MAKE WAY FOR GROWTH

Nova Scotia **2019-20** Pre-Budget Submission

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Photo by Suchakra Sharma

Canadian Taxpayers Federation

Stand Up. Be Heard!

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) 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 145,000 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.

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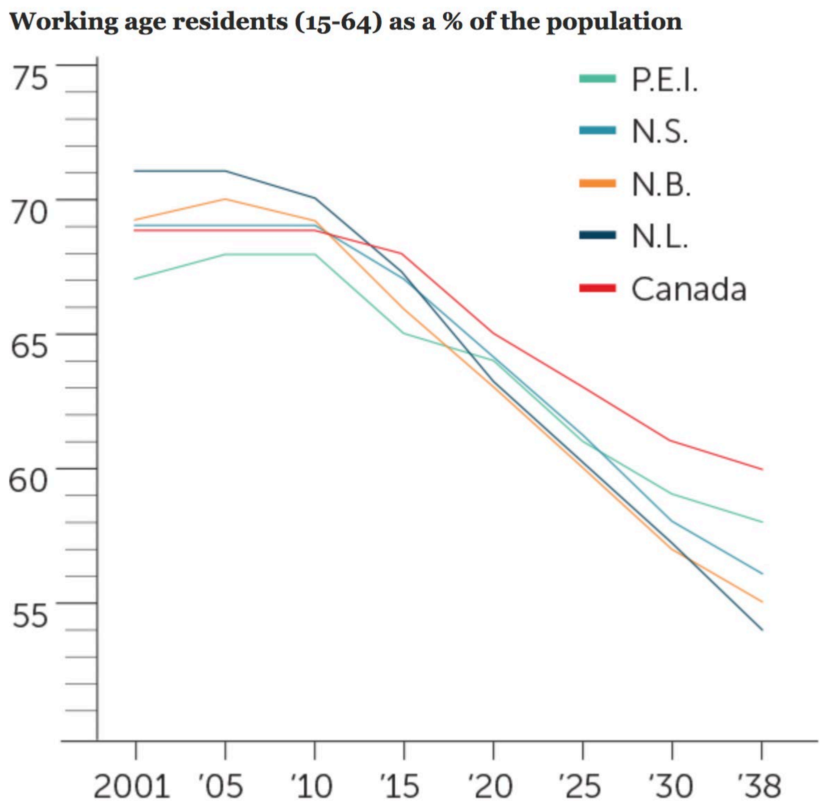
Make Way for Growth

Nova Scotia needs to make it clear that the province is welcoming to job creators and other important professionals such as family doctors. The Nova Scotia government has made positive progress in reducing spending, and with demographic trends putting pressure on government service demands, the government needs to stay on track with an eye toward debt reduction. By lowering income and business taxes impacting all Nova Scotians, lifting restrictions on resource development, ending the province's addiction to corporate welfare and moving toward greater financial independence, the province can improve revenue streams and start saying "yes" to new jobs – setting out on a course of financial sustainability.

Lower Taxes

Nova Scotians pay some of the highest taxes in Canada, with the highest top marginal income tax rate, highest business taxes, and highest sales tax in the country. It's no surprise that the provincial tax base is shrinking, as illustrated in Figure 1, below. This creates a problem for both the government and citizens depending on provincial services.

Figure 1



Source: Atlantic Business Magazine (Statistics Canada), 2017

Lower Income Taxes by 10 Per Cent to Attract Doctors and Other Professionals

At a 54 per cent, Nova Scotia has the highest top income tax rate in Canada when combined with federal income taxes, affecting doctors and other professionals. Additionally, the top income tax bracket in Nova Scotia starts at only $150,000 annual income – low relative to other provinces. In addition to offering doctors the lowest pay rates in the country, the tax burden makes Nova Scotia unattractive to new professionals.

High income tax rates are not only problematic for doctors. Empirical research from the Fraser Institute in 2018 showed that higher top marginal income tax rates have significant negative impacts on entrepreneurship in both the short- and long-term. Additionally, as the median age of a province increases, the rate of new business formation falls, and population aging has negative impacts on the business entry rate. That's bad news for Nova Scotia, which has the country's highest top marginal income tax rate, an aging population, and a desperate need for well-paying jobs and gainfully employed taxpayers.

When the federal government was considering tax changes to take more money out of the pockets of doctors, farmers and small business owners, Doctors Nova Scotia commissioned a survey of its members, showing that 451 physicians would consider moving out of Nova Scotia if these federal tax changes were imposed.

451 PHYSICIANS WOULD HAVE CONSIDERED LEAVING NOVA SCOTIA IF FEDERAL TAX CHANGES WERE IMPOSED

These doctors said that they would consider moving not only to other parts of Canada, but also internationally, showing that Nova Scotia is competing with other countries for physicians. This highlights the importance of competitiveness. Those tax changes were federal, not provincial, and the federal government backed down somewhat (though it still imposed tax changes which make it more difficult for doctors and others to save for retirement and maternity leave). Importantly for Nova Scotia, the doctor survey showed how responsive doctors in the province are to tax rates, and how mobile doctors are in response to higher costs imposed on them by government.

