



Submission to the New Brunswick Standing  
Committee on Law Amendments on Motion 31:

# **Property Assessment & Taxation of Heavy Industry**

By **Paige MacPherson**, Atlantic Director  
Canadian Taxpayers Federation

SEPTEMBER 2019

Canadian  
**Taxpayers**  
FEDERATION  
*Stand Up. Be Heard!*

## ABOUT THE CANADIAN TAXPAYERS FEDERATION

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has 215,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to **join at no cost** and receive issue and **Action Updates**. **Financial supporters** can additionally receive the CTF's flagship publication **The Taxpayer** magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2017-18 the **CTF raised \$5.1-million on the strength of 31,205 donations**. Donations to the CTF are not deductible as a charitable contribution.

**SUBMISSION TO THE NEW BRUNSWICK STANDING COMMITTEE ON LAW AMENDMENTS ON MOTION 31:  
PROPERTY ASSESSMENT & TAXATION OF HEAVY INDUSTRY**

**BY: PAIGE MACPHERSON, ATLANTIC DIRECTOR  
CANADIAN TAXPAYERS FEDERATION**

**SEPTEMBER 2019**

## NEW BRUNSWICK'S COMPETITIVENESS IS KEY

In New Brunswick, the immediate needs to both stimulate job creation outside of government and generate more tax revenue to pay for important services do not need to be viewed in competition with one another. Rather, these two policy goals go hand-in-hand. It is not necessary for the government to increase taxes on New Brunswick's job creators in order to generate more revenue; in fact, this could have the opposite effect by driving business, investment and people out of the province at a time when outmigration is already a significant challenge. Instead, the government should focus on policies which make New Brunswick a more welcoming place to live and start a business, in turn attracting more taxpayers and job creators and ensuring more sustainable revenue streams over the long-term.

To this end, it is crucial that the New Brunswick government remains focused on making the province a competitive environment relative to other jurisdictions in Canada and the United States. Increasing property taxes on the job creators through policies such as Motion 31 is the absolute last thing the New Brunswick government should be doing.

The Canadian Taxpayers Federation maintains an Atlantic office based in Halifax and covers New Brunswick issues of importance to our supporters year-round. To offer the feedback of our supporters directly to the Standing Committee on Law Amendments, we conducted a survey of our New Brunswick supporters. Those survey responses are shared throughout this submission. Notably, 86 per cent of the taxpayers surveyed think including machinery and equipment in the assessment of business property taxes is a bad idea because it will make it harder to do business and create jobs in New Brunswick.

**An opposition MLA put forward a motion to begin to include machinery and equipment in property values to determine the amount of property taxes businesses will pay. This would increase the cost of doing business in New Brunswick, but it could also increase government revenues to pay for services. What is your opinion on this?**

**86%** Increasing property taxes to include machinery and equipment is a bad idea because it will make it harder to do business and create jobs in New Brunswick

**7%** Increasing property taxes to include machinery and equipment is a good idea because it will generate more money for government services

**7%** Don't know/Unsure

## PROPERTY TAXES ALREADY PINCH JOB CREATORS AND WORKERS

Our survey of CTF supporters in New Brunswick, many of whom are New Brunswick business owners (to whom we specifically addressed some questions), indicated clearly that high property taxes and various costs are already making it more difficult for job creators in the

**What is your view of the level of property taxes in New Brunswick?**

- 75%** Property taxes are too high
- 19%** Property taxes are a reasonable level
- 1%** Property taxes are low

province to grow their businesses and compete. Of respondents, 75 per cent of New Brunswick taxpayers – an overwhelming majority – felt their property taxes are already too high, while 19 per cent felt their property taxes were a reasonable level, and only 1 per cent felt their property taxes are low.

According to the [New Brunswick Real Estate Association](#), New Brunswick already has the unfortunate distinction of being the only

province to impose the “double property tax,” which unfairly hits owners of second properties in the province. While this is a residential property tax policy, it negatively affects investment in the province by dramatically increasing the price of doing so. A Global News [report](#) noted that according to Statistics Canada, between 1994 and 2018, investments in apartments have been increasing in neighbouring Nova Scotia, but the data show no growth in apartment investing in New Brunswick.

