Chamber of Commerce

Issue

Commercial and industrial payers contribute significantly to Ontario's property tax base, which is the primary source of revenue for municipal government. However, real concerns about the benefits received by businesses versus residential taxpayers, and the rationale for the notable disparity in tax treatment between residential and non-residential ratepayers, continue to persist. Put plainly, the proportion of property value and the resulting tax contributions made by these two distinct groups of property owners relative to the overall tax revenue collected by municipalities for the services they consume are vastly different and inequitable. This trend affects commercial and industrial enterprises of all sizes and across all sectors and is pervasive in communities across the province.

Background

Ontario's Property Tax system has not been fully reviewed since the new Ontario Fair Assessment System (OFAS) was first introduced by the former Harris government approximately 25 years ago.

Since that time, significant changes have occurred across Ontario's economic landscape influencing global and local competitiveness and fundamentally altering traditional economic paradigms. This trend has been further compounded by increasing demands placed on municipalities as they are confronted with new and evolving challenges, such as: social housing, the opioid crisis, climate change, rapidly evolving technology, and the growing infrastructure deficit. This list goes on.

While municipalities are alive to such concerns, as pressure on the property tax increases, the municipality community is faced with the daunting task of attempting to balance their fiscal realities against growing and competing demands for local and regional services. This situation is compounded by the limited revenue tools available to municipalities to meet their financial obligations and an antiquated system of property tax mitigation programs and relief mechanisms to achieve locally sensitive tax policy priorities that have not been comprehensively revisited or reformed since the mid-1990's.

It is also important to note that property tax bills in Ontario include a substantial portion of the total levy that is directed to the Province to fund our education system. In many cases, this share of the property tax bill (known as the provincial education tax) exceeds the amount collected for municipal purposes. The disparity in terms of tax rate treatment between non-residential and residential property owners for municipal purposes is even more extreme when the education tax rate is considered, further exacerbating the disproportionate property tax burden shouldered by commercial and industrial property owners and their tenants.

When property tax is unfavourably biased again the business community, the province's economic competitiveness, its ability to attract and retain talent and investment, create jobs, and to position Ontario for growth and prosperity are undermined.

In acknowledging the shortcomings of Ontario's current property tax system, the Province made a promise in its 2019 Spring Budget to develop an action plan *to Respect Ontario Property Taxpayers* underpinned by a comprehensive review to explore opportunities to:

- Enhance the accuracy and stability of property assessments;
- Support a competitive business environment;
- Provide relief to residents; and

- Strengthen the governance and accountability of the Municipal Property Assessment Corporation (MPAC) to ensure better representation for Ontario property taxpayers.

To support a meaningful and informed review process, the government committed to seeking input on these issues through consultation with residents, businesses, municipalities and other stakeholders.

Thus far, no plan has been revealed to fulfil this promise. However, recognizing that 2020 is the year in which MPAC will undertake a comprehensive province-wide reassessment (revaluation) of all property to provide the basis for property taxation in 2021 through 2024, the timing of a thorough and thoughtful review of Ontario's property tax system, with a focus on modernization to ensure competitiveness, is crucial to inform transparent, stable and equitable property tax treatment into the future.

Recommendations

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Honour its 2019 Budget Commitment to ensure a modern and competitive property tax system and to develop an action plan to respect Ontario's property taxpayers based on meaningful and thoughtful consultation and collaboration with affected stakeholders including: residents, business, industry, municipalities, and subject matter experts.
2. Consider providing new revenue and/or property tax mitigation tools and flexibility to municipalities in order to manage property tax burdens in a fair and equitable manner, address new economic paradigms, and to target relief to business property owners/tenants in response to local tax policy priorities and objectives.
3. Address the significant disparity between residential and non-residential tax rates for education tax purposes.

Effective Date: September 29, 2020
Sunset Date: September 29, 2023

D. Regional Approach to Provincial Procurement Reform

Submitted by: Thunder Bay Chamber of Commerce. Co-Sponsored by: Greater Niagara Chamber of Commerce, Greater Peterborough Chamber of Commerce, North Bay & District Chamber of Commerce, Sarnia Lambton Chamber of Commerce, Sault Ste Marie Chamber of Commerce, and Timmins Chamber of Commerce

Issue

The Government of Ontario is moving forward with a centralized procurement model across the Ontario Public Service and the broader public sector which may adversely impact small- and medium-sized businesses and regional economic development across the province.

