



Taxes paid in red ink

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Here is a simple experiment you might want to try with your children some sunny, hot afternoon, says American humourist Dave Barry.

Gather a cork, bar magnet, and pail of water. Simply attach your magnet to your cork, then drop it into the water, and voila, you have a compass. How does it work? Simple. Notice that, no matter which way you turn the bucket the cork always floats on top of the water (unless the magnet is too heavy).

"Using this scientific principle," Barry adds, "early mariners were able to tell at a glance whether they were sinking."

To relieve the boredom on gloomy days, high-powered business accountants occasionally play this game. They pretend the cork is their company, the bar magnet is the tax burden, and the water and bucket are their city, province and country's competitiveness quotient.

Unfortunately, their corks often sink into red ink.

Spare a moment to pity these accountants. They have so many taxes to calculate, audit, and pay. First are business taxes, assessed on how much the company owes based on its most recent profit or loss. Next are the taxes collected from customers and employees.

Thirdly are the amounts owed for levies, rents and royalties. Then the GST is gauged. The last bills pay auditor fees for the time and effort to prepare their annual corporate taxes.

Most Calgary companies -- from small, mum-and-pop shops to global corporations -- remit between 30 and 49 different taxes yearly, covering about 200 tax obligations. Some must be sent annually while others are calculated monthly or quarterly.

That's before they send property taxes to city hall.

Does anyone care about the large tax burden business carries? Calgary's 50,000 companies pay an average of 26.3% of their revenues to the tax collector. Each employee costs the company about \$37,000 in employment taxes (CPP, employment insurance, and workplace safety levies). That's a tough burden, but especially onerous on small and medium corporations.

No wonder the members of the Calgary Chamber of Commerce are calling for tax reform.

Yet we listen with some sympathy to the cries from city hall. Property taxes do not pay their bills. Instead, they must go cap-in-hand to the province and feds and ask for more money. Often they are so fixated on big brother's wallet, they forget about Calgarians' needs.

While Chamber members are not interested in increasing their tax burden, they would support reforming Alberta's municipal finance system to provide local governments with new revenue



tools responsive to citizen demands, have revenues closely linked to municipal activities and all are accountable to taxpayers.

The Chamber recommends the province:

Provide local government regions (Capital Region Board of Municipalities or Calgary Regional Partnership) with the ability to impose new consumption taxes -- to build and maintain necessary infrastructure and services (roads, water, wastewater systems, public transit) -- and reduce provincial taxes by an equal amount.

Create a clear citizen engagement and accountability framework for any new local government taxation authority that includes: Rate caps, electoral assent requirements to levy new taxes, earmarking of revenues for specific purposes and ensuring those taxes expire once the purpose is met.

Calgary is a great city to build a business and generates good income for some of the brightest in Canada.

What these smart entrepreneurs do not like is to spend January, February, March, and two weeks of April using their red ink to fund three levels of government. After that, their high-powered accountants pay bills, do payroll, and provide a return to their shareholders -- (hopefully) signed in the black.