

Legislative Assembly of Alberta

Title: **Tuesday, May 23, 2000**

8:00 p.m.

Date: 00/05/23

head: Government Bills and Orders

head: Committee of the Whole

[Mr. Tannas in the chair]

THE CHAIRMAN: Good evening. I'd like to call the Committee of the Whole to order.

Bill 18

Alberta Personal Income Tax Act

THE CHAIRMAN: Any further questions, comments, amendments? The hon. Member for Edmonton-Glenora.

MR. SAPERS: You saw me out of the corner of your eye, Mr. Chairman.

THE CHAIRMAN: I surely did.

MR. SAPERS: Thank you very much, Mr. Chairman. Just before the clock ran out prior to 5:30 this afternoon, I was making comment about children and families living in poverty and relating the picture in the face of poverty to the rationale for fair tax policy. The argument, of course, is that Bill 18 is not fair tax policy, in fact very unfair, very biased towards one category of income tax filers and against another and that it's not saved, it's not rescued by the amendments that are before us.

The amendment bringing the rate down to 10.5 percent and increasing the personal exemption to \$12,900 is really just the government's attempt to diminish the negative impact that it felt from being quite frankly outdone by the federal government in its last budget and the tax reforms that have come courtesy of the federal Liberal government in Ottawa. If the government had stuck to its original flat tax plan, many categories of income tax payers in Alberta would have ended up paying much more under the Klein proposal than they would have if they had just left things alone.

So what we now have is a not too well camouflaged attempt on the part of the provincial government to save face and try to pretend that its goal all along was to bring tax relief when really all it wanted to do was bring about a change in the structure and how it collected tax. So this amendment, as I say, really doesn't do much. It's fairly transparent; you can see right through it. You can see that what the government was trying to do was just make themselves look better as they play catch-up with the federal government.

I think where I left off in my comments this afternoon was just making the point that even though there is a myth or it's popular to believe that most impoverished children are living in single-parent households, most particularly those households where a mother is the single parent, the reality is that there are nearly three-quarters of a million poor children living in two-parent families, 730,000 living in two-parent families as opposed to about 673,000 living in families where the head of the household is a single woman. So most of the children living in poverty, in fact, are living in two-parent families. Again, Mr. Chairman, the tax policy that's being proposed by this government will do nothing to bring relief to that particular situation.

Mr. Chairman, the working poor in this country have not been the beneficiaries of a coherent tax policy, and this is not just at the provincial level. I will say that the federal government over the last couple of decades has some making up to do as well. It was particularly bad for families and poor children during the Mulroney

era, and the federal Liberals, I think, could be more aggressive, but that notwithstanding it is the provincial government policy which is really the focus of our discussion tonight.

I will say that great claims have been made about job creation and unemployment in Alberta. It's interesting to note that the unemployment rate continues to go down but that child poverty remains relatively constant. In Canada, for example, in 1994 the child poverty rate stood at 19.5 percent of all children, one in five approximately. The unemployment rate was about 10.4 percent.

Now, the unemployment rate has come down. By 1997 the unemployment rate had dropped more than a full point – it was down to 9.2 percent – but child poverty, Mr. Chairman, had remained relatively constant. It did go up a little bit; it was at 19.8 percent. In fact, if you look at the distribution between 1991 and 1997, the child poverty rate barely fluctuated at all whereas the unemployment rate, as I've said, has continued to go right down.

Mr. Chairman, as you begin to delve a little deeper into the reasons why this government based on its ideology may be favouring the wealthy with tax policy and ignoring the rest, I think you have to understand that this government has worshiped at the idol of a couple of other trickle-down theorists, in particular in the United Kingdom and in the United States of America. What we know is that many of the Reagan and Thatcher policies have been reversed by their respective governments that are currently in place. Nonetheless, it seems that this particular government of Alberta is stuck a little bit in the past and wants to try to repeat some of the experimentation that was done in those other jurisdictions.

John Kettle, in the *Globe and Mail* on November 9, 1998, put it this way. He said:

Since the Reagan and Thatcher years, the ideal of a more equitable economy – one that spreads wealth more evenly throughout society – has lost its popularity. We live in an age of economic Darwinism, where the survival of the financially fittest is the religion.

Mr. Chairman, I don't think that describes the kind of society that a responsible government would want to try to build. However, it seems to describe the kind of society that a government that's more concerned about power than policy would be interested in pursuing.

Mr. Chairman, well-known economist John Kenneth Galbraith in his most recent book entitled *The Good Society* wrote the following:

The good society does not seek equality in the distribution of income. Equality is not consistent with either human nature or the character and motivation of the modern economic system. As all know, people differ radically in their commitment to making money and also in their competence in doing so . . . However, this does not lessen the need for a clear view of the forces controlling the distribution of income and of factors forming attitudes thereon.

Mr. Chairman, the government in Alberta seems to have not paid any attention to that last caution as written by Galbraith. This government doesn't have a clear view of the forces controlling the distribution of income, and they seem to care less. It seems to me that what this government focuses on is how to maintain the status quo. Putting it in a popular way, it seems that the government of Alberta would be very happy to see the rich getting richer and the poor staying that way.

I think that tax policy, as I've said before, at its very heart must be fair, and since all tax policy does talk about the redistribution of wealth, why would we continue to reinforce inequities and inequalities when we have an opportunity to make positive changes in the lives of the vast majority of people instead of only paying attention of the needs of the very few?

Every year the United Nations compiles a report called the Human Development Report. The 1997 edition of that report looked at the richest 20 percent and the poorest 20 percent of the population in all developed nations. As Mel Hurtig writes in his book *Pay the Rent or Feed the Kids*:

In terms of the gap between the two, Canada has a worse record in distribution of income than, among others, France, Norway, Netherlands, Japan, Finland, New Zealand, Sweden, Spain, Belgium, Australia, United Kingdom, Germany, Denmark, Italy, and Israel. Only in the United States and Switzerland was there a wider gap.

Mr. Chairman, when I read that, I didn't believe it, and I went and pulled a copy of the UN report, and I confirmed their findings in my own mind. I find it to be quite shocking that not only is this distribution between the rich and the poor, the gap, tremendously broad; the chasm is growing wider almost day by day.

8:10

It's immediately apparent in Alberta, Mr. Chairman, when you look at some of the expansion in the local economies in places like Grande Prairie or Fort McMurray or even Calgary and Edmonton. You don't have to drive very far, you don't have to walk very far through neighbourhoods to see examples of great wealth, almost bordering on lavish wealth, and then you can just look over your shoulder, and you can see staggering poverty.