Background

On March 28, 2019, the Treasury Board of Ontario announced that it would be leading an initiative to transform how goods and services are purchased by the Ontario Public Service and the broader public sector.[57] The initiative will leverage the government's buying power to develop economies of scale and centralize all provincial procurement in Queen's Park. While the Treasury Board develops this new procurement model, it has restricted long-term procurement contracts by the province's various departments. This initiative by the Treasury Board is projected to save the province $1 billion per year.

The government's goal of creating efficiencies through centralized procurement is well-intentioned, but it risks leaving small- and medium-sized businesses unable to successfully bid on provincial contracts Large provincial contracts cannot effectively be fulfilled by regional suppliers, which could result in large contract awards being made only to national or multinational distributors, thereby damaging regional suppliers & economic development. A centralized buying model puts businesses outside of the GTA at a disadvantage, and impedes the ability to build capacity throughout the province.

Rather than focusing on centralization at Queen's Park, regional hubs offer an alternate approach that concentrates on deriving the greatest total value and achieving savings objectives while also supporting regional economic development. Provincial initiatives to centralize procurement would be administered by regional hubs and through regionally awarded contracts with support by provincial/national agreements for commodities which are not tied to a regional supplier base. The procurement hubs would be established and administered within the regions they represent, enabling effective supplier/buyer relationship development to occur.

The government would mandate public buyers to use a blended portfolio of national, provincial, and regional suppliers to select a contract which derives the greatest "total value" for that agency where total value is defined as the balanced consideration of price, regional economic impact, and other important factors including but not limited to sustainability and cultural inclusion.

Positive models of this approach are demonstrated by the Lakehead Purchasing Consortium and other successful regional broader public service cooperatives and provide proof that regional contract awards are as, or in some cases more effective than, singular large provincial agreements. As an example of the strength of regionalized procurement, the City of Thunder Bay recently closed a procurement for confidential waste paper shredding services where a local company provided a price lower than a provincial agreement. Bigger is not always better!

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[57] https://news.ontario.ca/tbs/en/2019/03/creating-efficiencies-across-government.html

Investing in regional procurement hubs can also support investments in Indigenous businesses, which have long been neglected in Canada's economy. The Ontario Chamber of Commerce's report on regional economic development, *The Great Mosaic*, recommends that the provincial government prioritize economic reconciliation with Indigenous communities. Part of the solution is to encourage more Indigenous involvement in provincial supply chains, either by incentivizing those with government contracts to include more Indigenous suppliers in their own supply chains, or by including Indigenous suppliers in those contracts directly.[58]

Implementing a regional approach to procurement centralization with a focus on achieving the greatest total value provides opportunity for small- and medium-business, Indigenous suppliers, and regional economic development.

Recommendations

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Implement regional procurement hubs that mandate public buyers to use a blended portfolio of national, provincial, and regional suppliers to derive the greatest total value for purchases; and,

2. Define total value as the balanced consideration of price, regional economic impact, and other important factors including but not limited to sustainability and cultural inclusion.

Effective Date: September 29, 2020
Sunset Date: September 29, 2023

[58] "The Great Mosaic," Ontario Chamber of Commerce, 2019, pg. 21.

E. Increasing Mine Stimulus Through the Ontario Flow-Through Share Tax

Submitted by: Timmins Chamber of Commerce

Issue

Mining is fundamental to northern Ontario's economic and social health. The industry provides jobs that anchor Northern Ontario communities. Maintaining the health of the mining industry requires mineral exploration. Lack of exploration for new and expanded resources limits or eliminates future mine development.

Background

Programs that encourage mineral exploration are paramount to the economic wellbeing of our province and mining communities. The mining industry has played an essential role in the economic growth and sustainability of many communities. Ontario is one of the largest mining regions globally, producing more than 25 different minerals and metals and directly employs 480 people, creates more than 1,100 indirect jobs in the supply and service sector and about 700 induced jobs in the retail industry for a total of 2,280 jobs.[59] This industry provides some of the highest weekly earnings in the economy, and exports of minerals and mineral-based products contribute close to $12 billion a year to the provincial gross domestic product.[60]

The Ontario Focused Flow-Through Share (OFFTS) Tax Credit is intended to stimulate mineral exploration in Ontario and improve access to capital for small mining exploration companies. Currently, the OFFTS for shareholders is 5 percent, which is the lowest in Canada.[61] In comparison, the British Columbia Mining Flow-Through Share Tax Credit is 20 percent, the Saskatchewan Mineral Exploration Tax Credit is 10 percent, and the Manitoba Mineral Exploration Tax Credit is 30 percent.[62] On average, 68 percent of the funds for exploration in Canada on the Toronto Stock Exchange were raised through flow-through share financing. Currently, public offerings on Canadian exchanges are deteriorating. There was a 23 percent decline in 2018 and a 10 percent decline in 2017.[63] Public offerings have presently hit a decade low, while the proportion of private transactions reached a high in 2018.

