

Alternatives North presents

## *Top Ten Ideas for Smart Tax Reform*



### **Smart Tax Reform!**

**Tax “bads such as pollution not  
“goods” such as income.**

#### **1. Reduce tax rates for low and middle income brackets**

Despite high and rising average incomes, inequality and poverty are serious problems in the NWT. The lowest income bracket tax rate should be reduced by 3%, the next lowest by 2%, and the next by 1%. With further annual 1% reductions for each bracket for another three years, no income tax would be paid on the first \$35,986 earned by anyone in the NWT. This would reduce revenues by \$40 million by the fourth year.

#### **2. Introduce a carbon tax**



The concept of a carbon tax is widely accepted. A phased in approach to this tax starting with \$10 per ton in year one and rising to \$50 in year five would raise on the order of \$41 million per year. Revenue should be invested in a Green fund for projects that conserve energy, convert heating and transportation systems, and convert energy generation systems from diesel to renewable or less polluting sources.

#### **3. Introduce a resource income tax**

Rents from natural resources should be collected by a resource income tax. Such a tax would have raised hundreds of millions of dollars per year. Even though we are late in the game, a resource income tax remains a viable source of revenue. Up to 50% of the revenue should be invested in the Heritage Fund to share the benefits from non-renewable with future generations.



#### **4. Introduce capital tax**



Some corporations are able to avoid paying income tax by using accounting techniques to hide income. In order to capture some of this revenue leakage, a capital tax should be phased in over two years, raising \$12.6 million per year.

### 5. Increase payroll tax to 2.5%

The GNWT loses millions of dollars per year from people earning incomes in the NWT who live and pay taxes elsewhere. We should increase the payroll tax from 2% to 2.5% for wages and salaries above the top 25% of income earners and reduce it for lower incomes so that the total net revenue impact is zero.



### 6. Hotel and airport departure tax

These taxes are common throughout Canada and are unlikely to affect tourism, considering their small proportion of overall travel costs. A hotel tax of 8% and an airport departure tax of \$40 per flight should be instituted immediately, raising about \$8.7 million per year.

### 7&8. Increase tax on tobacco and liquor revenues

Taxation helps reduce tobacco consumption, particularly among teenagers. Tobacco taxes should be increased to the current limit set in legislation. It could raise approximately \$1.3 million per year, and similar amounts in following years. Increasing the NWT liquor mark up by 40% over two years would raise prices of beer, wine and spirits by roughly 15%

or less, and would raise about \$4.8 million in annual revenues. Revenues should be targeted to programs working on drug and alcohol addictions and smoking cessation.



### 9. Transportation Fuel tax



Transportation fuel taxes in the NWT are “among the lowest in Canada” and significantly below the national average. The Government has not allowed fuel taxes to increase since 1997, letting them slip significantly against total fuel prices. Transportation fuel taxes should be restored to 1997 values over two years. The increased costs for low income residents would be offset by income tax changes.

### 10. Heating fuel tax

Over 4 years, we should phase in a progressive heating fuel tax and invest revenues in home energy efficiency retrofits, focusing on lower income residents. We could decrease costs for homeowners by offering loans for retrofits that are paid back from decreased heating costs.



