

ADVANCE IN TAX LAWS IN CANADA.

(For the Review.)

By GEORGE J. BRYAN.

In presenting the matter relating to municipal tax laws as operating in the several provinces of Canada, it has been my purpose to be brief and concise, and to give merely the bare details without much embellishment. Further, I have aimed not to exaggerate the situation, treating the question at issue calmly and conservatively.

From the information and facts gathered, and considering the entire field in which such investigations have been made, there is no shadow of doubt that all the changes or advances made so far by the Canadian Municipalities have been most beneficial to the individual and the community, and likely to be even more beneficial as further advances are made in the direction of land value taxation unlimited.

Of the ten Provinces comprising the Dominion of Canada, the predominant ones wherein the greatest advances have been made in taxation methods are Manitoba, British Columbia, Saskatchewan, Alberta, and Ontario.

Nova Scotia, New Brunswick and Prince Edward Island, the three Eastern Provinces, not being as conspicuous in advanced tax legislation, are now becoming alive to the importance of the question involved. First in order, however—because here the real beginning of saner tax laws took root in Canada—is Manitoba.

MANITOBA.

This Province with a present population of over 500,000, and a land area of 251,832 square miles, is noted particularly as one of the finest wheat growing districts in the world. It is also noted especially as a most attractive country for American farmers who in vast numbers have immigrated, and are yet migrating there to secure the opportunities for cheap land and the benefits of freer municipal laws, which briefly are here specified.

The earliest legislative enactment which was to bring considerable prominence to the Province and lasting benefits to the tillers of the soil, occurred in the Eighties when the government of that time passed an Act providing that all lands in rural municipalities improved for farming and gardening purposes, should be assessed as if unimproved. This means that the man who is industrious and improves his land by tile draining and fencing, who builds a home for himself, or erects barns for his live stock and farm products, is not fined annually for so doing.

In addition to the exemption of improvements referred to, all grain, cereals, flour, live or dead stock, the produce of the farm or field in store or warehouse, and all products of land occupied as a farm or garden are likewise exempt from taxation. From these enactments alone it can readily

be understood why it is that this province has progressed in population and wealth as it has.

But beyond these municipal provisions designed to help and not impede individual effort, there are other wise provisions, as for instance: municipal councils may assess the plant and buildings of industries at one half their value. Horticultural and agricultural societies are exempt from taxation, likewise cream and cheese factories. Then also live stock and farm implements are exempt generally; only where the value of same exceeds \$1,500. is there any tax imposition. And not less important of Manitoba's tax laws is the exemption from taxation of "All household effects and furniture; books and wearing apparel of any kind whatsoever."

As applied to cities and towns, notwithstanding a very general demand for lower assessments on buildings, Winnipeg, with a population of 200,000, has a charter which empowers it to assess buildings and improvements at a lower rate than land values, the former being assessed generally at 60 per cent. of estimated value.

In lieu of a personality tax usually applied to stocks of merchandise, etc., the municipal law imposes instead a "business" tax. This encumbrance on business will in due course of time pass away, as will the tax on improved property.

BRITISH COLUMBIA.

To this progressive province on the Pacific coast, population over 400,000, and area 355,855 square miles, belongs the credit for having, first of the Canadian Provinces, given practical effect to the principle of local option or home rule in taxation as contained in various statutes passed between the years 1886 and 1891. The first of these statutes only permitted an exemption of 50 per cent. of the assessed value of buildings and improvements, but the law of 1891 prohibited their assessment at a higher rate than 50 per cent. and permitted their entire exemption.

Following the statute passed in 1886 the cities of Vancouver, Victoria, New Westminster, and numerous smaller places, altered their assessment, first, to 75 per cent., then to 62½ per cent., and finally to 50 per cent. of the assessed value, these changes occurring gradually from time to time.

Upon the passing of the 1891 statute—which prohibited the assessment of buildings, etc., at a higher rate than 50 per cent., with permissive powers to assess at lower or no rate at all if desired, one after another of the various municipalities altered their systems of assessment in accordance with the latest statute. The lower assessment of buildings, etc., and the higher assessment of land values seem to have shown beneficial results everywhere throughout the Province, for, down to the year 1911, no place of any consequence now imposes taxes upon buildings and improvements.

Vancouver, of which so much has been written, is a city whose buildings—manufacturing, office, hotel and residential—are particularly striking and costly, from the very beginning, under the Provincial Statutes, began gradu-

ally to remove restrictions on building enterprise, until finally in the year 1910, the exemption from taxation of all buildings and improvements on land was adopted in its entirety. The very remarkable standing of this city in respect of its many, varied and substantial building structures is generally attributed to the removal of tax restrictions.

