March 5, 2013

Hon. Maureen MacDonald

Minister of Finance, Nova Scotia

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Honourable Maureen MacDonald,

The Canadian Taxpayers Federation (CTF) is an organization with close to 80,000 supporters nation wide that fights for lower taxes, less waste and more accountable government.

The CTF would like to add our voice to the government’s consultations leading to the budget that will be introduced in the spring of 2013.

For this year’s budget, we have five recommendations for your consideration.

**The Problem**

For too many years, the Nova Scotia government has spent beyond its means. To cover all this spending, taxes were raised. Now, the province has the highest taxes in all of Canada relative to the size of its economy.

In just the last 10 years, spending has increased in real terms (inflation adjusted) by 65 percent. Over the same period, total income tax revenues shot up by 35 percent and the government’s take of HST revenue increased by 50 percent. This means the average Nova Scotia taxpayer’s taxes have increased significantly in the last ten years.

**Recommendations**

It’s time for Nova Scotia to break the cycle of big government spending and driving the province into deficit that ultimately results in tax hikes.

We hope your government sticks with its promise to table a balanced budget for 2013-14. We simply can’t afford not to.

With the current $277 million deficit, we spend more than we take in by more than by $750,000 every day and about $32,000 for every hour.

To reach this goal of balancing the budget, we need to not only cut costs but also change the incentives within government.

It’s with this in mind that we make the following five recommendations:

*1) Cut Cabinet Minister’s Salaries by 20% if the budget is not balanced*

Bring in a new *Taxpayer Protection Act* that says if the government spends more than it takes in, then the provincial cabinet will be held accountable and will receive a 20 percent pay cut to their Ministerial salaries.

In the business world, salary is often conditional on meeting performance standards (for example, in sales a person may be required to hit sales targets). By contrast, in government, the only remedy for poor performance comes at election time once every four years.

A 20 percent salary cut would cost each cabinet minister $9,600 and the Premier about $22,000.

This is a matter of principle. The government cannot be rewarded for mismanaging taxpayer money with more taxpayer money. Our politicians may think harder about breaking their commitments if it affects their bottom line.

*2) Hold a Referendum for all future tax increases*

Far too many times, Nova Scotians have heard politicians promise them no tax increases or lower taxes, only to later run from that position after seeing how bad the books really are.

The government should be required to seek out the will of the people before raising taxes. This too may be legislated in a *Taxpayer Protection Act*. Our history has proven that the unchecked power to raise taxes will result in an all too frequent resort to tax hikes.

*3) 50/50 Tax Plan*

Nova Scotia has economic potential: shipbuilding promises to create thousands of jobs, Halifax continues to have one of the strongest economies of any place in Canada and there are a number of upcoming natural resource opportunities.

In the past, when the province realized new opportunities, our government simply spent any new revenues. Then when the economy hit a bump, all the new spending caught up to the government leading to bigger deficits and eventually higher taxes.

This cannot be allowed to happen again.

The government should start in 2013-14 to dedicate 50 cents of every dollar of new revenue towards tax reductions. These reductions should be over and above the scheduled HST reductions required by law for the government’s next term in office.

Money dedicated to tax reductions can be used to reduce or eliminate any tax either personal or corporate.

*4) End Taxpayer Corporate Hand-Outs*

Forestry, ship building, lighting and international technology giants were all the recipients of gifts from the average middle class taxpayers of the province. It’s time to end these hand-outs.

For Nova Scotia to be successful, we need to focus on building a strong, low cost economy so businesses will want to locate here and will grow once established.

Hand-outs to be targeted should include:

* Cutting NSBI and rolling its responsibilities back into the Department of Economic Development; and
* Eliminating the Nova Scotia Jobs Fund

The resulting savings should be put into reducing small business or corporate income tax rates.

*5) Reduce the size of government*

In the last five years alone, the total number of FTEs contained in the government’s budget shows an increase of over 7 percent, meanwhile, the population of Nova Scotia grew just 1.4 percent.

This increase happened in spite of a promised reduction of 1000 total FTEs when the current government came to power in 2009.

The CTF wants to see the growth of government stemmed and even reduced. Despite all the new FTEs that have been added to the system, most Nova Scotians would agree that the level of service is no better.

If the number of FTEs was reduced to what it was in 2008, it would save taxpayers an estimated $60 million dollars.

**Conclusion**

These five ideas are designed to put the control back in the hands of the average taxpayer, to reduce the overall size of government and to begin to reduce our tax burden.

We hope that you will give these ideas some consideration.

Sincerely,

Kevin Lacey

Atlantic Director

Canadian Taxpayers Federation

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