With severely limited finances and health-care costs projected to increase into future years, Nova Scotia should prioritize reducing the income tax burden to attract professionals. Low taxes combined with a low cost of living would give Nova Scotia a competitive advantage.

Nova Scotia's Tax Rates

- Highest top income tax rate in Canada

- Highest business taxes in Canada

- Highest sales tax in Canada

The Liberal government campaigned on a promise that every Nova Scotian would have a family doctor. With over 55,000 people on a family doctor waitlist and a rising vacancy rate in family medicine across the province, Nova Scotia seems far from reaching that goal. Emergency departments are closing intermittently in hospitals across Nova Scotia at an increasing rate. Creative action must be taken to attract and retain new physicians.

OVER 55,000 NOVA SCOTIANS ARE ON A WAITLIST FOR A FAMILY DOCTOR

The solution is not a boutique tax credit or new government program for family doctors, which would further complicate the tax code, increase spending, or fail to instill certainty in professionals looking to relocate to Nova Scotia. The solution is an income tax reduction. Reducing taxes would not only help attract doctors to the province without new spending, it would also help attract other job creators by making Nova Scotia a more affordable place to start a business and raise a family. Reducing income taxes by 10 per cent would save Nova Scotia taxpayers $270 million every year, but the impact on government revenues would be mitigated by the positive effects of tax reduction: more professionals and entrepreneurs settling in Nova Scotia, raising additional income and business tax revenues.

REDUCING INCOME TAXES BY 10 PER CENT WOULD SAVE NOVA SCOTIANS $270 MILLION PER YEAR

While it's necessary to attract high-income earners to the province, lower income Nova Scotian workers should also be given tax relief. Beginning in 2018, the Nova Scotia government made a complicated change to the basic personal amount (the amount of income on which one pays no tax). The government raised the basic personal amount by $3,000 for taxpayers earning $25,000 annual income, and less for taxpayers earning between $25,000 and $75,000. The new basic personal amount for low-income earners in the province became $11,481 – similar to the federal rate of $11,474. For Nova Scotians earning over $75,000 annual income, however, the personal basic exemption remains a comparatively low $8,481. Contrast that with a working person in Alberta, whose basic personal amount is $18,690, or Saskatchewan, whose basic personal amount is $16,065.

In addition to this, the provincial tax brackets begin escalating in Nova Scotia at a lower level than any other province or territory (excluding Quebec, which is not directly comparable due to existing tax abatements from the federal government), jumping to a higher income tax bracket at only $29,590. This creates an obvious competitive disadvantage for taxpayers considering moving to Nova Scotia, particularly if they are considering moving back home from lower-tax jurisdictions in Western Canada. When looking to provide low-income workers with tax relief, the government could raise the basic personal exemption rate in the province.

Securing new revenue through job creation over the long term – by lowering taxes – will help the province pay for health care and other services into the future.

Recommendation: Lower income taxes by 10 per cent to provide relief to all income levels, saving Nova Scotia taxpayers $270 million and attracting more doctors and job creators to the province.

Eliminate Bracket Creep

While most Canadian provinces have ended the process of bracket creep by indexing tax brackets to the provincial rate of inflation, Nova Scotians who receive cost-of-living increases from their employers are pushed into higher tax brackets, paying higher taxes even when their purchasing power isn't growing. This amounts to a sneaky tax increase that could easily be eliminated by the provincial government.

The CTF publishes annual reports highlighting bracket creep and other New Year's tax changes. Our research shows that a two-income Nova Scotia family making $60,000 per year will have to pay an additional $124 this year thanks to bracket creep. A single-income individual making $60,000 per year will pay an extra $84 as a result. These tax hikes compound year after year in a province with some of the highest taxes in Canada, and bracket creep quietly drains funds from Nova Scotians who can't afford it.

Recommendation: Eliminate bracket creep by indexing income tax brackets to the provincial rate of inflation.

Scrap the Cap-and-Trade Carbon Tax

Carbon taxes are designed to hurt taxpayers by making life less affordable, pushing people to change their behaviour. However, driving and heating homes in the winter are necessities of life for the majority of Nova Scotians, who can't afford to change their lifestyles on a dime – and shouldn't have to. Nova Scotia's cap-and-trade carbon tax will begin by adding about 1 cent per litre of gas and increasing electricity rates by about one per cent, but the full costs of the cap-and-trade carbon tax are yet to be seen.

The province is following the federal government's dictates, but there's reason to believe that the federal government will continue to raise the carbon tax requirement higher over time. A leaked federal briefing document indicated that the carbon tax would have to rise to $300/tonne by 2050 to meet Canada's emission reduction targets. That would cost $220 billion per year and add $638 to the price of gas for a 50-litre fill-up.