I say staggering poverty quite on purpose. I was amazed at my last visit in Calgary in particular, Mr. Chairman, to actually see a scene that the last time I saw it was walking about eight blocks away from the White House in Washington, D.C., where I saw a young couple and a child who couldn't have been more than two years old actually sleeping under plastic in sleeping bags on the air vent of a building. I never thought that I would see that in Calgary, and on my last visit to Calgary as I was walking between some downtown buildings, I saw a young couple – now, they didn't have a baby with them; they had a dog – in what looked like almost a semipermanent residence in a little space between two buildings and one of those dumpsters, and there was a piece of plastic that had been spread across so that they actually had a bit of a windbreak as well. I thought I wouldn't see that. In any case, Mr. Chairman, it exists.

The UN report that I referenced just a minute ago in commenting on this disparity in wealth and the economic theory which suggested – I think it was Kennedy who said, “A rising tide lifts all the boats.” Well, the UN report in commenting on that said:

A rising tide of wealth is supposed to lift all boats. The yachts and ocean liners are indeed rising . . . but the rafts and rowboats are taking on water and some are sinking fast.

I think that describes the worry that I have as well.

Over the past two decades Canada's GDP has tripled. Despite this growth in our real economic output, during this same period child, individual, and family poverty have increased substantially.

There is an economist by the name of Ross Finnie at the Queen's University school of social policy. He completed a study in July of 1997 on the subject of poverty for Human Resources Development Canada. He found in his study:

There is now substantial empirical evidence that suggests that there has been an increase in earnings inequality in Canada . . . Those at the upper end of the earnings distribution [are] doing relatively better than before, those at the bottom faring more poorly, and [there has been] a general “hollowing out” of the middle.

Furthermore, the widening of the distribution of earnings has occurred as average earnings levels have remained effectively stagnant, meaning that those in the lowest reaches of the distribution appear not only to be doing relatively worse than previously, but have in some cases experienced absolute declines as well.

Mr. Chairman, to relate that back to the amendment that's before us, if you read any of the studies, even the ones that have been tabled by the Acting Provincial Treasurer, for example the Shapiro study, all the credible work that's been done on single-rate or flat taxes leads to one conclusion. These are the studies that are either for or against single-rate tax schemes. They lead to the same conclusion,

that any single-rate pushes the tax burden into the middle.

Now, some economists will say, “Well, that's okay,” and other economists will say that it's not. I tend to agree with that second group. But no matter what, those for and those against the single-rate or flat taxes make that same observation. Of course, when you know that the tax burden gets pushed into the middle and then you match that up with this finding that those in the middle have had their earnings, in the words of this author, “hollowed out” or become stagnant, then you know that you're doing a great disservice to the bulk of income earners and taxpayers in this province.

Mr. Chairman, another study in terms of determining the gap between the rich and the poor is to look at income before transfers and payments and the income share that is shared out across the population distribution. If you break that distribution into quintiles, what you find is that as of 1996 the top 20 percent of income earners received over 71 times the market income of the lowest 20 percent, a staggering distribution again lending credibility to the finding of the United Nations that ranked Canada so poorly in terms of the income distribution gap.

Over the time period between 1980 and 1996, 80 percent of Canadian families lost market income in real terms, if you adjust for 1996 dollars, while the top 20 percent gained. Mr. Chairman, what we're seeing is a picture of wealthy Canadians doing quite well, thank you very much, and getting wealthier as time goes on. This is in spite of some of the rhetoric we have heard that there must be tax relief for the rich or else their capital will take flight, that there must be tax relief for the rich or else they will stop investing, that there must be tax relief for the wealthiest or else they won't be productive. That just doesn't seem to be the case at all, at least not according to any of the credible statistics that we've seen. I'll just repeat this. The 20 percent, those in the top quintile of income earning in terms of families, not just individuals but families, actually had a gain in terms of market income and market share, and the other 80 percent of Canadians had a decline over the same time period. It would be responsible, I think, of the Acting Provincial Treasurer to try to back up some of his claims about brain drain and productivity and capital flight and investment, because what we can see is that there is another picture.

Mr. Chairman, I have, I guess, just a couple of minutes left this time around, and I'm going to take an opportunity, obviously, to come back and talk more about the nature of poverty, the distribution of wealth, and the impact that tax policy has. Maybe I'll end with this particular point. It was made by an employee of Stats Canada who in a 1997 article wrote:

The real earnings of lower-paid males fell by 13 per cent over the 1980s and by 9 per cent between the mid-1980s and mid-1990s, while the earnings of higher-paid males rose over the same period.

That was an article published by Garnett Picot in *Canadian Business Economics*, in the fall 1997 edition. I think that article has summed up well the point I'm making about the growing gap in income distribution.

Mr. Chairman, I know that you're about to ring the bell. I will try to make one further point while we're still on the clock.

According to Statistics Canada in the following year, in 1998, the poorest of the poor, the lowest decile, the lowest 10 percent, lost the most, while the top earners gained the most. In fact, there was an 11.4 percent decrease in terms of real annual earnings in the lowest decile while there was a real gain of 5.5 percent in the top.

Mr. Chairman, the statistics are almost endless in terms of making the point that in spite of everything we've heard about the damage that tax policy has done to the real income and earning potentials of wealthy Canadians, the facts are that they continue to do very well. Now, I'm not arguing for the status quo. I'm not suggesting there

shouldn't be tax reform. In fact, I think I've made it very clear in my earlier comments on both this bill and on its sister bill, Bill 19, that I am all in favour of meaningful and sustainable tax reform and tax relief. I just don't want to see that relief come only to those who are already doing very well in this economy and at the expense of the hopes and dreams and the opportunities of those who are not gaining the same advantages. This familiar pattern of the rich getting richer and the poor staying the same is something we should be trying to do something about instead of trying to entrench even deeper.

So I will pass the floor at that point, and when I have an opportunity to rise again, I will continue dealing with income distribution and the effect that it has on the life of Canadians and the impact that tax policy can have to help address some of these inequalities.

Thank you.

8:20

THE CHAIRMAN: The hon. Member for Edmonton-Rutherford . . . Sorry. The hon. Member for Calgary-Fort, followed by the hon. Member for Edmonton-Rutherford. I just had three people standing there, which is the point that we've made before. When you have a bunch of people standing, it is hard to find someone who may be wishing to speak. So my apologies, Calgary-Fort.

MR. CAO: Thank you, Mr. Chairman. We've spoken time and time again about the Alberta advantage. We have promoted it. We have gone to great lengths to create an economic climate that would attract the best and the brightest minds, industries, and individuals that will contribute to that advantage. In fact, we are attracting people from higher tax provinces all over Canada. However, the problem is that we are in the global economy. We cannot afford to stay put within our province, our borders. We are in competition with places like the United States for these people. High taxes and bracket creep are things that are not only punishing these people but punishing Canada as a whole, because we're losing these talented people to places like the United States of America. We can't do anything about the two-thirds of income taxes that go to the federal government, but we can do something about the Alberta income taxes.

