

## **Greens Pledge to Eliminate the Education Property Tax**

Winnipeg, March 30, 2016 – A Green government would eliminate the education property tax, says James Beddome, leader of the Green Party of Manitoba.

“The current system for funding education creates severe inequities, both for students and for property taxpayers,” Beddome said. “Greens would bring greater fairness to both the tax system and the education system by funding education from personal and corporate tax revenues.”

Beddome said that Manitoba is currently the only province in Canada where school boards have the power to tax locally to meet divisional budgets, with local education taxes making up approximately one-third of the operating budget for public schooling.

“Inequities are unavoidable because of the different revenue capacities of school divisions, which in turn affects what each division can afford to spend,” said Beddome. “The end result is an inequitable tax system and one in which some school divisions are underfunded and students are short-changed.”

Beddome said the Green proposal would equalize the funding that is made available to divisions for each student, creating a better provincial education system.

“Most homeowners will be better off,” Beddome said. “Lower income homeowners living in modestly priced homes may see an increase in costs but our proposed Guaranteed Annual Income will more than offset those tax increases. Small businesses would see no tax change and large corporations would take on a greater responsibility for funding education.”

## **GPM Backgrounder: Elimination of the Education Property Tax**

### **The Challenge**

- Manitoba is currently the only province in Canada where school boards have the power to tax locally to meet divisional budgets, with local education taxes making up approximately one-third of the operating budget for public schooling;
- Per pupil spending varies widely by division from a low of \$9,552 in the Hanover SD to \$18,845 in the Frontier SD. This variation partly reflects the differing needs of students and is required to provide similar educational opportunities and experiences;
- However, there is a wide discrepancy in the revenue capacity of school divisions, as reflected in the total value of portioned assessment in each division. Expressed as assessment per pupil, this revenue capacity varies from a low of \$31,156 for the Frontier SD to a high of \$528,260 for the Evergreen SD;
- This discrepancy in tax base creates two equity challenges. First, divisions providing close to the same level of per pupil funding but having different assessment bases require very different education tax rates. For example,
  - Seine River SD: \$10,705 cost/pupil; assessment/pupil = \$317,222; required mill rate= 15.5;
  - Seven Oaks SD: \$10,789 cost/pupil; assessment/pupil = \$240,505; required mill rate = 17.0Or,
  - St. James/A SD: \$11,841 cost/pupil; assessment/pupil = \$458,666; required mill rate=13.4
  - Kelsey SD: \$11,874 cost/pupil; assessment/pupil = \$119,549; required mill rate=22.4
- Second, divisions with the same tax rate but differing levels of assessments, end up providing very different levels of per pupil funding. For example,
  - Western SD: Mill rate=18.4; Assessment Base/pupil=\$239,988; Expenditure/Pupil=\$10,189;
  - Flin Flon SD: Mill rate=18.4; Assessment Base/pupil=\$119,523; Expenditure/Pupil=\$13,436;
- The province's equalization formula covers only 64 per cent of variation in school divisions' 'unsupported expenses' (those not covered by provincial grants).

### **The Response**

To eliminate these inequities in the levels of taxation across school divisions in Manitoba, the GPM proposes eliminating the education property tax and replacing it with funding from the personal and corporate tax systems.

- In 2013/14, the replacement of the education property tax would have cost \$487.6 Million and the replacement of the Education Support Levy on businesses would have cost \$150.9 Million.
- Raising the \$487.6 Million from personal income taxes will require an 10.9% increase in the tax rates for the top two tax brackets. The middle tax bracket rate will rise from 12.75% to 14.14% and the top tax bracket rate will rise from 17.4% to 19.3%.
- The lowest tax bracket will not see any change because \$274 million from the proposed carbon tax will be used to keep it constant at 10.8%.
- To replace the \$150.9 million raised by the Education Support Levy, the corporate income tax rate will have to be raised from its current rate of 12 per cent to 15.9 per cent<sup>1</sup>.