LEAKED FEDERAL BRIEFING DOCUMENT SHOWS CARBON TAX MUST RISE TO $300/TONNE TO MEET EMISSIONS REDUCTION TARGETS

Research from the University of Ottawa showed that even a revenue-neutral $100/tonne carbon tax would cause the economy to contract, leading to a 2.81 per cent GDP reduction by 2020 – a decline almost as big as Canada's worst recession in 50 years.

In British Columbia, home of the so-called "gold standard" carbon tax, the latest figures show that emissions have continued to increase, moving the province far away from its original legislated targets.

Carbon taxes, either imposed directly or through cap-and-trade schemes, raise the cost of other taxes as well, by driving up the price of emissions-intensive government services such as the operation of hospitals, schools, busses and ambulances.

CARBON TAXES DRIVE UP THE COST OF HOSPITALS, SCHOOLS, AMBULANCES AND PUBLIC TRANSIT

These are costs that Nova Scotia taxpayers simply cannot afford. The cost of doing business in Nova Scotia is already comparatively higher than most of the country and the U.S. (which is dramatically cutting regulations and business taxes), and Nova Scotians already pay some of the highest taxes in Canada. On top of that, Nova Scotia is already on track to meet its 2020 emissions reductions targets, according to a federal audit.

As several other provinces, including neighbouring New Brunswick, have stood united in a fight against Ottawa's carbon tax, launching legal battles against the federal government, Nova Scotia has let its taxpayers down by shrugging and complying with the federal demands.

Provinces Challenging Ottawa's Carbon Tax in Court

New Brunswick, Ontario, Manitoba, Saskatchewan

Recommendation: Scrap the cap-and-trade carbon tax and join other provinces in challenging Ottawa's carbon tax.

Say No to Pro-Sports Stadium Funding and Tax Hikes

At the best of times, taxpayers should not be forced to give money to wealthy pro-sports executives for the building of for-profit stadiums. In Nova Scotia, the net debt is increasing, and the provincial government should reject funding requests for a Canadian Football League stadium in Halifax, regardless of how those requests are structured.

The provincial government has indicated that it is open to allowing the Halifax Regional Municipality to increase taxes on car rentals and hotel marketing. Given that tourism is an important industry for Nova Scotia's economy – accounting for $2.3 billion in revenues in 2013, according to Tourism Nova Scotia – raising taxes that make it more expensive to visit Nova Scotia is an ill-fated plan.

Research from Stanford University and numerous other institutes has shown that pro-sports stadiums do not have any significant impacts on the economy outweighing the cost to taxpayers. Nova Scotians will not have additional money to spend on recreation should a sports facility exist (in fact, if the government subsidizes it, they will have less money to spend). Studies show that pro-sports facilities simply displace recreational funds that would have otherwise been spent on other activities in the province.

There may be a business case for building a CFL stadium in Halifax, but the business case for subsidizing Maritime CFL does not exist. If a stadium is built, additional infrastructure demands are likely to be made, further driving up costs that Nova Scotia taxpayers cannot afford. While the prospect of a new CFL team is exciting for Haligonians and some other Nova Scotians who are able to afford the travel and accommodations necessary to see a game, the sports executives should pay for it.

Recommendation: Reject any requests for funding a pro-sports stadium in Halifax and do not allow HRM to raise taxes on car rentals or hotel marketing.

Stay the Course on Balanced Budgets

We applaud the Nova Scotia government for passing three consecutive balanced operational budgets and encourage the government to stay the course, continuing to table surpluses. However, the net debt in the province is growing, and it is crucial that the province reins in capital spending. Deficits and debt increases today are tax increases for future Nova Scotians.

Ability to Pay

Like all government spending, government employee union compensation must be kept at a reasonable level reflective of the resources available to government at the time of negotiation. Part of continuing to table balanced budgets should include keeping Ability to Pay top-of-mind in all labour negotiations. The ability for Nova Scotians to afford the cost of government employee union contracts should always be reflected in the current revenue pot, not some future based on tax increases. This principle is particularly important if the government enters arbitration to determine union pay.