You know, in my constituency there's a fellow who has really done well for himself in his life despite the fact that he came from very poor roots. I mean, scraping up a coin for a telephone call would be an issue to him, but he worked hard and opened a business. He had his fair share of tough times and close calls, as anyone who has started a business probably knows. But now things are really taking off, and he's making a lot of money for himself and his family. On top of his success, his wife has had a raise, and now they have extra cash to do things they haven't been able to afford before.

So, as you can imagine, this man came to me after tax season last year with quite a bit to say about what he's paying. His concern is, I'm sure, the same as we've heard from a lot of people, that a huge chunk of what they've worked hard for goes straight to the federal and the provincial governments, and a lot of this is because bracket creep pushed him into a higher tax bracket. He wonders why he would bother to stay here when he can go to places like Texas and keep more of the money he actually makes.

A common argument is that people should stay in Canada because of the quality of life here. You know, the extra money that knowledgeable workers saved in taxes in the United States can go a long way to buying the quality of life they enjoy there. That's the reality. When you lose a huge amount of money that you pay directly to the government, you consider your quality of life in terms of money that you'd be able to keep in your pocket and what you could do with all that extra cash.

So Bill 18 will do a lot not only to attract people to this province but to keep them here. It unhooks from the federal system to a single-tax rate at 10.5 percent.

AN HON. MEMBER: How much?

MR. CAO: At 10.5 percent, a low one. It eliminates bracket creep. That's the most important thing. Now, I know that the argument across the way is that it benefits those at higher income tax levels. Well, it doesn't benefit this income group exclusively, but I don't see why we would make sure we exclude them. Tax expressed as a percentage of income is not the whole picture. The amount of tax payment is the bottom line.

The fact is that the highest earning 1 percent of tax filers pay 21 percent of the total taxes. The highest earning 5 percent of tax filers pay 40 percent of the total taxes. The highest earning 10 percent of tax filers pay 52 percent of total taxes. Those are some pretty eye-opening numbers. What's more, these are often the people who have the greatest ability to find jobs south of the border if they find that it works better for them financially.

So these people pay all this money in taxes, and on top of it all the current system punishes them for their hard work by pushing them into higher tax brackets. The more they make, whether it's because they get a raise for their hard work or earn more because their business is finally taking off or have to work a whole bunch of overtime to please their new boss, the fact is that the tax man comes in and takes more.

So what happens in our global economy freedom? People leave. Why stay in a country where government actually prevents you from getting ahead in life? Why do this when right south of the border is a country where they can take home more of their hard-earned cash to their families? This is the brain drain we've been trying hard to stem. We pay to train these people, educate them, create a mass of skilled and intelligent people who can help to create a strong and vibrant economy, and then we put them into a tax system which drives them to the United States or to other countries. So we never actually reap the benefits of the training skills we've provided for them.

Bill 18 is going to create a tax climate that will really be an incentive to keep these people here as well as attract other highly skilled people to this province. That's the Alberta advantage we're really trying to create, and for that I thank you.

THE CHAIRMAN: The hon. Member for Edmonton-Rutherford.

MR. WICKMAN: Thank you, Mr. Chairman. We have the amendment in front of us that deals with the two aspects relating to Bill 18, the increase in the personal exemption and the reduction in the flat tax from 11 percent to 10.5 percent. Let's take a look at the two components of that amendment.

The increase in the personal exemption to \$12,900: that's good. I applaud that. I applaud any increase in the personal exemption because what it does is give benefit to the people that need the greatest benefit of all. When we talk in terms of the various income categories in Alberta, nobody deserves a bigger break than those at the lower end. The increase in the personal exemption in itself, of course, does benefit those people, and the federal treasurer, Paul Martin, in his budget recognized that. He increased the personal exemption and eliminated the sin of bracket-creep taxation. So in effect the provincial government really had no alternative but to make the adjustments to Bill 18 because of what the federal government had done when Paul Martin brought down his budget.

If we go back to February of this year, when the federal treasurer

announced when he was going to be bringing down the budget, of course there was a scramble on the government side. They wanted to get out their so-called good news first, so they wanted to jump the gun. Well, they jumped the gun. They made their announcement, but in the process they ended up kind of looking a little foolish in the sense that suddenly they realized, after Paul Martin did his thing, that they had not gone far enough, so they were forced to take measures. In effect, as much as I applaud the increase in the personal exemption, if the government is insistent on a flat tax – and it appears obvious that they're going to ram this through – then I guess the lower that flat tax is, the better it is for Albertans from that point of view, but it's still wrong. It still makes it very, very wrong. It makes it wrong because the whole principle behind Bill 18 is so unfair.

8:30

When we look at fairness and we look at what the amendments as applied in Bill 18 accomplish in terms of the 10.5 percent flat tax in particular, we look at those that are going to gain the greatest benefit. Now, the former speaker brought some stats to our attention about a certain percentage of income earners paying a certain percentage of the overall tax burden, and that's true. It's very true. It's no different than when you own a half-million-dollar house; you're going to pay a great deal more property tax than the guy who owns a \$100,000 house, and that's only fair. You know, we're in this society, we're in this system where we recognize we have an obligation, a responsibility to share the wealth, to spread the wealth out somewhat because we can't allow a small number of people to control a growing amount of that wealth that is there. That is happening now.

By using those same stats, I guess we can turn them around. We can turn around and say: well, Bill 18 with the amendments is going to benefit to the greatest extent 1 percent of the population, that 1 percent, of course, that pay the highest level of taxation in the province because of the amount of income they receive, some of it because they have worked hard, some of it because they've been a student, some of it because they've had opportunities that a lot of other Albertans unfortunately didn't have. I know we can preach and say that in Alberta everybody has the opportunity to achieve the greatest of success, but everybody can't be out there making an income of \$200,000, \$300,000 a year because you have to have the middle-income people. You have to have your firefighters, you have to have your policemen, you have to have your health care workers, you have to have your teachers. These are the middle-income earners. This is the bulk of the population in terms of the majority.

We see the struggles that are going on at the present time in terms of the process of collective bargaining. Why do we see the possibility of a strike pending that could possibly be considered illegal? It's because we have a group of people, thousands of people who feel they are not getting their fair share of the wealth, that they are not getting their fair share in terms of the amounts they pay in taxation and such. Bill 18 does very, very little for them. Bill 18 does very little in terms of increasing their disposable income.

When we talk in terms of the Alberta advantage, certainly there are advantages in Alberta to some people, particularly those that have a great deal of wealth, those that run the industries, those that have businesses and such with the lower levels of taxation. Of course that's an advantage to them, but the Alberta government has a tendency to cater to an extremely large extent to providing that so-called Alberta advantage to a select few, almost a chosen few. Unfortunately, all Albertans don't get to share in that prosperity of what's being called the Alberta advantage.

