# PROBUS Club of Central Edmonton
# Newsletter

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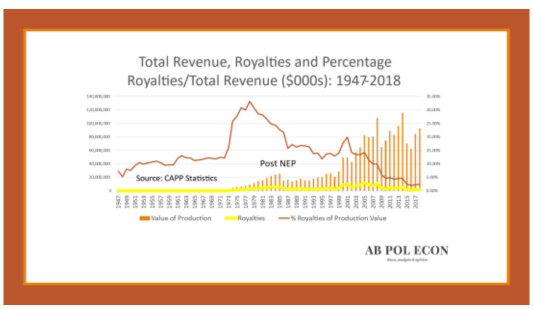
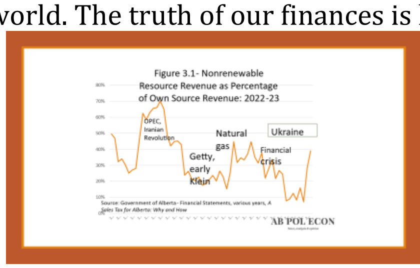
## *Feb 20 - Bob Ascah*

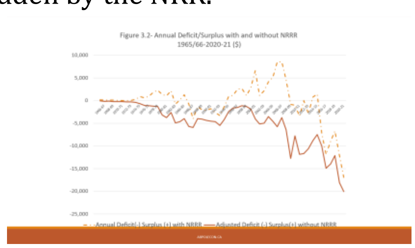
Bob Ascah's spoke to us about an Alberta sales tax as part of Alberta's tax/revenue regime. He set the backdrop in terms Albertan's appreciation of excellent public service and dislike of taxes. The next point will be about our historic rejection of a sales tax.

Alberta for the last several decades enjoyed significant amounts non-renewable resource revenue (NRR). Some years the amount was very significant resulting in large surplus for the Gov't. Other year, when the oil prices crashed, deficits were incurred, which then were followed by restraining budgets. The boom-and-bust cycle is viewed as problematic. Also, during the periods of low NRR the Gov't borrowed money. The fluctuating revenue led to challenges in financial management. This is compounded by difficulty in predicting swings in NRR. The heritage Savings trust Fund was set up the help with this problem but has not done so. Bob feels that its purpose has been "perverted".




He noted that the % of return of the value of non-renewable energy has declined over time. This became more apparent when more production came from oil sands. Underlying our political dynamic is the idea that lower taxes bring on more job. Another slide illustrated the amount of revenue forgone because of our lower tax rates compared to other provinces. He presented a slide that depicted the surplus/deficit we would see if you removed NRR from the equation. His assertion was that this slide shows that we are likely living in a delusional world. The truth of our finances is hidden by the NRR.



We seem to want both low taxes and high level of services. While some economists see this as the way to go, he does not. We then heard about the Gov't's use of debt, particularly to deal with the effect of lower NRR. While the oil price is totally outside the Gov't's control, versus spending being entirely within its control.

After setting the out the backdrop, we moved on the pros and cons for a sales tax, starting with pros. These include:

- The cost of raising a dollar of sales tax is lower than, say income tax.
- The volatility of sales tax is low relative to other taxes and certainly NRR.
- A tax rate of 5% would raise 5 billion a year.
- Sales tax captures tax revenue from anyone spending in Alberta, while some income for income-based taxes can be moved out of the province.
- Regressive nature of tax can be mitigated by refunds to low-income people.

Cons for a sales tax include:

- Voters do not like it.
- It is believed that whichever party brings in a sales tax will be ousted in the next election.
- It adds another regressive level of taxes like product-based taxes.
- It is just more money for politicians to waste.
- Technically we need a referendum to implement.

How to implement? Start with looking the whole basket of taxes to see how it will fit in. Next, set up a genuine diverse panel of people as a consultation forum. It should no be led by business or "experts. There will need to real transparency for example disclosure of expense, and who they meet with. The research agenda needs to be approved by Gov't. Use other tools such as talk shows, presentation by experts.

Given the presentation, it was interesting to hear the Premiers TV spot including no sales tax comment. We also saw a new plan for the HSTF. This was followed by budget with a low increase in spending.

During the presentation he referred to a book he wrote entitled "A Sales Tax foe Alberta". Drawing from it to make to presentation. Several of the charts he used were from it. It was clear that this issue will not go away.

Enjoy yourself and stay safe.