That no difficulty has been experienced in raising the necessary revenue and still retaining the moderate tax rate on land value, is testified to by the Assessment Commissioner of Vancouver, who says: "The Council have been able to get sufficient revenue from the assessment of land values without raising the tax rate, which has been the same for some years, viz., 22.22 mills in the dollar, less 10 per cent. if paid promptly."

As regards the neighboring city of Victoria, the Capital, the best evidence in favor of the policy adopted by Vancouver is the fact that Victoria in the year 1912, by a popular vote of 2,392 to 476 decided to follow its example, and thereby secure all the benefits possible under the no-tax-on-industry system. Prior to 1911 Victoria for several years levied the assessment on buildings, etc., on a 25 per cent. basis.

Mr. Edwin C. Smith, Collector for the city of Victoria, writes: "I may say that to my knowledge the general opinion of our ratepayers is strongly in favor of exemption of improvements from taxation."

Nanaimo, a very thriving and industrious small city, has for many years enjoyed the distinction of being among the earlier municipalities to adopt the no-tax-on-improvements plan of taxation.

Prince Rupert, a coast town of much importance, has also for some years exempted buildings and improvements. Likewise there are many farming districts throughout the Province which have for years practically exempted farm buildings, fences, orchards, evidently to the pecuniary advantage of its citizens.

As with all other Canadian Provinces, household furniture, farm produce, etc., in British Columbia are not assessable to any extent locally or otherwise.

Under the Provincial law (for the purposes of the Province) it has been the custom to collect taxes from a variety of sources including land, improvements, incomes, personal property, corporations, etc.,

Since the appointment of the Royal Commission on Taxation in 1912 dealing with the whole subject of Provincial Tax Laws, and based upon the report of the Commissioners, it is altogether probable that in the future all poll and personal property taxes, and all taxes on buildings or other improvements, will be abolished.

This significant statement in the report appears:

"It has been urged that the taxation of improvements, like the taxation of personal property, would be a penalization of thrift and energy, and ought to be abolished in a community whose chief aims are progress and the development of all kinds of industry."

It can frankly be claimed of conditions in British Columbia that the average citizen, whose energies and capital have been expended in productive

activities and the community as a whole, has undoubtedly profited under the tax laws prevailing; and that a wonderful impetus has been given builders and all trades in connection therewith, and business in general encouraged to greater pursuits. To assert that the plan of taxation in this Province is the Single Tax system pure and simple, would be unwarranted by the facts, for indeed but a small percentage of the unearned increment of land reaches the public till. The plan in vogue, however, in so far as it applies, has been sufficiently long enough in practice to prove its expediency, its justice and its simplicity, and that in every way conceivable it is superior to the crazy plan that aims to tax everything in sight.

As one may gather from the evidences of progress in the various Canadian Provinces, it is quite clear that public opinion here will never again tolerate the insane course formerly pursued, and that ultimately—and that not long distant—the taxation of land values only, and to the extent of more than a mere percentage, will practically prevail throughout the whole or greater part of Canada.

ALBERTA.

This Province, with an area of 255,285 square miles of territory, and containing a population upwards of 400,000, came into existence as a province of Canada in September, 1905, and a brief survey of its laws will show evidences of advanced thought in matters of taxation.

Prior to the year 1912 Alberta had no regulations re. the organization of rural municipalities; there were in existence, however, bodies known as Local Improvement Districts, but their powers were limited to the extent of raising required revenue by a tax on the acreage basis. This obsolete method has since been discarded, due to the passage of the Rural Municipality Act (1912), whereby rural municipalities may be organized under the Act which reads: "Land shall be assessed at the cash value exclusive of the value of any buildings erected thereon, or of any other increase in value caused by any other expenditure of labor or capital thereon."

This clause in the Act referred to, it will be observed, compels every newly organized community to assess land values as the sole source for necessary revenue. What this really signifies for future generations it should not be hard to imagine.

Villages and towns within the Province heretofore were required to assess land, improvements on land, and personal property, though if any community petitioned for authority to tax land values only it could do so. Under this provision a goodly number of them petitioned the provincial authorities and were granted the required authority.

After a short period of years, with tried experience in assessing land values with satisfactory results, the Government amended the various acts, and now it is compulsory upon all villages, as with all newly organized communities, to seek their revenue from land values.

As to towns, the amendment to the town act 1911 gave them the privi-

lege of assessing improvements on a valuation of 60 per cent., with optional reduction of 15 per cent. in each year until the entire tax was wiped out. Many towns have, as have the villages, taken full advantage of the Town Act in lieu of adopting the slower method of reducing the tax on improvements.