We can look at the increased disposable incomes that result from

Bill 18 and Bill 19. We can look at the increased disposable incomes that result from any reduction in taxation, and that part of it is good, because the less money that government is taking out of the pockets of taxpayers, the more disposable income there is for those that do pay the taxes. But why should that increased disposable income under Bill 18, even with the amendments, be so disproportionate in the sense that those who already have a great deal of disposable income end up having a great deal more disposable income than somebody making \$35,000, \$40,000, \$45,000 a year who is trying to get by meeting their monthly mortgage payments, possibly a car payment, raising children that are involved in sporting activities, who have very little in terms of a disposable income, very little that isn't committed towards monthly obligations in the form of mortgage payments, rents, and other payments, putting bread on the table, and so on and so forth?

So a tax break of a substantial nature to those of middle income would increase the disposable income in that category substantially, and they in effect would turn around like any other group and spend those dollars, creating a spin-off in terms of enhancing the economy. That's the benefit of any reduction in taxation. That's the benefit of leaving more dollars in the pockets of the taxpayers. That's the benefit of doing it.

In fairness to the majority of Albertans it's important that we look first of all at providing the greatest benefit to the lowest income, who are crying for a break, who desperately need a break. Next to that we can look at middle income, where we recognize that they may have sufficient dollars in most cases, with some struggling, to meet their monthly obligations or responsibilities but not have the disposable income to take a vacation throughout Alberta even, the case may be, taking a couple of weeks off work and just traveling throughout the province. Those people would love to have an increased disposable income that they could turn around and inject back into the economy by buying some of the things in life that make life just a bit more pleasant.

So the government is right in taking initiatives that would reduce the amount of taxation that we expect Albertans to pay, to increase the amount of disposable income that is available to Albertans, generally speaking. The last speaker again made some references to people saying: "Well, I've achieved success. I make a good income. I run a business. If I'm going to be taxed at that level, why should I stay in this country? Why should I stay here when there are greener pastures just south of the border?" Well, I've said this before and I'll say it again: I don't believe that simply because you might get a lower level of taxation in the United States, that makes those pastures that much greener.

I've had the opportunity in the past to travel the east coast: New York City, Philadelphia, Atlantic City, that whole area. In Washington, D.C., touring the White House was great, but we also drove in a part of even Washington, D.C. where, when we looked at the houses in there, it was unbelievable that people have to live in those kind of conditions.

We looked in New York. You'd have one section of New York, and I don't know if the Donald Trumps lived there or who lived there, but limousines were parked all over, illegally parked wherever. Three blocks away you saw slum housing that was so deplorable it appeared it was a city that was bombed out. That's the type of income distribution you tend to have in the States. That's the type of lifestyle that one has to look at and say: do I want to exchange the lifestyle I have here in the province of Alberta, without question the best province in Canada, Canada of course being the most desirable country, and do I want to give that up to go and live in a city like New York, like Washington or Los Angeles, where you have that quality of life that some people have to experience? And

the fear. In New York City and in Washington I have to admit there were times I actually feared for my safety.

I remember a former alderman, councillor Ron Hayter, in Washington. He's walking down the street, he turns around, and a fellow has a gun poked in his back: give me your wallet. Certainly that can happen here in Edmonton, but not to the same degree. Never in Edmonton have I ever feared for my safety when I've been out on the streets. In the United States it's a different story.

So I reject the argument that money in itself contributes to the brain drain. I think there are other things. Possibly some people are so caught up in the dollar that nothing else matters to them except how many dollars they can accumulate.

8:40

When we talk in terms of and look at the amendments and we look at how it affects Bill 18 and the whole principles behind Bill 18, what it lacks is fairness. It lacks equity in terms of recognizing that there are the lower income, there are the middle income, and there are the higher income, the wealthy. It fails to recognize that. If it does recognize it, it just blatantly ignores the fact that there is a middle class out there. Statements are made that, well, it's a tax cut for everybody. Certainly it's a tax cut for everybody, but the tax cut for the middle income is so insignificant in terms of the others that it's deplorable, from my point of view.

In terms of trying to sell what government is doing, government actually has a very, very easy job in putting their spin on it. You know, it's very easy to go out there and say, "Well, we're going to give everybody a tax break," without going into details, just "Everybody's going to get a tax break." That to a degree is true, making that statement, if you just say: we're going to give everybody a tax break. When you talk in terms of the flat tax, to a lot of people the flat tax sounds like almost a romantic method of taxation in the sense that people have the perception that what a flat tax does is it allows you to just fill out one form, maybe four lines when it comes to income tax: gross income, deduct a flat tax of 10.5 percent, whatever, net taxable at a certain rate, and, bango, your return is done. Of course, we know that's not the case.

We know that, if anything, the end result of these changes will make taxation more complex to the average Albertan in the sense that you'll be delinked. You'll be delinked from the feds, so you'll be filing two returns. You'll be filing your return to the federal government and you'll be filing your return to the provincial government like a corporation or a business does now, and at the same time you're still going to have all those deductions to take into consideration, your charitable deduction and so on and so forth. So it doesn't make it simpler, but in selling it from the government's point of view certainly it appears to be a lot easier to put a spin on than, say, their Bill 11 was.

In this caucus we look at it from the point of view that our position may be harder to sell to the public, it may be tougher to put that so-called political spin on, but let's forget the spin for a minute. Let's forget the political implications. Let's look at what's right. Let's look at what's fair to Albertans. And there I have to say, Mr. Chairman, that in terms of taxation the amendments the Member for Edmonton-Glenora will be bringing forward that have been tabled – at least some of them have now been tabled – will demonstrate how the Liberal way is that much fairer to all taxpayers in that it recognizes that the bulk of the population, the bulk of those who pay our salaries, for example, come from that middle income. There's absolutely no question about that.

So the amendments as proposed by the Member for Edmonton-Glenora, which put the tax cuts in a system that is progressive, provides that fairness that is lacking in Bill 18 even with these

amendments. If the amendments proposed by the Liberal caucus were incorporated into Bill 18, Albertans would have cause to rejoice. Even those of that so-called higher income, the 1 percent or 5 percent of the population, whatever stats were used, a lot of those people wouldn't begrudge the fact that they're not getting the type of break they would get under the existing Bill 18. They would recognize that the Liberal proposal that puts more disposable income in the hands of . . .

Chairman's Ruling Relevance

THE CHAIRMAN: Hon. member. Hon. member, just so that we're all on the same wavelength, we are discussing the amendment that is proposed by the hon. Acting Provincial Treasurer, not by the hon. Member for Edmonton-Glenora. We've not yet had his amendments.