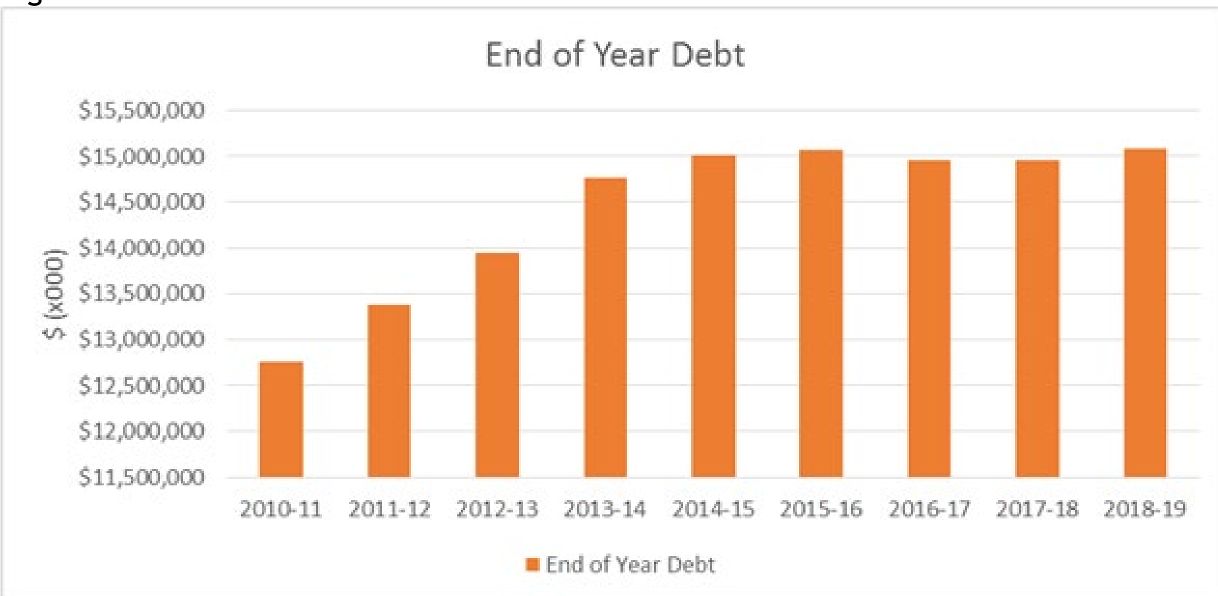
A bill introduced in Ontario in 2012 gives a good framework for introducing Ability to Pay legislation, which ensures that, among other things, the outcomes of labour arbitration with the government do not hinge on the future ability to raise taxes on residents. Though this bill never received royal assent, it provides a helpful roadmap for Nova Scotia to follow. Nova Scotia should introduce similar legislation to protect taxpayers by introducing Ability to Pay legislation in the province.

Recommendation: Continue to table balanced budgets and introduce Ability to Pay legislation to protect Nova Scotia taxpayers.

Prioritize Debt Reduction

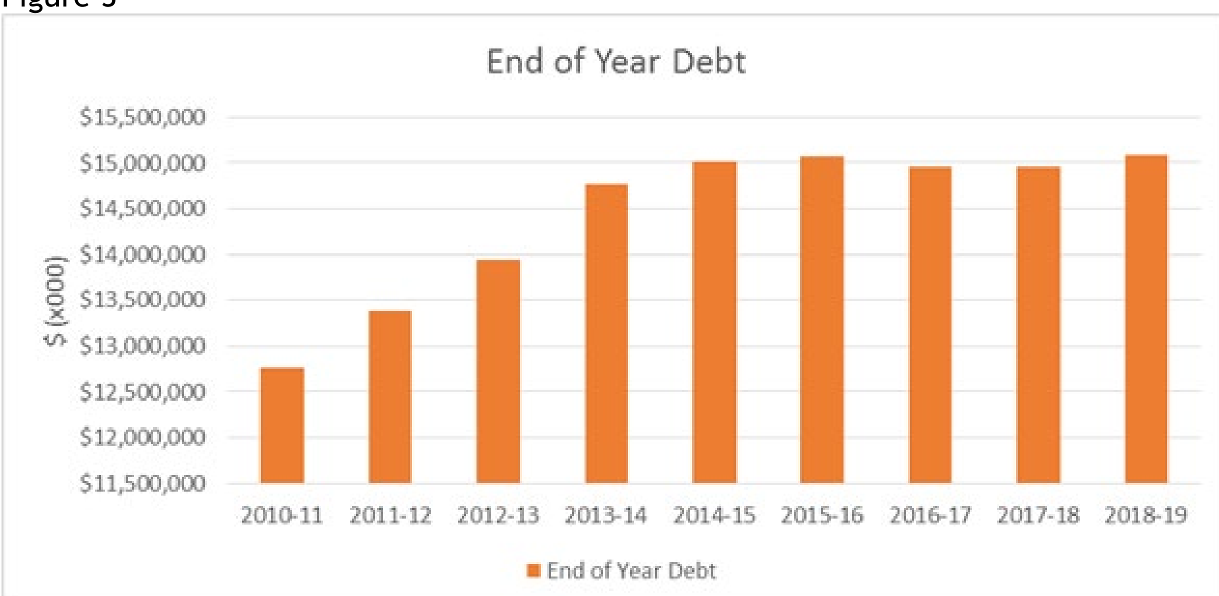
Nova Scotia's debt is $15.1 billion and growing, leaving a per-capita debt burden of more than $15,800 on each Nova Scotian. Though the debt decreased in 2016-17, an upward trend has continued since then, as illustrated in Figure 2.

Figure 2



Further, debt per capita is increasing, meaning each Nova Scotian is balancing a greater portion of debt on their shoulders, as shown in Figure 3.