Flow-through share agreements help raise equity by enabling mining corporations to issue shares with particular tax benefits favouring their subscribers at a premium. In a flow-through share agreement, the issuing corporation agrees to incur certain expenses eligible for tax breaks, such as those mentioned above, in an amount equal to the consideration received and to renounce to those same eligible expenses in favour of their subscribers. This renunciation is most alluring to investors since it allows eligible expenses to be deemed, for income tax purposes, the investor's expenses, not those of the mining corporation. As a result, investors pay a higher price for flow-through shares than would have been otherwise willing to pay for ordinary, non-flow-through common shares. Depending on the general market and the miner's prestige, flow-through share

[59] Dungan, Peter and Murphy, Steve. Ontario Mining: A partner in Prosperity Building, The Economic Impacts of a 'Representative Mine' in Ontario. Institute for Policy Analysis, University of Toronto, 2007. https://www.oma.on.ca/en/ontariomining/resources/RepMineFinalReportDec07.pdf
[60] Economic Contribution https://www.oma.on.ca/en/ontariomining/EconomicContribution.asp
[61] Flow-through Shares https://www.miningtaxcanada.com/flow-through-shares/
[62] Ibid.
[63] Lortie, Pierre. Entrepreneurial Finance and Economic Growth: A Canadian Overview. C. D. Howe Institute, Commentary No. 536, 2019.

offerings can be priced at a considerable premium to the corporation's ordinary non-flow-through common share price.[64]

But let's focus on Quebec and the principal tax incentive schemes available to mineral exploration activities in the province, as well as the costs and intricacies associated with flow-through share financing by operating mining corporations. To help mining corporations jumpstart their often risky operations, the federal and Quebec governments have set out tax incentives for mineral exploration and mine development. However, we will limit our comments to those available with respect to Canadian exploration expenses (CEE) incurred by mining corporations.

Similarly, the extension of the spending timelines for the British Columbia Mine Flow-Through Shares tax credit aligns with the proposed temporary federal timelines extension to incur expenses for flow-through shares.[65] Flow-through shares provide an attractive mechanism for mining companies to raise funds for their projects.[66]

Quebec and British Columbia have successfully created jobs in the mining sector by providing tax incentives that work, are successful, and verifiable.[67] In Quebec's case, fully refundable tax credits of 38.75 percent are provided, and British Columbia provides a fully refundable credit of 30 percent. Otherwise stated, if a mining exploration company spends $1 million in exploration, these governments will reimburse the company $387,500 and $300,000, respectively.[68] The refund must be reinvested in exploration activities, creating additional jobs, as exploration activities are primarily labour expenses. As an alternative, Quebec and British Columbia mining exploration companies can issue flow-through shares under the Income Tax Act, in which case individual investors access both federal and provincial tax credits. In Quebec's case, the net investor incentive is about 38.75 percent, and in British Columbia, it is 20 percent and is considering an increase to this credit.

However, at this juncture, we are not recommending incentives that are fully refundable even though Natural Resources Canada (NRCan) has proven that there are three dollars of taxable activity in the North for every dollar of tax expenditure.[69]

Increasing the Ontario Flow-Through Tax Credit from 5 percent to 25 percent would allow for additional credit to the flow-through regime in which private individuals fund exploration activities. It is recommended that a pilot project on flow-through financings be undertaken. If tracked, this government can be assured that exploration tax credits are a net tax gain to the Treasury while creating jobs in the North while using this data to determine whether additional credits are warranted to accelerate mining exploration and development further.

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[64] https://www.northernminer.com/regulatory-issues/commentary-deciding-whether-or-not-to-use-flow-through-shares-in-quebec/1003768265/

[65] https://www2.gov.bc.ca/gov/content/taxes/income-taxes/personal/credits/mining-flow-through

[66] The Use of Flow-through Shares in the Canadian Mining Sector Amidst Covid-19 www.airdberlis.com - https://www.airdberlis.com/insights/publications/publication/the-use-of-flow-through-shares-in-the-canadian-mining-sector-amidst-covid-19

Ontario communities are consistently competing against other global jurisdictions for mineral exploration investment, and in the global marketplace, it is imperative to have an edge.[70] With mineral reserves reaching an all-time low, it is critical for the survival of many communities that an abundance of exploration activity takes place now to be able to find and mine viable deposits.[71] It is vital to keep the momentum going while investors are supporting this cyclical industry. On average, it takes eight to fifteen years of work to bring a new mine into production; therefore, we need to encourage as much exploration as possible during this upswing. We need a continuum in the mining industry to further bring economic prosperity to communities that rely on this means for developmental sustenance. What Ontario, especially Northern Ontario, needs now is an increase to the Flow-Through Tax Credit.