When it comes to business property taxes, New Brunswick is sadly uncompetitive. We specifically asked CTF supporters in New Brunswick who are business owners their opinion of the level of property taxes they pay, and 85 per cent of these business owners felt their business property taxes are too high. Only 6 per cent felt their business property taxes were a reasonable level, and 1.5 percent felt their business property taxes are low.

***NB Business Owners***

**What is your opinion on the level of business property tax you pay in New Brunswick?**

- 85%** My business property taxes are too high
- 6%** My business property taxes are a reasonable level
- 1.5%** My business property taxes are low

It’s no wonder that a 2019 C.D. Howe Institute [report](#) ranking the effective business property tax rates in Canadian cities in 2018 found that Moncton, the only New Brunswick city analyzed, had the highest effective business property tax rate of any city ranked, both in terms of the provincial rate and the combined municipal and provincial rates. The report noted that, “the largest provincial tax burdens are in British Columbia, Manitoba and New Brunswick. In all these provinces, provincial business property taxes are substantial barriers to new business investment.”

A previously released C.D. Howe [report](#) ranking cities in 2017 found that the burden in Saint John, the only New Brunswick city analyzed, was the highest overall, with both the highest effective provincial business property tax rate and combined provincial and municipal rate. The Institute noted that as in previous editions of its business property tax ranking, “our results

demonstrate the potential investment benefits of reducing the burden of business taxation, especially business property taxation.”

**“Our results demonstrate the potential investment benefits of reducing the burden of business taxation, especially business property taxation.”**

-C.D. Howe Institute report on business property taxes

We asked CTF supporters who own businesses in New Brunswick how much of an impact business property taxes have on their business’ finances each year. Of these business owners, 84 per cent said that business property taxes have a somewhat high impact or a very high impact. It’s clear that business property taxes matter a great deal to New Brunswick job creators. We also asked in what ways are their businesses impacted by the property taxes they pay, and 86 per cent said high property taxes force them to

**NB Business Owners**  
**How much impact do business property taxes have on your business’ finances each year?**

- 47%** Somewhat high impact
- 37%** Very high impact
- 6%** Somewhat low impact
- 5%** Very low impact or no impact

increase prices. This was by far the top response, showing that increasing business property taxes on New Brunswick job creators has impacts well beyond the business owners

**NB Business Owners**  
**In what ways is your business impacted by the property taxes you pay (select all that apply)?**

- 86%** Increase prices
- 47%** Lose business to competitors
- 37%** I have to work more than I’d like
- 31%** Cuts to staff hours
- 10%** Layoff staff

themselves. Consumers in New Brunswick are also impacted by price increases on the goods and services they need to buy. One-third of these business owners said high property taxes force them to cut staff hours, and one-in-ten said they have to lay off staff as a result. These are the real impacts of property tax hikes that hit average workers in New Brunswick. Competition remains a significant issue for entrepreneurs, with 47 per cent of these New Brunswick business owners saying that high property taxes cause them to lose business to competitors. Here are some other impacts our supporters who own businesses in New Brunswick noted:

**High business property taxes mean...**

*“I cannot purchase newer or more efficient facilities because it’s too expensive.”*

*“High taxes take revenues that could add value to my company.”*

*“I am unable to invest or grow as quickly as I’d like to.”*

*“I have less money for investing in innovation projects and equipment.”*

## NEW BRUNSWICK GOING AGAINST THE FLOW ON TAXES

If the government of New Brunswick was to seriously consider this property tax change, it would come at a time when other governments – which serve as competition with New Brunswick for jobs, investment, and population growth – are moving in the opposite direction. It has been noted by both the [Canadian Manufacturers and Exporters](#) and the [Fredericton Chamber of Commerce](#) that the only other province that includes the value of machinery and equipment in business property tax assessments is Alberta, where not all municipalities have it in place. Notably, the province’s two major cities, Edmonton and Calgary, are exempt.