Figure 3



With debt comes interest payments – taxpayer money that is handed over to the big banks and will never be spent on textbooks or hospital beds. In 2018-19, debt interest costs totaled $876.1 million as of the December 2018 financial update. To put that in perspective, Nova Scotia wasted nearly half of the equalization payments it received from Ottawa on debt interest payments.

Debt Interest Payments

This year, Nova Scotia wasted $876.1 million on debt interest payments. That's nearly half of the province's equalization cheque.

As the province faces the challenges associated with an aging population, it is crucial that the government focuses on dedicated debt reduction now, finding savings in government and allocating those resources to paying down the provincial debt.

Recommendation: Find savings in government and dedicate the money toward reducing the provincial debt.

Shift Toward Greater Financial Independence

There are many advantages for Nova Scotians in shifting away from heavy reliance on federal transfers funded by other Canadians and moving toward greater financial independence.

New Brunswick Premier Blaine Higgs recently stated during a first ministers' meeting that the federal government should cut equalization payments to force provinces to develop their resources. Higgs rightly suggested that by feeling a little pain, provincial governments reliant on equalization would be forced to implement economic reforms to become more self-sufficient.

Nova Scotia's December 2018 fiscal update showed a thin surplus, boosted by federal transfers which increased by $18.1 million. In 2018-19, the government of Nova Scotia received $3.2 billion in various federal transfers. With a total budget of $10.9 billion, federal transfers comprise 29 per cent of Nova Scotia's budget. Looking at equalization specifically, Nova Scotia received $1.9 billion in 2018-19 equalization payments, representing 17 per cent of the budget.

The reliance on federal transfers is too high. Seventeen per cent of Nova Scotia's budget is dependent on the outcomes of other provincial economies which are influenced by politicians over whom Nova Scotians have no electoral control. This puts Nova Scotians at risk and disincentivizes economic activity which would lead to a better quality of life in the province.

Federal Transfers in Focus

Equalization = 17% of N.S. Budget

Federal Transfers = 29% of NS Budget

Steadily weaning the province off federal transfers is better for Nova Scotia taxpayers today and tomorrow. Equalization creates an economic dependence that is worse for have-not provinces than it is for have provinces. The goal of every province should be to become a have province – not to remain financially dependent on others.

To foster greater financial independence, the Nova Scotia government can do two things:

1) Join New Brunswick Premier Blaine Higgs in calling for equalization reform, reducing federal transfer payments and pushing recipient provinces to develop their natural resources and strengthen independent economic growth.

2) Pave the way for economic growth in the province by creating a more business-friendly environment and saying yes to the development of natural resources.

Recommendation: Join New Brunswick in calling for equalization reform and focus on creating a more financially independent province.

Reduce Spending

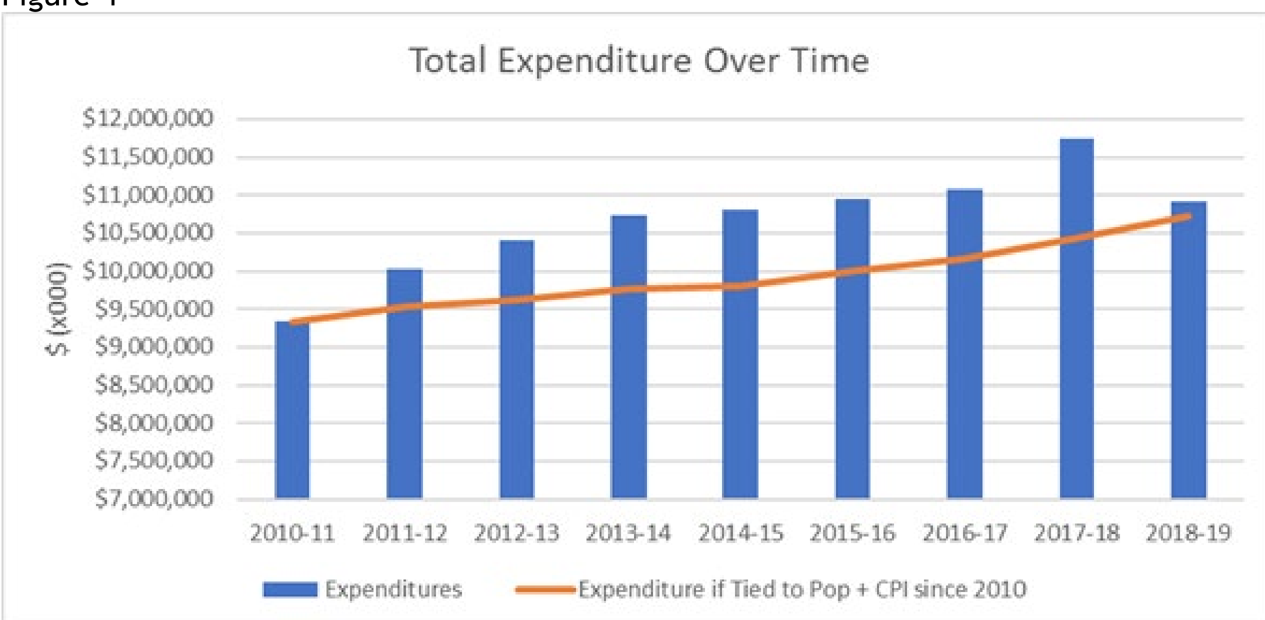
The Nova Scotia government has made positive progress in reducing operational spending in recent years, but the net debt is still growing. According to RBC, Nova Scotia's program expenses relative to GDP are higher than most Canadian provinces. Program expenses are increasing in the province.