Debate Continued

MR. WICKMAN: Yes. I simply referred to his amendment – and thank you for the opportunity of clearing that up – because he did table it this afternoon. And for all of you in the House here that want to see them, he did table them this afternoon. He tabled them this afternoon, so they are now part of the record. I use that, Mr. Chairman, as a comparison of this way of doing it versus that way of doing it, because as I've tried to state all along, the idea of having a progressive series of taxation percentages with an increased personal exemption is fairer to most Albertans.

Now, I want to look at some comparisons here under the 10.5 percent flat tax, taking us to the year 2004, but most of this will be achieved before the year 2004, of course, because of the government's announcement that they're stepping up all the action on that. I should also mention that when we look at Bill 18 and the amendment, the reduction to 10.5 percent in the flat tax, the benefit that I've spoken of that the higher income get: couple that with the vast benefit they're going to get from the passage of Bill 19, which appears is going to be passed because closure has been moved and so on and so forth. Those in those income brackets get the double bonanza.

When you're over \$46,500 a year of taxable income, you get double the windfall. You get the windfall of getting the greatest benefit from the flat tax plus the elimination of the 8 percent surtax. So they've got it both ways. Certainly that category of taxpayers will be very, very beholden to this government, and maybe that's what this government is looking at. Maybe they're saying: these are the people that have money in their pockets and that can afford to give us consideration come fund-raising time.

When I talk in terms of the advantage of having increased disposable income for those in the middle income, that even benefits, Mr. Chairman, a vast majority of those with the higher income because a vast majority of those with the higher income are businesspeople. A lot of them derive their revenue from businesses that they have. The previous speaker spoke of a constituent of his who had set up a business and worked hard in that. They benefit because the middle income now with this additional disposable income are going to go out and spend it. They're going to go out and buy maybe a different car, creating more wealth for that higher income person that owns that dealership, or they may go out and buy an RV, a recreational vehicle, a snowmobile. In any case, when they turn around and spend these disposable dollars, they are benefiting the people that own those particular companies, who see increased profits. They, of course, with increased profits have increased revenue.

Now, I want to do a comparison on the calculation under the 10.5

percent amendment that we have in front of us. Let's take, for example, a person earning approximately \$115,000 a year. Their break will be \$2,812 dollars, or a 21 percent cut in provincial taxes. Let's look at somebody making roughly \$100,000. [Mr. Wickman's speaking time expired] Is that it already? I'm just starting to roll.

THE CHAIRMAN: The hon. Member for Calgary-Mountain View.

MR. HLADY: Thank you, Mr. Chairman. It is a pleasure for me to have the opportunity to discuss some of the issues relating to Bill 18 this evening, particularly the consultation process for this bill, which will lay the foundation for the bold new tax system that Albertans have long been waiting for.

SOME HON. MEMBERS: Good speech.

MR. HLADY: Thank you to the members, who I know will be supporting this bill when we do get a chance to vote on it.

Bill 18 answers a call from Albertans for lower taxes. In fact, the demand for tax cuts is a call that politicians have been hearing all over the country. People have begun to see more and more of their hard-earned money being paid out in a complex tax system that is used to finance government waste, overspending, and mismanagement. Mr. Chairman, now we have the opportunity to move to a single-rate tax system. This system benefits those who desire simplicity in their tax system. It is a relief for those who want their tax system to be fair, and it will benefit all those Albertans who have the foresight to see that marginal tax rates are an essential part of our ability to attract and retain skilled labour.

This new tax plan is the result of one of the widest consultation processes we've seen in this province. We wanted our plan to be truly responsive to the needs of Albertans, and we knew that the only way to do that was to ask them what they thought. In February of 1998 we started the process with the creation of the Tax Review Committee. As you know, Mr. Chairman, this committee went through the province getting the views of Albertans firsthand. They took the time to really sift through all the rhetoric so that they could figure out what was at the root of the issue.

8:50

They figured out that there were four issues that needed to be addressed here. One, bracket creep, or the invisible tax that creates a greater burden on taxpayers through inflation by pushing people into a higher tax bracket. Two, the deficit elimination taxes, which understandably frustrated Albertans. They were instituted as a temporary measure. Albertans paid them even though they kept seeing the deficit rise, and once we eliminated the deficit, the taxes remained. Three, taxation of one- and two-income families. Many people felt it was unfair that the tax system favoured two-income families and that it actually was a disservice to those who chose to have one parent stay at home. This issue, incidentally, is one that we're addressing by unhooking from the federal system. Four, and finally, the burden of the multibracket system. Albertans said they wanted us to undo our ties to the federal tax rate structure and move to a single rate.

So we asked the committee to dig through the dirt and to find out what we needed to do about our taxes, and they came up with this report. After this process we wanted to make sure that these tax concerns were representative of the majority of Albertans, so we asked them. A survey went out to every Alberta household, Mr. Chairman, not just any multiple choice kind of survey but one where Albertans had to take the time to write what they really thought.

Well over 80,000 Albertans told us exactly what they thought.

They wanted lower taxes. They wanted a fair tax system, and they wanted to eliminate bracket creep. They wanted us to reform the system so that it works better for them. This new tax plan was the result of these consultations and the efforts of numerous MLAs and tax experts. We studied the results, analyzed the numbers, and designed an effective and efficient new system.

So here we are with a bill in place which will address those concerns Albertans have had about their taxes. Not only that, but it's a sustainable, long-term solution that will benefit Albertans directly by allowing them to keep more of their money. This is especially true for those 190,000 low-income earners, who will pay no provincial income tax, though they still pay the taxes demanded by the federal government. That extra money means a great deal to them, Mr. Chairman.

You know, it was once said that we ought to have a tax system which looks like someone designed it on purpose. We've come up with a design, and our purpose is to let Albertans lead us in what they want their tax structure to look like and to make sure that they pay low taxes.

Now, as we all know, we're going to keep reviewing these numbers to make sure that one of the basic intents behind Bill 18, to ensure that Albertans pay low taxes, is carried through. We have said that we will pass the federal savings on to Albertans when the new single-rate system is implemented next year. So we consulted, planned, and designed a new tax plan, which we now see here before us in Bill 18. This is a groundbreaking plan, Mr. Chairman, and it has been a model for the rest of this country. I think it will give Albertans what they have asked for in terms of a simple, fair, and understandable tax plan that will ultimately see their taxes lowered.

I think another group, Mr. Chairman, that certainly is going to enjoy the lower taxes are students and graduates, and I'd like to spend a little time talking about that. Our students certainly want to stay in this province, and they want to be able to grow and have their families here as their families before them were. There's no question that we will grow. Our economy will continue to diversify. We will start more businesses, a lot in the technology sector, the economy of the future. We will find ways to make new and existing Alberta businesses and industry more productive, and we will make the most of new technologies. We will undertake a variety of other activities, all aimed at making the future a good place for everyone who lives here.