The amended Act as it applies generally, is working out quite satisfactorily according to best accounts, and though some towns at first experienced difficulties in meeting their requirements due to past unwise extravagances they are now adjusting their affairs in keeping with the better order for raising municipal revenues.

In reference to the cities of Alberta, of which there are principally Edmonton, the capital, Calgary, Lethbridge, and Medicine Hat, there exist charters under which they are severally governed, and consequently they do not come under the new tax regulations of the Provincial Government to the same extent as other municipalities. Notwithstanding this fact, a progressive spirit for better tax laws prevails everywhere among the cities.

In Edmonton, with a population of 60,000, and a total assessment of nearly \$125,000,000, the tax rate on land values is only 12 mills in the dollar.

Though a comparatively young city, Edmonton, having secured its charter in 1904, began to alter its tax methods from the start, and having found good results from various attempts, finally in the year 1911 abolished the last of the repressive taxes (business tax) and now concentrates all taxes on land values.

Whether there is any significance attaching to the fact that when land values were only slightly assessed in year 1906 the building permits amounted to but \$1,568,000, while in year 1912 they amounted to \$15,500,000 when land values bore the whole burden for municipal requirements, can well be pondered over.

Unquestionably building operations have been greatly stimulated in Edmonton and vacant lots made more readily available for the builder by reason of the incidence of the tax.

As regards Calgary, with a population over 70,000 and a total assessment of nearly \$115,000,000, buildings and improvements are taxed but 75 per cent. of their value, with the chance of still further reduction to zero ere very long.

Medicine Hat, a thriving city for its size, like Edmonton taxes land values alone and is progressing rapidly because of its enlightened course.

Lethbridge, with a population probably 20,000, has already taken advantage of the new government Act, and reduced the assessment of improvements by one-third, and by the year 1914 will have complete exemption of all buildings and improvements. It may be safely stated that ere many years elapse every municipality within the Province of Alberta will have abolished every vestige of a tax for local purposes other than the tax on land values.

We may quote from statement of Mr. John Perrie, Deputy Minister of Municipal Affairs for the Province, who, referring to recent government Acts, says: "This method of assessment is a fair one and is satisfactory to the farmers; in fact any change to a system of taxation whereby improvements on

personal property are assessed would be strongly opposed by them. We have found no demand that the tax system be changed, so that taxes would be levied on improvements and personal property."

This statement of Mr. Perrie's is also greatly strengthened by the resolution of the Alberta Local Improvement Districts Association whereby they recorded themselves unanimously in favor of the taxation of land values.

SASKATCHEWAN.

In this new Province, of which Regina is the capital, with a land area of 251,700 square miles, and a population exceeding 500,000, farming and ranching are the principal occupations carried on—and apparently most successfully, judging from government records. Besides farming and ranching there are a fair number of thriving towns in which diverse industries are in operation. As with the Provinces of Manitoba and Alberta, Saskatchewan, too, is the Mecca for American farmers dissatisfied with conditions in the several Northwestern States, and as before stated cheap fertile land and non-oppressive tax laws have in large measure encouraged their migration into this new Province.

Here it has been the practice for several years under the Provincial laws, to allow rural municipalities some latitude in the matter of imposing and collecting their taxes; in other words, the principle of local option or home rule in taxation applies.

In the earlier days in this Province it was customary among rural districts to raise required funds by imposing a tax according to acreage. This unsound method, however, did not survive long, for, subsequently, by an act of the legislature (1911) permission was given providing that the tax may be based on the actual cash value of all lands, irrespective of improvements. This provision, however, is permissible on receipt of a petition signed by one-half of resident ratepayers or by a two-thirds vote of the Council.

Regarding the foregoing enactment Mr. J. H. Bayne, Deputy Minister of Municipal Affairs, writes: "We have at present in Saskatchewan one hundred and seventy-two rural municipalities and ninety-seven local Improvement District, all of which assess only on the land; that is to say, a farmer may have any quantity of good buildings, horses, cattle and other effects which may be the result of his enterprise, but none of these things will be levied upon in the assessment roll."

As applied to villages the Act provides that "land shall be assessed at its fair actual cash value, and buildings and improvements thereon at sixty per cent. of their actual value."

Further in the same Act it is provided that "If two-thirds of the total resident electors in any village petition Council, the Council may by by-law provide that the assessment in the village shall be limited to an assessment based upon the actual value of all lands exclusive of improvements thereon."