The Nova Scotia government deserves praise for the spending reductions that have already been made. The government is on track to reduce total expenditures by almost $800 million from 2017-18 to 2018-19, which is commendable. However, in 2017-18, the province spent significantly over its budget. If the province stays on track to meet its budget targets this year, the CTF will applaud these efforts. We hope to see further spending reductions to ensure a brighter future with less debt for young Nova Scotians. More can be done to reduce spending over time, and impending demographic challenges make this a necessity.

THE NOVA SCOTIA GOVERNMENT IS ON TRACK TO REDUCE SPENDING BY ALMOST $800 MILLION FROM LAST YEAR

As illustrated in Figure 4, below, if expenditures had been capped at the rate of inflation and population growth, spending would be lower than it is today.

Figure 4



There are many ways that the government can reduce its spending on both operations and capital, including ending all corporate welfare and finding efficiencies in health care and education.

End All Corporate Welfare

To quote the 2015 Nova Scotia Liberal platform, "Nova Scotia needs jobs, not corporate welfare." We agree. To truly create a business environment that welcomes investment, there must be a level playing field on which all job creators can participate. Currently, Nova Scotia's addiction to corporate welfare (big and small) creates an environment in which the government picks winners and losers, handing out corporate subsidies funded by business taxes so high they turn investment away.

The provincial government should stay true to the values reflected in the 2013 Liberal platform and shut down Nova Scotia Business Inc., an agency dedicated to dishing out corporate welfare. In 2018, taxpayers were forced to give NSBI over $50 million. Last year, through so-called payroll rebates, it was announced that taxpayers are expected to shell out almost $10 million to Manulife, a huge corporation, while Nova Scotians sat on wait lists for receiving basic health care services.

Cutting corporate subsidies to the Yarmouth ferry service alone would save Nova Scotia taxpayers across the province over $10 million per year. In 2016, subsidies from the government to the ferry service totalled $10.8 million more than the ferry brought into the province in tourism revenue, according to a CTV news report. The Nova Scotia government spent $1.5 million upgrading a ferry terminal in Portland, Maine, only to see that lease expire, and is now expected to spend at least $3 million significantly upgrading a ferry terminal in Bar Harbor, Maine. On top of that, Nova Scotia taxpayers may have to pay for border securities staffing in the United States. The costs of the Bar Harbor move are in the unknown millions, and U.S. politics is delaying the move, potentially eating into the sailing season revenue opportunities for 2019.

Yarmouth Ferry by the Numbers

$10 million + per year: Operating subsidies

$1.5 million: Portland, Maine terminal upgrade

$3 million + ? : Bar Harbor terminal upgrade and U.S. staff

$3 million: Yarmouth terminal upgrades

On top of that, the Nova Scotia government has committed up to $3 million for upgrading the ferry terminal in Yarmouth, combined with contributions from other levels of government (through which Nova Scotia taxpayers are also on the hook).

TAXPAYER OPERATING SUBSIDIES TO THE YARMOUTH FERRY OVER THREE YEARS COULD HAVE PAID FOR 41 DOCTORS IN THE PROVINCE OVER THAT SAME TIME PERIOD

The Yarmouth ferry service is a boondoggle for Nova Scotia taxpayers. Nova Scotia tax dollars should be spent on infrastructure in Nova Scotia, not on corporate welfare and infrastructure in the U.S. – and certainly not on U.S. government jobs.

Recommendation: End all corporate welfare in Nova Scotia including subsidies to the Yarmouth ferry, saving taxpayers tens of millions of dollars every year.

Better Value for Health Care Dollars

Spending in the province not only needs to be reduced overall, it needs to be reprioritized and reallocated where applicable. That will ensure the government is delivering the best value for taxpayer dollars. The government's move to shut down and consolidate the hospitals in North Sydney and New Waterford and move toward building clinics and long-term care facilities were responsible policy decisions for which the government should be commended. The government should continue to find efficiencies in health care and close underused hospitals, replacing them with smaller care clinics or long-term care facilities where needed, with an eye toward reducing the health care operation budget overall and refocusing on the care that communities actually need.

The province is taking the right approach by opting to build, finance and maintain new hospitals through the use of P3s, a model which has helped deliver other infrastructure projects on time and on budget across the country. Like any projects, P3s must have solid contracts which protect taxpayer dollars, contractually requiring the partner company to cover any cost overruns and face financial penalties if projects run past deadline.