When I say "we," I mean we as Albertans, and that includes us as politicians. It even includes the Liberals. It also includes corporate Alberta, the oil patch, all our educational institutions, and many others too. But much of the responsibility for the future rests on the shoulders of our young people. It's an awesome responsibility, and we as politicians believe that they should get as much support as possible to be effective in the future. They are, after all, building our future as well as their own.

Mr. Chairman, I'm proud to say that Bill 18 is designed to help all Albertans, including our young people. You don't have to just take my word to believe it. Everyone is starting to sit up and take notice of what we're doing here. For example, tax watchdog Mitchel Gray from the Canadian Taxpayers Federation is on record as saying, "This is a tax cut for all Albertans. Everyone will get a break: rich, poor, and middle class alike." And it's true. From this we want young people with entry-level incomes to see that even though they don't yet make the big salaries of more established professionals, they are just as important. We don't want to wait until they make the big bucks before we recognize them. Bill 18 will remove traditional tax disincentives so that these people can get on with building a future for themselves that we can all enjoy.

When it becomes law, Bill 18 will increase the basic personal

exemptions by 78 percent, to \$12,900 from the current \$7,231. That means that these young people as well as everyone else will pay no personal provincial income tax at all on the first \$12,900 they make. This makes a big difference to the new graduate just starting out or the student who works part-time to offset the costs of education, Mr. Chairman. In fact, even those who work full-time, earning minimum wage – that's 2,000 hours a year – simply won't pay any Alberta income taxes at all. However, they'd still owe the federal government about \$650.

Most of the people here today can probably still remember what it's like when you're getting started, just getting your feet wet, when you've landed the job but all you've got in your closet is the suit that you wore to your high school graduation and you've come to think about Kraft dinner as two of the four major food groups. Even a bit of extra cash is going to make a difference in these folks' lives. I do remember the peanut butter and crackers days, Lipton's chicken noodle soup. They were good times. So Bill 18 certainly helps them in the beginning.

Then, as they progress, the new tax system makes it easier for them to go forward. As we have all heard, Bill 18 introduces the single-rate tax, and that means no tax brackets. So raises and increments will not push new workers into higher brackets, where they pay a greater proportion of what they make to the tax man. Instead, they will be allowed to keep more of what they earn. I have seen how a little extra can make a big difference, not just in terms of its purchasing power but also as an incentive to work harder and to stay in Alberta, which is the basic of what we want to achieve. If they get both the breaks and the opportunities here, the States won't look nearly so attractive to these young workers who have the opportunity to move in the new economy anywhere they want in the world.

All this extra work gives the province momentum and bodes well for our economy, very well. By 2006 Alberta's GDP is expected to increase 1.5 percentage points more than it would have without Bill 18, Mr. Chairman. That translates into almost \$2 billion more in our economy than we could have expected without any changes to our personal income tax system, and those are conservative figures. By no coincidence the increased economic activity will mean more jobs in the province, about 30,000 more jobs by 2006, based on just doing what we're doing in Bill 18. So young people graduating from high school, college, and university will find more opportunities to put their hard work to use.

It only makes sense, Mr. Chairman. If we're banking on these people to use their smarts to build us a great future, shouldn't we give them the opportunity to hit the ground running? I don't think there's a person in the House today who would dream of holding them back. Why should we have a tax system that does? Bill 18 is designed to take them forward, so let's get on with it.

Thank you, Mr. Chairman.

THE CHAIRMAN: The hon. Member for Calgary-Buffalo.

MR. DICKSON: Thank you very much, Mr. Chairman. I'm delighted to be able to rise. In fact, I'm glad to follow our friend for Calgary-Mountain View because he's brought some things to mind that I'd not been thinking of. I'm going to come back to those in a moment, but I want to start off by saying that I'm glad that we've finally seen the amendment package A1. The reason is that I feel so often like we're engaged in a form of shadowboxing. You know, the government doesn't actually put in front of us what they say they're going to take us to. They sort of tease us by telling us there may be some things coming. So I'm glad that finally the Acting Provincial Treasurer has brought in those amendments, amendments A1-A and

A1-B. Now that we've got it, we see that, yes, finally the government has acknowledged that they have to back up.

9:00

It just shows again how foolish it was for the government to rush ahead to bring in the budget but a mere week after the throne speech. At the time we said: well, is it that big a deal to try and scoop Paul Martin? Well, they thought so at the time. The Provincial Treasurer thought so at the time.

So it perhaps goes to demonstrate that although alacrity is not always in the lexicon of elected people and Mackenzie King showed that you can be successful by being anything but, there are some problems with moving too quickly, Mr. Chairman, and when you're dealing with something as important as taxes, it makes some sense to spend time understanding what the impact is going to be of prospective federal changes and to factor those in. We didn't do that, and that's why we've seen the fumbling and scrambling that now brings us here to deal with these amendments.

How much neater it would have been if the government could have held off, waited for the federal government budget, and then we would have known exactly what we were dealing with. It just goes to show, Mr. Chairman, that the notion that my tax cuts are bigger than your tax cuts is really pretty juvenile and not something that we'd want our Provincial Treasurer to aspire to.

I wanted to make another point. I'm delighted that we had a long weekend, because I had a chance to post a new section to my web site. It's an analysis of Bills 18 and 19, the government flat tax proposal. I was anxious to do that, because as members may recall, I have a question that I put on the web site every two weeks, and the question that's been on there since we saw the end of Bill 11 is: what do people think about a flat tax? We're polling people, and hopefully by Thursday I'll be able to have the updated results of people who visit the poll site.

I'd also posted something of an analysis I've done. I think I saw some members wincing when I said that, and I acknowledge that I'm no economist. One economics course in university hardly qualifies me to do comprehensive tax analysis, but you know the good thing is that thanks to the great folks in the Legislature Library and the good work done by Liberal researchers and our colleague here for Edmonton-Glenora, I was able to bring together some information that I thought my constituents would want to see and want to have.

The other thing I just wanted to share, Mr. Chairman, is that between 5:30 and 8 o'clock, I had a chance to do some door-knocking. I had a chance to go into the Edmonton-Highlands constituency, and it was actually quite overwhelming. I guess I was there about 45, 50 minutes on the doors in that constituency, and certainly there were some who wanted to talk about health care and Bill 11, but there were a surprising number of people who wanted to talk about tax reform. They wanted to talk about: what's this government's flat taxing all about? I think it's fair to say that to a man or a woman when I put to them the government's notion of a flat tax – and I did some comparison and contrast with the Alberta Liberal fair tax proposal. You know what? In every single case people preferred the fair tax to the flat tax.

You might say that that was a prompted survey, and there would be some truth to that, Mr. Chairman. But these were insightful people I was talking to in the Edmonton-Highlands constituency, and they seemed actually quite conversant with the problems with the flat tax. It didn't take very much clarification to have them understand the value of a zero, 10, 12 fair tax Liberal alternative to the one that we see in Bill 18 with the amendment in front of us.