### **Impact on Taxes Paid**

The following charts show the current education property taxes paid on houses of differing value along with the change in personal income taxes paid due to a 10.9% increase in tax rates for three different

<sup>1</sup> In 2013/14, corporate taxes raised \$468 million, at a tax rate of 12 per cent, indicating that the tax base was \$3,900 million (468/0.12). To raise \$619 million via corporate taxes (\$468+\$151) would require a corporate tax rate of 15.9% (619/3900).

school divisions, characterized by high, medium and low mill rates. By comparing the education taxes paid with the change in personal income tax, one can see who wins and loses with the replacement of the education property tax with the personal income tax.

It is important to note that, in these charts, the property tax credits of \$700 for non-seniors and \$1,170 for seniors have been deducted from the education property taxes. However, if the Guaranteed Annual Income (GAI) proposed by the Green Party is introduced, lower income households living in low-cost homes will see their average after-tax incomes rise by 22 per cent which will more than offset any losses they experience in replacing the education property tax with a higher income tax.

### High Mill Rate School Division – Kelsey: Mill Rate = 22.4

	House Valued At:				
	\$100K	\$200K	\$300K	\$400K	\$500K
Ed. Prop. Taxes – Non-Senior	\$308	\$1,316	\$2,324	\$3,332	\$4,340
Ed. Prop. Taxes - Senior	\$0	\$846	\$1,854	\$2,862	\$3,870
+10.9% In PIT by Total Income of Homeowner:					
\$0 - \$10K	\$5	\$5	\$5	\$5	\$5
\$10 - \$30K	\$55	\$55	\$55	\$55	\$55
\$30 - \$50K	\$258	\$258	\$258	\$258	\$258
\$50 - \$70K	\$490	\$490	\$490	\$490	\$490
\$70 - \$90K	\$782	\$782	\$782	\$782	\$782
\$90 - \$110K	\$1,003	\$1,003	\$1,003	\$1,003	\$1,003
\$110K+	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515

*Note: The education property tax formula is: ((Assessed Value/1000) x 0.45) x Mill Rate - Property Tax Credit. In 2015, the non-senior education property tax credit was \$700 and the senior's property tax credit was \$1,170.*

## Average Mill Rate School Division – Seine River: Mill Rate = 15.5

	House Valued At:				
	\$100K	\$200K	\$300K	\$400K	\$500K
Ed. Prop. Taxes – Non-Senior	\$0	\$695	\$1,393	\$2,090	\$2,788
Ed. Prop. Taxes - Senior	\$0	\$225	\$923	\$1,620	\$2,318
+10.9% In PIT by Total Income of Homeowner:					
\$0 - \$10K	\$5	\$5	\$5	\$5	\$5
\$10 - \$30K	\$55	\$55	\$55	\$55	\$55
\$30 - \$50K	\$258	\$258	\$258	\$258	\$258
\$50 - \$70K	\$490	\$490	\$490	\$490	\$490
\$70 - \$90K	\$782	\$782	\$782	\$782	\$782
\$90 - \$110K	\$1,003	\$1,003	\$1,003	\$1,003	\$1,003
\$110K+	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515

## Low Mill Rate School Division – Evergreen: Mill Rate = 11.5

	House Valued At:				
	\$100K	\$200K	\$300K	\$400K	\$500K
Ed. Prop. Taxes – Non-Senior	\$0	\$335	\$853	\$1,370	\$1,888
Ed. Prop. Taxes – Senior	\$0	\$0	\$383	\$900	\$1,418
+10.9% In PIT by Total Income of Homeowner:					
\$0 - \$10K	\$5	\$5	\$5	\$5	\$5
\$10 - \$30K	\$55	\$55	\$55	\$55	\$55
\$30 - \$50K	\$258	\$258	\$258	\$258	\$258
\$50 - \$70K	\$490	\$490	\$490	\$490	\$490
\$70 - \$90K	\$782	\$782	\$782	\$782	\$782
\$90 - \$110K	\$1,003	\$1,003	\$1,003	\$1,003	\$1,003
\$110K+	\$2,515	\$2,515	\$2,515	\$2,515	\$2,515