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***“The current bill’s sponsor, Saint John MLA Gerry Lowe, has pointed out that no one else has tried this. He is correct in the sense that most governments are trying to encourage investment, not deter it.”***

**-Dr. Herb Emery, University of NB Vaughan Chair in Regional Economics**

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A 2017 University of New Brunswick [report](#) noted that Alberta has emerged as a top destination for New Brunswick out-migrants. It is important to note that the Alberta government is moving in the opposite direction on business taxation. Lowering taxes for job creators is a stated priority for Alberta’s government. Two of the first [initiatives](#) launched by the Alberta government after getting elected were the elimination of the provincial carbon tax and the significant reduction of its general business tax rate. Alberta is lowering its provincial business tax rate to eight per cent over four years, or less, if economic conditions allow for a faster timeline. This will bring the province’s general business tax rate to the lowest in Canada. Economist Dr. Jack Mintz [estimates](#) that this tax reduction will bring 55,000 new jobs to Alberta, and economist Dr. Bev Dahlby says it could add \$13 billion to Alberta’s economy by 2024, and boost government revenue by \$1.2 billion by 2023. It is unwise for New Brunswick to move in the opposite direction and risk driving more jobs and people out-of-province.

## COMPETITIVENESS: HOW DOES NEW BRUNSWICK MEASURE UP?

Alberta isn’t the only jurisdiction moving to reduce the burden on job creators. Ontario’s new government declared the province “open for business” upon being elected, and [made changes](#) to capital investment write-offs in an effort to save businesses money.

The United States, the world’s largest economy and Canada’s most direct competitor, has made significant reductions to the cost of doing business. On Jan. 1, 2018, the U.S. reduced its general business tax rate from 35 to 21 per cent. According to the [British Broadcasting Corporation](#), most analyses suggests this marked the biggest business tax cut in U.S. history. The U.S. government also introduced a [policy](#) to eliminate two existing regulations for every new one introduced, and [reduced](#) its federal top personal income tax rate from almost 40 to 37 per cent.

The Fraser Institute [noted](#) that the U.S. business tax reductions, combined with other business policy reforms, including allowing the immediate expensing of capital investment and creating incentives to move overseas profits to the U.S., “dramatically reduced the marginal effective tax rate on new investment in the U.S.” to 19 per cent, while Canada’s is around 21 per cent. “With Canada’s business advantage gone, it will become harder to compete with the world’s largest economy for investment dollars.” These findings make New Brunswick an uncompetitive province within an uncompetitive country.

New Brunswick’s 14 per cent (29 per cent combined provincial and federal) general business tax [rate](#) is higher than nine of 13 provinces and territories, already creating a significant

barrier to business competitiveness within Canada. The majority (52 per cent) of CTF-supporting New Brunswick taxpayers already think that, compared to other regions in Canada and the U.S., New Brunswick is not a comparatively good place or is a somewhat bad place to start and own a business, in terms of costs and regulatory environment.

On top of this, New Brunswick imposes other tax burdens on job creators over and above competing jurisdictions. The province has the highest sales tax rate in the country at 15 per cent. At 53.3 per cent New Brunswick has one of the highest top marginal income tax rates in the country (Nova Scotia is highest at 54 per cent and Ontario is second-highest at 53.5 per cent). Additionally, the top income tax bracket in New Brunswick starts at only \$154,382 annual income, which is low relative to other provinces. High income tax rates make it more difficult for businesses to attract top talent to New Brunswick and can make it more costly overall for job creators to start and maintain businesses in the province. The previous provincial government

**Speaking only in terms of financial and regulatory environment, compared to other regions in Canada and the United States, do you think New Brunswick is a good place to start and own a business?**

**34%** No, New Brunswick is not a comparatively good place to start and own a business because it is too expensive and challenging

**23%** New Brunswick is a somewhat good place to start and own a business, in terms of the costs and regulatory environment

**18%** New Brunswick is a somewhat bad place to start and own a business, in terms of the costs and regulatory environment

**16%** Don’t know/unsure

**8.5%** Yes, New Brunswick is a comparatively good place to start and own a business because the costs are low and the regulatory environment is competitive

increased income taxes for those earning over \$150,000 and increased both land registration fees and property transfer taxes.