I'd just share with members that I encourage others to go into Edmonton-Highlands. It's a great opportunity to field-test it. If this

government thinks they've got a winner going into the next provincial general election, I invite them and indeed I challenge them to field-test their proposal at the doors of Edmonton-Highlands, because I think they may be in for quite a surprise. You know that \$8 million budget that the provincial Public Affairs Bureau has? It's not going to be enough to convince these good people that the flat tax is fair. It doesn't in any way advantage the people living in Edmonton-Highlands.

The concern I continue to have – and some of this I had highlighted the other day. This was before we'd seen the amendment. Now that we have the amendment in front of us, A1-A and A1-B, it confirms for all time – and Edmonton-Glenora may have a different thought on this. This was probably the last chance for the government to recognize that we have to move to a progressive tax system and one with some additional levels.

I sort of thought that maybe with this amendment what we'd see would be something that would pick up on the Liberal fair tax alternative. It would pick up on the, I think, insightful analysis that's been done by Edmonton-Glenora and the Leader of the Opposition and others. It was with an enormous sense of disappointment when with trembling hands I turned over the amendment as it was delivered efficiently by the page and realized that we're still stuck with this funny tax masquerading as a flat tax. It's not even in any pure sense a flat tax.

The other comment I wanted to make is that as we listened to the Acting Provincial Treasurer in his proselytizing mode, he now is starting to use the language of the opposition. When have we seen this before? We have the Acting Provincial Treasurer, who complicit with his government has been touting a flat tax. That's what they've talked about. That's what they've boasted about. That's what the Premier, I think, talked about probably in his fireside chat. We go back and look at budget process. We're talking about a single-rate system and colloquially refer to it as a flat tax.

Well, what the government does is discover as they get into this that Albertans don't like a flat tax. The more they find out about the flat tax, the more they don't like it. So what happens is that the government decides that we have to start shifting ground here. You wish they would use this sort of flexibility when it comes to Bill 11, when it comes to other things, but the flexibility really only goes to how they remassage the message and how they adjust, adapt, change, reframe the message. They don't change the substance one iota, but the message changes in some fashion.

So now what we've got is Bill 18. With this amendment, A1, both parts, we're not so much dealing with a flat tax. If people had a chance to read Dennis Mills' book – Dennis Mills is the Ontario Liberal Member of Parliament who in fact had written a book a number of years ago about a flat tax, a single-rate tax system. Bills 18 and 19 represent something very different from all of those proposals. It means that now we start to see the ground shifting, the government trying to change the message. The next thing is: when will they start changing the substance, or will they at all? Will we end up as we saw on Bill 11, where they refused to do that all together?

What one woman said at the doors in the by-election this evening was: why is the government so concerned with people who make over \$100,000 a year? In fact, her comment to me was: most everybody who lives in this area earns between \$30,000 and \$70,000. Now, I'd mentioned that frame to her earlier, and she thought that most of her neighbours were in that particular frame. I think that what she liked about the Liberal alternative in terms of moving to a 10 percent tax rate for those middle-income earners is that it represents a significantly fair break for them. It means a larger tax cut for them. And you know what? Those people think that that's a fair and appropriate way to go.

9:10

As I look at the two amendments, I go back to what the Premier is quoted as saying in a July 27, 1999, *Calgary Herald* story: "What we want to do is make sure that those who can least afford to pay tax get the first break." We heard the former Provincial Treasurer say, "Certainly our priority is for low-income earners, and there are ways that can be addressed." That was the *Calgary Herald*, July 28, 1999.

Well, Mr. Chairman, what happened? What happened to those comments? What happened to those implicit promises, those representations made by the former Provincial Treasurer and by the Premier on, you know, July 27 and July 28, 1999? What's changed? Why has government lost its focus on moving in those respects? It's very disappointing that we don't see that.

It's interesting to me also when I look at the amendment package that the Mike Harris government that has been so quick to clone and replicate a number of the things that have happened in Alberta – and we can argue about why they would be dumb enough in Ontario to make some of the same mistakes we have in Alberta, but that's another question, Mr. Chairman. Surely what's interesting is that when Mike Eves, the Provincial Treasurer in the province of Ontario, who, for a Conservative, is actually quite a wiley politician . . .

[Mr. Shariff in the chair]

MR. DUNFORD: It's Ernie. Mike Eaves is a hockey player.

MR. DICKSON: Ernie Eves. I'm sorry. I'm sorry. Mike Eaves is the hockey player. Well, I understand Ernie Eves is a pretty good puck-handler too, Mr. Chairman, and does really well with the heavy traffic in the crease. I'm indebted to the minister of human resources for setting me straight on that.

You know, I think Mr. Eves is a pretty savvy guy. He's been around for a long time. He's been a provincial legislator. He's well respected inside and outside Queen's Park and environs, and Ernie Eves decided that the flat tax wouldn't work in Ontario and chose not to go down that road. I know that this government likes to cast itself as a trailblazer, but you would think that from time to time you'd check the rear view mirror; wouldn't you, Mr. Chairman? Wouldn't you want to just sort of look over your shoulder and see whether anybody's following you? In some caucuses it's necessary to look over your shoulder as a matter of personal safety.

Anyway, the point, Mr. Chairman, I was just making is that I think there may be something constructive there in terms of seeing that Ontario isn't going down there. So what happens is that when I hear this government say, "Well, you know we're on the right course," then I say: well, why is it that the only other people who want to go down this road are the Republican Party in the United States, and Steve Forbes, the former Republican president-wannabe? Why are those the people championing this, and government after government after government that's looked at it has decided that this is not the road they want to pursue?

The other comment I'd want to make is that when I heard the Provincial Treasurer – and this might seem to be off track, Mr. Chairman; I'll caution you now. In fact, it was the Acting Provincial Treasurer who raised it when he was speaking in introducing his amendment. He talked about the Robert Shapiro article. This is the one entitled *Why Fairness Matters: Progressive Versus Flat Taxes*. I go back and refer to Dr. Shapiro's test for a tax system promoting three goals: simplicity, growth, and equity.

I think what you find as you look at this bill – if this amendment goes through, here's what we've got. Simplicity is not afforded by this change in terms of a change from where we are right now. This

is not in fact a true flat tax. You still have a host of exemptions and provisions that undermine any notion of simplicity.

I think it was Dr. Shapiro who made the point that in a country like Canada and certainly in a province like Alberta there is more opportunity here for people, smart people, capable people, with substantial capital than many other jurisdictions to be able to take some seed capital and prosper. There are a lot of nations where you wouldn't have that opportunity, either because of excessive regulation or because of a host of other constraints and considerations. The concern, though, is that in a province like this you would have terrific, terrific opportunity to expand your initial capital, your seed money. Part of the quid pro quo we pay for that is a progressive tax system, and I've always been proud of a progressive tax system, like I used to be proud of a strong public health care system.

