

DEATH AND TAXES

By Dawn Chafe



“The lunatics are running the asylum.”

Bob Hallett’s summation of the City of St. John’s 2016 budget wasn’t the most politically correct phrasing, but as far as analogies go it was spot on.

Attacks or a tax? They’re pretty much synonymous in Newfoundland and Labrador’s capital city these days. Volley after volley of tax attacks from the big grey bunker, much of it aimed at the business community.

Initially, the damage didn’t look too bad. The commercial mil rate dropped from 26.2 to 25.2. Water taxes went up a marginal 2.4 per cent and a “vacancy allowance” for commercial property owners was eliminated. It sounded like more of a flesh wound than a mortal hit — and it would have been, except for two very significant and pre-existing strikes from other sources.

The first came from the oil patch. More accurately, the lost business from oil industry folks as layoffs, office closures and cancelled contracts marched lockstep with the falling price of oil. Entertainment and dining-out — the heart and soul of the city’s downtown business community — were among the initial casualties.

The second hit came from updated municipal property assessments. Virtually every property in the city saw assessed values jump by unbelievable percentages — 200 per cent and more in some cases.

It was into this environment that City Hall blithely dropped a budget (facetiously titled “Investing in tomorrow”) that increased two levels of corporate taxation and nominally dropped another. A one per cent mil rate reduction versus a 200 per cent increase in assessed property values? What a joke.

The Mayor’s response was entirely too precious: “We realize the property tax is unfair, but we’re stuck with it.”

The City may have zero control over the price of oil or property values, but it has 100 per cent control over the mil rate. They could, and should, have lowered the rate sufficient to compensate for the property assessments. Alas, claims the City, they desperately need the money. This in a budget that approves an 11 per cent salary increase for the mayor and councillors over the next three years. In fact, the City’s total human resources budget is projected to jump by — wait for it — 176 per cent from 2015 to 2018.

Granted, a substantial part of that is probably due to the \$7.1 million worth of severance packages offered to 29 senior employees. But consider this: the severance packages are supposed to save the City over the long term. How can anyone logically come to that conclusion

when those severance packages haven’t been matched with job reductions? How does it save money to pay someone to stay home until their pension kicks in, if someone else is getting paid to do their job anyway?

It makes you appreciate the accuracy of Bob Hallett’s analogy all the more.

Hallett, a member of renowned East Coast music group Great Big Sea, is also a proprietor of two downtown businesses (Erin’s Pub and Tavola restaurant). He says that his taxes on Erin’s alone have gone up by \$3,000 to \$5,000 a year, a figure roughly equivalent to a month’s income.

Asserting that the budget should be tossed in the garbage, he’s told a number of media that belt-tightening, not budget expansion, should be the City’s first priority. Like-minded downtown business owners and the St. John’s Board of Trade have lined up behind the same banner, pressing City Hall to retreat.

What are businesses and citizens getting in return for their tax dollars? Who, exactly, decides the budgetary priorities? Why is it acceptable to charge a commercial mil rate of 25.2?

I wish every business in the city was standing alongside of them, protesting louder and pushing harder. The business community needs, deserves, a broader analysis of exactly what constitutes fair taxation. What are businesses and citizens getting in return for their tax dollars? Who, exactly, decides the budgetary priorities? Why is it acceptable to charge a commercial mil rate of 25.2?

There’s a lesson here for city halls everywhere: Excessive taxation alone won’t kill a business, but it may well be the final nail in the coffin. Where will your revenue come from then?

Dawn Chafe started with *Atlantic Business Magazine* as a freelancer 21 years ago, becoming editor in 1998.

FEEDBACK

✉ dchafe@atlanticbusinessmagazine.com

🐦 @AtlanticBus; @ABM_Editor; #BetweenTheLines