Up to date fifteen villages have taken advantage of their powers under the Act and raise their revenues entirely from land values. In respect of

towns and cities governed under regulations of the Towns Act and Cities Act respectively—the provisions are similar to the Act respecting villages with this addition: (1910) "Provided that the assessment of buildings and improvements shall not in any year be reduced below the assessment of the same for the previous year by a greater amount than fifteen per cent. of the fair actual value of such buildings and improvements."

Thus within four years following the amended Act, any town or city may adopt the Single Tax on land values.

"Practically," writes Mr. Bayne, the Deputy Minister of Municipal Affairs, "All our cities are taking advantage of this permission to get closer to the principles propounded by Henry George." Regina, for example, has already reduced its assessments on buildings and improvements to forty-five per cent. (1912) and a still further reduction was made this past year by vote of the municipal council.

It will be observed in closely perusing the Provincial Acts referred to that all local changes in tax methods have been brought about under the home rule principle of taxation, and throughout each local governing body has simply proceeded in determining the course of action best suited to their requirements.

ONTARIO.

The assessment laws of this Province, with a population close to 3,000,000 and an area of 407,262 square miles, like the laws of most governing bodies, carries the doubtful principle that taxation should be imposed according to ability to pay and not, as tax reformers claim, that taxation should be based on the principle of benefits received.

Nevertheless, there are several significant features in the consolidated assessment law worthy of mention. These primarily affect the agricultural interests, but favor all classes. The following property is exempt from taxation:

Growing cereals, flour, live or dead stock.

The produce of the farm or field.

Grain in store, warehouse, car or elevator.

Horses, cattle, sheep or swine; the income of the farmer derived from his farm; household effects and furniture, personal adornments, books, and wearing apparel.

And such property as steamboats, sailing vessels, tow barges and tugs, is exempt, and only the income is taxed.

As is generally customary in Canada, the Provincial Statutes provide for exemption of newly established industries on their plant and buildings.

An excellent feature of the assessment law permits local option as to exemption of machinery, plant and tools engaged in production. This privilege gives great satisfaction.

Then in the matter of collecting poll or statute labor taxes the law permits local option as to manner of levying the same. For many years it was the

custom here under the assessment law to impose a personality tax applying to goods and stocks of merchandise, etc. This tax, however, fell into ill repute some years ago now, because of its generally bad effects, and upon the insistent demands made by so many organizations throughout the province, the government abolished the personality tax and substituted therefor what is known as the "business" tax, this tax being based on the rental value of the premises in which business is carried on. Though infinitely a better way of making business and professional men pay tribute in addition to taxes on land and buildings, there is a wide-spread movement for its abolition.

It may be of interest to mention that while the principle of local option in taxation is not a party question, the Liberal Opposition of the Ontario Legislature is officially committed to it in their platform.

As evidence of a wide-spread feeling there is the fact that during a recent session of the Legislature, over 100 cities and 150 Township Councils petitioned for an amendment to the Assessment Act so that municipalities may tax improvement values at a lower rate than land values.

These evidences of discontent with the present mode of assessment are further strengthened by the remarkable vote registered during the Municipal Elections held in Toronto last January, (1913), in which by a vote of 25,773 to 6,440, the citizens expressed themselves in favor of assessing improvement values at a lower rate than land values. The question submitted to the electors being: "Are you in favor of applying for legislation to assess buildings, business tax and income on a lower basis than land?"

Notwithstanding the two bills introduced in the Legislature, one by Mr. Ellis, a member of the Conservative party, and the other by Mr. Rowell, leader of the Liberal opposition, both bills designed to relieve the oppressed tax payer, the government refused to make any move for progress, which policy is due chiefly to the hostility of the Premier and has unquestionably alienated many of his supporters throughout the Province.

Tax reform is in the air, however, and ere very long Ontario will not lag far behind the other Provinces in the forward movement for a scientific system of municipal taxation. Having before us the knowledge of successful experience and the entire practicability of the various changes so far carried out, all the profound arguments of the conservative stay-as-you-are thinker can not dispose of the fact that the tendency everywhere is directed to more enlightened and juster tax laws.

SPECIAL NOTE.—Notwithstanding the tightness of money and a general check in real estate operations throughout its western Provinces during the past year (1913), the concensus of conservative opinion in respect of tax methods in vogue, is that ample revenues are still available for municipal purposes from land values without reimposing taxes on buildings or labor values.

Furthermore, under no circumstances is there any likelihood of a change back to the old plan of taxing everything in sight.

Until municipal authorities are empowered to raise a much larger percentage (now generally 2 per cent.) from land values, better results than here and now are being shown can hardly be expected to occur; nevertheless, there is sufficient evidence before us to prove that tax reform advances have in no way been disappointing.