

## **Election Backgrounder – Taxes**

### **Summary**

Powell River City Council has

- 1) provided a tax break for Catalyst and paid for this tax break by shifting taxes to homeowners and small businesses, and
- 2) maintained a “flat tax”, a tax that charges all homeowners the same regardless of the value of their property.

Some Councillors have argued that the tax break to Catalyst is necessary because of the importance of the mill to the community and fears that it could go bankrupt.

Concerns about Catalyst’s tax break include:

- Shifting taxes to homeowners and small businesses discourages people from moving to Powell River to buy houses and set up new businesses.
- Municipal taxes make up less than 1% of Catalyst’s overall operating costs so they can have little impact on whether the mill stays open but make a significant difference to City revenues.
- The City has no influence over how Catalyst spends the money it saves in municipal taxes, whether Catalyst invests these savings in its Powell River mill or in operations outside of Powell River.

### **Background**

Powell River City Council published a pamphlet in 2009 titled “The Powell River Solution” to explain why it was giving tax cuts to Catalyst. Council argued in the pamphlet for a tax shift from major industry to homeowners and small businesses, calling the taxes on major industry “disproportionate”. Council stated it was taking a leadership role by encouraging other mill communities “to follow Powell River’s lead on major industry tax reduction.”

Port Alberni did not follow Powell River’s advice and instead maintained a higher major industry tax rate than Powell River. Although it has a smaller assessment for major industry, between 2005 and 2015 Port Alberni will have received \$29 million more from major industry in taxes than Powell River.

In 2013 the average rate BC municipalities charged major industry was 8.70% while Powell River charged 2.99%.

In relation to the flat tax, a 2009 staff report said that “In effect what the flat tax does is reduce the property taxes on high valued properties and increases property taxes on lower valued properties.” Powell River is one of only five communities that have kept this tax since it first started being levied in BC in the early 1990’s.

## **Current City policies on taxation**

In 2014 the majority of Council voted in favour of reducing Catalyst's tax break by \$500,000, with Councillors Brewer and Hathaway supporting a \$750,000 reduction in the tax break.

The flat tax the City imposed in 2014 was \$383 per homeowner. The flat tax is being reduced by 5% per year.

## **Positions of candidates on taxes**

Russell Brewer: Voted in favour of reducing the major industry tax break by \$750,000. Voted in favour of sharper reductions of the flat tax.

Debbie Dee: Backed the 2009 "Powell River Solution" of shifting taxes from major industry to homeowners and small businesses. Voted against reducing this tax break by \$750,000 and in favour of a smaller reduction of \$500,000. Has spoken frequently in Council in favour of retention of the flat tax. Voted against sharper reductions to the flat tax.

Maggie Hathaway: Backed the 2009 "Powell River Solution" of shifting taxes from major industry to homeowners and small businesses. Voted in favour of reducing major industry tax break by \$750,000. Voted in favour of sharper reductions to the flat tax.

Myrna Leishman: Voted against reducing the major tax break by \$750,000 and in favour of a smaller reduction of \$500,000. Voted in favour of sharper reductions to the flat tax.

Jim Palm: Backed the 2009 "Powell River Solution" of shifting taxes from major industry to homeowners and small businesses. Voted against reducing this tax break by \$750,000 and in favour of a smaller reduction of \$500,000. Voted against sharper reductions to the flat tax.

In response to a PR Voices questionnaire to new candidates for Council, William Ashforth, Jim Barron, David Dickson, Carole Ann Leishman, Karen Skadsheim and Rob Southcott opposed continuing the \$2 million tax break to Catalyst.

Jim Barron, David Dickson, Carole Ann Leishman, Karen Skadsheim and Rob Southcott opposed maintaining the flat tax. William Ashforth supported the flat tax.

Anita Adams and Ron Ostensen did not respond to the questionnaire.

## **References**

BC Local Government Statistics, "Tax Rates"  
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