P3 PROJECTS SHOULD CONTRACTUALLY ENSURE NOVA SCOTIANS WILL NOT FACE HIGHER COSTS OR LONGER TIMELINES

Nova Scotia's health-care system is facing significant challenges, with a declining tax base stressing the supply side and an aging population stressing the demand side. The question is: can we get more value for the dollars we spend? The answer is yes: through fostering innovation. Innovative solutions will be the key to delivering necessary care to Nova Scotians while maintaining balanced budgets. In the fall of 2018, a private primary care clinic called Unified Health opened in Halifax. That company intends to open more clinics across the country and they should be welcomed with open arms in Nova Scotia. These fee-for-service clinics do nothing to draw resources away from the province's public health care system while filling a significant need for care in the province.

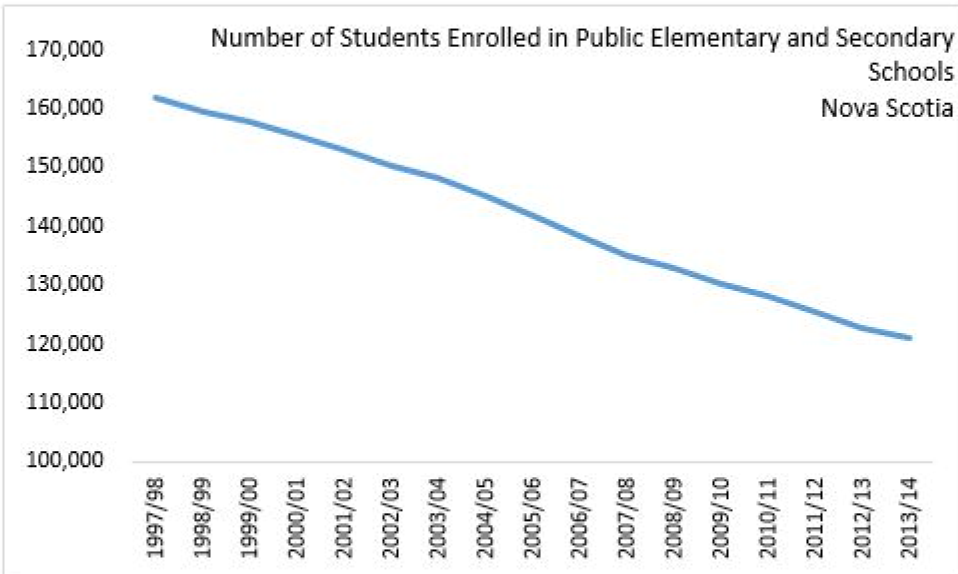
Partnering with, and allowing health-care development by, independent job creators wherever possible can ensure Nova Scotians get maximum value for their health dollars.

Recommendation: Welcome independent growth in health care as a partner and service provider wherever possible to ensure the value of Nova Scotia health care dollars is maximized.

Drive Innovation to Find Efficiencies in Education

Nova Scotia's student population is declining, yet education spending is increasing. Operational and capital costs must keep pace with enrolment. This is an area where the government can find savings, both through reducing unnecessary expenditures, consolidating school facilities where possible, and introducing innovative education models into the public system. Every board in the province has experienced a decline in student enrolment since 2008-09, except for Acadien provincial, as shown in Figure 5.

Figure 5



Source: Nova Scotia Finance and Treasury Board, 2015

According to the Fraser Institute, Nova Scotia experienced a greater enrolment decline (17.4 per cent) than any other province between 2003-04 and 2011-12. If education spending had been held constant based on enrolment between 2003-04 and 2012-13, Nova Scotia would have moved from a deficit position to a surplus in 2012-13, showing how important keeping a handle on education costs is for the health of the overall budget. Accumulated debt today, ironically, is debt that current students will have to pay off in the form of higher taxes and worsened services.

The Nova Scotia government can save costs while improving results for students of all income levels by introducing legislation to allow for charter schools. Charter schools are non-profit, non-religious public schools which are independently operated, but publicly funded for operations, and charge parents no tuition. A 2018 Atlantic Institute for Market Studies report showed that per-student subsidies for charter schools in Alberta saved the government $4,284 per student, per year, versus traditional public school. As of 2017, Nova Scotia's total school age population is 118,962. If even five per cent of those students shifted to charter schools, based on Alberta's numbers (to give a rough estimate as education spending varies from province to province), the government could save $25.4 million per year.

IF 5 PER CENT OF STUDENTS SHIFTED TO CHARTER SCHOOLS, NOVA SCOTIA COULD SAVE TENS OF MILLIONS OF TAX DOLLARS EVERY YEAR

The AIMS study found that charter schools in Alberta, on average, outperformed every school type in the province, including independent schools which charge tuition. Charter schools each operate with a specific focus area, such as music, science, or students with mental health struggles. In one case, a charter school was opened by community members in a rural area, focusing on rural community stewardship – an innovative idea to provide quality education to students in rural Nova Scotia, while saving tax dollars.