### **NEW BRUNSWICK TAXES AFFECTING JOB CREATORS AND WORKERS**

- GENERAL BUSINESS TAX RATE HIGHER THAN 9 OF 13 PROVINCES & TERRITORIES
- WORKERS COMPENSATION PREMIUMS HIGHEST IN CANADA
- SALES TAX HIGHEST IN CANADA
- INCOME TAXES AMONG HIGHEST IN CANADA
- GAS PRICES THIRD-HIGHEST IN CANADA
- BUSINESS PROPERTY TAXES HIGHEST IN NEW BRUNSWICK CITIES

Skyrocketing WorkSafeNB rates are a major burden on the province's job creators, and amount to the [highest](#) workers compensation premiums in Canada. The Saint John Region Chamber of Commerce has [said](#) the recent increases to WorkSafeNB premiums, with rates rising in 2019, will "severely affect our ability to compete" with U.S.-based companies. According to the [Canadian Federation of Independent Business](#), average assessment rates for workers compensation increased by 55 per

cent from 2018 to 2019 and have cumulatively increased by 137 per cent over the last three years.

New Brunswickers pay higher carbon taxes than others in the region thanks to Ottawa's arbitrary and uneven application of its carbon tax legislation. This imposes a burden on New Brunswick businesses over and above what other provinces and comparable nations experience. As a result, gasoline prices in New Brunswick are now the [third-highest](#) in Canada, with various taxes accounting for 36 per cent of the pump price in the province.

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***"New Brunswick has been experiencing a loss of its capital stock – machinery and equipment in particular – since 2008. It is ill-advised to contemplate making a change to the tax treatment of business property taxes like the current proposal without considering the economic risks that come with eroding business competitiveness."***

**-Dr. Herb Emery, University of NB Vaughan Chair in Regional Economics**

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With taxes on job creators, less is more. It is crucial that the New Brunswick government consider the impact on business competitiveness when considering further increasing the burden on the province's business owners. The narrow view of government revenue generation



is that businesses and taxpayers have deep pockets and the capability to endlessly pay more tax. The previous government in New Brunswick attempted this and its tax increases on New Brunswickers did not generate the revenue numbers it had hoped. This is because job creators, including their machinery and equipment, are mobile. This is true for most New Brunswick taxpayers. The key to generating more revenue to sustainably pay for important services in New Brunswick is to reduce costs for job creators, making the province a welcoming place to do business.

## DON'T BITE THE HANDS THAT FEED US

New Brunswick job creators create prosperity in the province. Increasing costs on businesses has harmful impacts well beyond the business owners. It means higher prices for consumers and reduced hours and jobs for workers. It means lost investment in New Brunswick, and ultimately it means less revenue for important government services. It is clear from our research findings that taxation has a significant impact on entrepreneurs' ability to create jobs and generate tax revenues in a given jurisdiction. And it is clear from our survey results that New Brunswickers are already feeling the pinch of high taxes and worry about further increases.

Our survey also showed 98 per cent of CTF-supporting taxpayers had not been consulted by anyone in opposition or government about this idea. This is clearly not a grassroots-driven policy.

New Brunswick businesses already face notable barriers to growth that their competitors do not, including some of the highest taxes in Canada. Further increasing costs on job creators in the province is not only unfair but could have unintended and adverse consequences by driving jobs, investment and people away.

**Have you been consulted by anyone in the New Brunswick government or opposition about this potential change to property taxes?**

**98%** No

**0.5%** Yes

**1.5%** Don't know/Unsure

The Canadian Taxpayers Federation recommends strongly that the Standing Committee on Law Amendments rejects Motion 31 and that the government does not further raise taxes on businesses. Taxes in the province should only be heading in one direction: down.