Recommendation

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. To accelerate mining exploration and development further, immediately increase the Ontario Flow-Through Tax Credit from 5 percent to 25 percent.

Effective Date: May 5, 2021
Sunset Date: May 5, 2024

[70] The Canadian Minerals and Metals Plan: Proposed Government Actions to Address Canada's Declining Mineral Industry Competitiveness A brief to the 76th Energy and Mines Ministers' Conference Cranbrook, British Columbia, July 2019
[71] Burkhardt, Rike, Rosenbluth, Peter, Boan, Julee. Mining in Ontario: A Deeper Look, 2017. https://ontarionature.org/wp-content/uploads/2017/10/mining-in-ontario-web.pdf

F. Raise tax credits for Ontario charities to a competitive level

Submitted by: Greater Niagara Chamber of Commerce

Issue

Ontario relies heavily on its charitable sector for a vast array of social services, yet the province supports its charities through tax incentives at the lowest level of any province in Canada, which inhibits their ability to deliver those services in the quantities and of the quality that the province requires. The tax credits for charitable contributions in Ontario should be raised to a level at least comparable with other Canadian provinces.

Background

Charities in Ontario provide many indispensable social goods and services. Charities and qualified donees able to issue tax receipts for gifts received from individuals and corporations include universities, food banks, journalism organizations, amateur athletic associations, museums and art galleries, theatres, immigrant services, women's shelters, mental health services, low-cost housing corporations, municipal bodies, community health services, researchers, and many others. Ontario's non-profits and charities employ over a million workers and contribute $50 billion in economic impact.[72]

Unfortunately, like many economic sectors, charities have been devastated by the COVID-19 pandemic. The Ontario Nonprofit Network estimates the sector's losses in the first three months since emergency closures took effect to be in the range of $1.8 billion.[73] Even before the pandemic, the percentage of Canadians giving to charity, and the size of their gifts, were in decline. Between 2007 and 2017, the percentage of tax filers making a charitable contribution fell from 23.8% to 19.9%, while the amount of aggregate income donated to charity fell from 0.75% to 0.54% (it should be noted that the 2008-2009 recession did not have a large impact on these rates, which continued to fall afterwards). For comparison, 24.9% of American tax filers gave to charity in 2017, and they donated 1.52% of their aggregate income. Larger American tax credits may be at least a partial explanation for the greater generosity of Americans.

Ontario has the lowest donation tax credit rate in the country. At 5.05% for the first $200, Ontario grants the lowest credit rate of any Canadian jurisdiction barring Nunavut (although this comparison is unfair to Nunavut, as rates in the territories are lower than in the provinces due to other tax incentives offered to residents and government supports given to service providers in those regions); at 11.16% for amounts over $200, it is the lowest in the country, bar none. The provincial tax credit in Ontario for a gift of $1,000 would be $99.38, compared to $160.80 in Manitoba, $188 in Alberta, and $232 in Quebec.

To encourage more charitable giving and to revitalize the charitable sector on which Ontario depends, we propose that the tax credit rates in Ontario be raised to the same level as that granted in Alberta, i.e. 10% on the first $200 and 21% on amounts over $200.

[72] Ontario Nonprofit Network, *About the Sector* (https://theonn.ca/about-the-sector/) (retrieved on 2021/02/08)
[73] Ontario Nonprofit Network, *Stabilize the nonprofit sector to rebuild Ontario* (https://theonn.ca/our-work/covid-19-stabilization/) (retrieved on 2021/02/08)

	First $200	Amount over $200	Highest Tax Credit Rate	Tax Credit for donation of $1,000	Combined Fed/Prov Tax Credit for donation of $1,000
Federal	15.00%	29.00%	33.00%	$262.00	n/a
AB	10.00%	21.00%	n/a	$188.00	$450.00
BC	5.06%	16.80%	n/a	$144.52	$406.52
MB	10.80%	17.40%	n/a	$160.80	$422.80
NB	9.68%	17.95%	n/a	$162.96	$424.96
NL	8.70%	18.30%	n/a	$163.80	$425.80
NS	8.79%	21.00%	n/a	$185.58	$447.58
NT	5.90%	14.05%	n/a	$124.20	$386.20
NU	4.00%	11.50%	n/a	$100.00	$362.00
ON	5.05%	11.16%	n/a	$99.38	$361.38
PE	9.80%	16.70%	n/a	$153.20	$415.20
QC	20.00%	24.00%	25.75%	$232.00	$494.00
SK	10.50%	14.50%	n/a	$137.00	$399.00
YT	6.40%	12.80%	n/a	$115.20	$377.20

Recommendation

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Raise the provincial donation tax credit rate to 10% of the first $200 donated and 21% thereafter.