Recommendation: Reduce education spending to keep pace with enrolment, consolidate schools where possible and introduce charter schools to improve student outcomes and save tax dollars.

Create a Business-Friendly Province

The provincial government has the opportunity to take the "no" out of Nova Scotia. While the government has done commendable work keeping operational expenditures from spiking, for long-term budget sustainability and economic growth the province must attract and retain job creators. That means saying yes to development, resource development, and giving job creators a reason to say yes to our province, too.

Lower Business Taxes

With taxes, sometimes less is more. Academic research done by Bev Dahlby and Ergete Ferede in both 2012 and 2017 showed that a reduction in Nova Scotia's general business income tax rate would actually increase the value of the government's tax revenue.

RESEARCH SHOWS THAT REDUCING NOVA SCOTIA'S BUSINESS TAXES WOULD ACTUALLY BRING IN MORE TAX REVENUE

There's further evidence supporting this. Research from the Montreal Economic Institute showed that federal cuts to business taxes between 2001 to 2012 – first instigated by Prime Minister Jean Chretien – were successful, with no negative impacts on revenue generation. The general business tax rate was cut nearly in half, and revenues have held up. In 2017, business tax revenues brought in $45 billion – slightly more than the $43.4 billion generated in 2000 (adjusted in 2017 dollars), the year before the business tax reductions were made. Business tax revenues also remained a constant share of GDP.

Further research from the University of Calgary School of Public Policy in 2017 showed that "a significant part of the burden of corporate taxes falls on workers in the form of wage reductions." High business taxes not only hurt workers by disincentivizing businesses from creating jobs – they mean lower wages and less government revenue.

Even if Nova Scotia experienced a temporary decline in revenue as the result of a business tax cut, the province could fund the shortfall with the elimination of corporate subsidies, loans and credits dished out through NSBI and other government departments.

Nova Scotia needs jobs. The time is now for the provincial government to take a bold approach and abandon the old, failed methods of sending corporate welfare cheques to some businesses while making the province an unattractive jurisdiction to others. It's time for lower taxes to bring in more business revenue – and more jobs.

Recommendation: Lower business taxes in Nova Scotia to encourage job creation and generate more government revenue.

Say Yes to Well-Paying Resource Jobs

Every Nova Scotian knows many others who have left the province to feed their families by spending most of the year working away from them, in highly-paid resource jobs up North or out West. Wouldn't it be better for the province and its residents if we could bring those people back home? The resource economy fuels quality public services in other provinces, while Nova Scotia struggles to pay for doctors and schools. The problem is twofold: young families require good jobs to make a living, but they also seek reliable public services. In order for Nova Scotia to offer either of these things, the province not only needs more jobs, it needs better jobs. In part, the answer is right under our feet.

Between 2000 and 2017, the estimated royalty payments to the Nova Scotia government from offshore production total $1.9 billion, according to the Canadian Association of Petroleum Producers. The offshore petroleum royalty revenues from which the Nova Scotia government has been benefitting are declining as the two producing projects, Sable Offshore Energy Project and Deep Panuke, shut down. In 2018-19, revenues from these projects dropped 46.3 per cent and 50.3 per cent respectively, from the 2017-18 estimates. Together, these projects generated $6 million in revenue in 2018-19. As these revenues dry up, so do the jobs. The government should look to replace this production with new resource development, providing new revenue streams and well-paying jobs.

According to CAPP, the province needs to do more to attract investment, after "a layering of added costs and uncertainty related to regulatory and policy changes has impacted the competitiveness of the offshore industry." Nova Scotia should not impose more costs on resource job creators than other provinces, with which it is competing for investment.

A LAYERING OF ADDED COSTS HAS DAMPENED INVESTMENT IN NOVA SCOTIA'S RESOURCE ECONOMY

Meanwhile, Nova Scotia continues to ban hydraulic fracturing. Canada is the world's fifth largest producer of natural gas. It is illogical for Nova Scotians to leave the province to work on safe hydraulic fracturing projects in other parts of the country, often never moving back home. Next door in New Brunswick, the government has lifted the moratorium on hydraulic fracturing and Nova Scotia should do the same. At the very least, the government will generate revenue through companies leasing the sites year after year, and the exploration will generate jobs and revenue.

Recommendation: Lift the moratorium on hydraulic fracturing and reduce regulation where applicable to welcome resource exploration jobs in the province.

Conclusion

With taxes, less is often more. It’s time for Nova Scotia to start saying “yes” to jobs and economic growth – and increased government revenues – by making the province a more welcoming environment to entrepreneurs and resource development. By lowering income and business taxes impacting all Nova Scotians, the province will open its doors to desperately needed professionals such as family doctors. Staying the course on balanced budgets and spending reduction by eliminating corporate welfare and other unnecessary expenditures will reduce the debt in the province, lightening the burden on future Nova Scotians. Implementing innovation in health care and education will ensure better value for tax dollars spent.

Lifting the tax burden and attracting new residents will be key to improving quality of life for Nova Scotia taxpayers.