Effective Date: May 5, 2021
Sunset Date: May 5, 2024

G. Review transfers of responsibilities between the provincial and municipal governments to improve efficiency, service delivery, and cost

Submitted by: Greater Niagara Chamber of Commerce

Issue

The downloading of provincial government services and costs onto municipal governments has resulted in a multi-billion-dollar funding gap as revenue streams were not downloaded to match. This has resulted in many programs being severely underfunded as municipal governments cannot effectively finance them. Those that are still running are often run inefficiently as municipal governments lack the human capital, economies of scale, experience, or market power to run them as cost-effectively as the provincial government. Although downloading has saved money for the provincial government, the net effect to the taxpayer has been higher costs and cuts to services.

Background

To balance the provincial budget, the Ontario government began a program of "downloading" its responsibilities onto municipalities in 1995, including programs such as child care, transit, housing, public health, and the Ontario Disability Support Program (ODSP). Even municipal total revenue growth of 1.6 per cent above nominal GDP has not been enough to prevent the appearance of a $3.3 billion funding gap.[74] [75]

The Province did not give municipalities any additional tools for revenue generation.[76] The Provincial-Municipal Fiscal and Service Delivery Review resulted in $1.9 billion being re-uploaded, but this has narrowed the gap, rather than closing it.[77] While ODSP has been re-uploaded, for instance, municipal governments still fund transit services that used to be provincial, and Ontario is still the only province in Canada where property taxes fund provincial income redistribution programs such as Ontario Works.

Collecting only 7-8 cents of every Ontario tax dollar, municipalities are simply unable to fund these programs adequately.[78] Factoring in education costs, 50 cents of every 2016 property tax dollar went to running provincial programs.[79]

The necessity of spending such a huge amount of municipal tax revenue on provincial programs is that spending in other areas, such as infrastructure, has not kept up. In 2012, the infrastructure backlog alone had reached over $60 billion.[80]

The level of government at which taxes are paid is immaterial for Ontario's businesses. Transfers of responsibilities should aim at efficient service delivery, not at saving one level of government's budget at the expense of another's.

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[74] Pat Vanini, Association of Municipalities of Ontario Executive Director, quoted in "The property tax crunch," Brodie Fenlon (*The Globe and Mail*, March 27, 2017) (retrieved from https://www.theglobeandmail.com/incoming/the-property-tax-crunch/article1083881/ on January 26, 2018)
[75] Livio Di Matteo, "Beware of Ontario municipalities asking for 'revenue tools'" (Vancouver: Fraser Institute, August 18, 2016) (retrieved from https://www.fraserinstitute.org/blogs/beware-of-ontario-municipalities-asking-for-revenue-tools on January 26, 2018)
[76] The City of Toronto has been granted special taxing powers and the 2017 Budget allowed municipalities to levy a per-room hotel tax, which cannot help municipalities which are not tourist hotspots outside Toronto
[77] Ontario Ministry of Municipal Affairs & Ontario Ministry of Housing, *Provincial Uploads*
[78] Pat Vanini, ibid.
[79] Ibid.
[80] Association of Municipalities of Ontario, *Towards a New Federal Long-Term Infrastructure Plan, AMO's Submission to Infrastructure Canada* (Toronto: AMO, 2012)

This is a sunsetting resolution. The submitting chamber believes that this issue has not been addressed and will continue to be relevant until a solution is enshrined in law.

Recommendations

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Commission an independent review of all transfers of responsibilities since 1995 to assess, in terms of absolute cost and service delivery, whether residents and taxpayers are better served by said responsibilities residing with the provincial or municipal governments. This review should be completed by the end of 2025.
2. Accompany all transfers of responsibilities with sufficient and sustained funding adequate to service delivery.
3. Consult with municipal governments before embarking on provincial services reviews or cuts that would impact municipal government services.
4. Ensure representation from the Ontario business sector on the review panel.

Effective Date: May 5, 2021
Sunset Date: May 5, 2024