Mr. Chairman, the feedback I'm getting in my constituency office – I've had a couple of people who have opposed my stand on Bill 18 and Bill 19, but those are the same people that opposed my stand on Bill 11. The vast majority of people have expressed opposition to bills 18 and 19 in their current form. Everybody would like to see a tax break, but they'll be darned if they want to see people at the top income end enjoying a differential advantage in terms of a tax break, and that's really what this package is going to provide.

Mr. Chairman, I know there are others that will want to participate in the debate. I'm looking forward to being able to table in the Legislature the response I get to my web site. In the first week of May I think there were 570-odd responses to the Bill 11 question, and in the month of April we had about 2,500 responses on the web site to another question on Bill 11.

MR. PASZKOWSKI: This is Bill 18.

MR. DICKSON: Right, but I'm venturing a suggestion, Mr. Minister of Municipal Affairs, that we're going to see some big numbers posted on the web site in terms of people registering their comments on bills 18 and 19. I want that Minister of Municipal Affairs to be the first one. In fact, when I get that, I'm going to get it printed off the computer. We're going to get it polished up. Maybe we can put it in something with a bit of a border and with a big seal on the bottom, and I want to come in and specifically present that certificate showing what those Calgary Buffalos think about bills 18 and 19, and I want to share it with the Minister of Municipal Affairs.

MR. PASZKOWSKI: We're going to do that after the election.

MR. DICKSON: Well, that's right. We'll be too busy in the by-election, but after June 12 I want to bring it.

If one MLA can do that kind of a survey on an issue like 18 and 19, why doesn't the provincial government do it? Why doesn't the Minister of Municipal Affairs and the Minister of Innovation and Science, using the expertise of the chief information counsel and the chief information officer, come out with a proposal so that citizens will be able to register their concerns? [Mr. Dickson's speaking time expired] And I hadn't even got to Calgary-Mountain View's comments, but I'll get to that later.

Thank you.

THE ACTING CHAIRMAN: The hon. Member for Calgary-Mountain View.

MR. HLADY: Well, thank you, Mr. Chairman. It's a great pleasure to rise again, because Bill 18 has so many great news stories in it. You just can't say it all in 20 minutes. There is so much good news out of this, and Albertans are so happy that we're doing this.

Mr. Chairman, the reason I've been looking forward to this is that

really Bill 18 does something for low-income Albertans, and I think it's important to acknowledge that. There is much talk from the opposition that Alberta's new tax plan benefits high-income earners. Well, this is true. This government won't deny or apologize for that, but the Liberals always seem to stop right there.

9:20

This bill will also benefit middle-income earners. We're talking benefits to the tune of \$612 in savings for a two-income family earning \$55,000 with two children or a savings of \$1,206 for a one-income family earning \$40,000 with two children. But the fact is: Alberta's new tax plan goes even further, and that's something the critics don't like to mention, Mr. Chairman. Bill 18 frees 190,000 low-income Albertans from provincial taxes completely. I'll say that again. Mr. Chairman, 190,000 low-income Albertans off the provincial tax rolls. That's something the federal Liberals can't boast about, but given their record, it may be something they'll copy in their next budget and try to take the credit for inventing. For the sake of other Canadians I hope they can actually do that. Low-income Albertans deserve a break. They may be students trying to get through school. They may be young and just entering the workforce. They may be single parents, and Bill 18 will help them all.

Let's look at a part-time student, Mr. Chairman. With Alberta's new tax plan even if a student is working full-time at McDonald's earning minimum wage, she won't pay any provincial tax. Now let's look at an Albertan entering the workforce. If she earned \$20,000, she would save \$386 from 1999. However, her federal tax bill would look scary. In 2001 families with two children who earn less than \$33,400 will pay no provincial income tax at all. For these families the refundable Alberta family employment tax credit will exceed Alberta tax payable. Unfortunately, the federal Liberal taxes account for two-thirds of the tax bill. We would love to be able to announce that these low-income Albertans won't be paying any income tax at all, but we will have to wait until the federal Liberals find room in their budget to help the families the same way we are trying to help them here in Alberta.

Mr. Chairman, the opposition has suggested that health care premiums should be eliminated instead of moving to a single tax rate. They suggest that that would provide greater relief to low-income Albertans. However, there are several problems with this approach. First, low-income Albertans already receive a generous subsidy to help pay for health care premiums. Many of these Albertans would receive no benefit from the elimination of the premium.

Seniors also receive generous relief on premiums. In fact, Mr. Chairman, less than one-third of seniors pay full premiums, and seniors start paying income tax at a lower income level than they start paying health premiums. Therefore, low-income seniors would benefit more from tax reductions.

Finally, the benefit for many working Albertans would be minimal. Many employers pay part or all of their employees' health care premiums. A reduction or elimination of premiums would not be completely reflected in Albertans' pay stubs, but it would contribute nicely to a company's bottom line.

So that's why getting rid of health care premiums is not the best solution. Bill 18 is the best way to help ease financial burdens on Albertans.

With Alberta's new tax plan a single person making \$20,000 will get a 38 percent tax cut. A single senior making \$20,000 will receive a 62 percent tax cut. With those kinds of tax cuts a single person could have some car repairs done or purchase a couple of month's worth of groceries, and a senior could pay a month's rent and buy an annual bus pass or have some house repairs done or, just

imagine, not have to worry about where their money will come from in case an emergency arises, Mr. Chairman. As I said, Alberta's new tax plan helps middle- and high-income earners, but most importantly it helps the people who need it the most, and that's why we should be supporting Bill 18.

Another area that I'd like work on, Mr. Chairman – and it's very important to mention all of the wonderful, good things that will come out of passing Bill 18 – is dealing with and around overtime and people who've been working really hard. I can only imagine the envy that other provinces feel as this debate is going on here in Alberta, but a strong fiscal plan has given us the ability to introduce groundbreaking tax reform and tax cuts of over 20 percent. Yes, that's what I said. We'll take 20 percent, or \$1.3 billion, less from Albertans' bank accounts next year.

I think one thing that we can all agree on is the benefit to low-income Albertans. Nearly 200,000 Albertans will be removed from the rolls, but I think the biggest problem that the critics have with the single tax rate is that high-income earners will also be winners. I have a hard time seeing why they oppose this though, Mr. Chairman. Just because someone earns more than their neighbour doesn't mean that he or she is a bad person. Why should they be punished for working harder?

High taxes don't create any incentive to work that extra hour of overtime or take that course you need for a promotion. High taxes often defer people from bettering themselves at work, because the more you earn, the more government takes in taxes. It is a fact that high taxes stifle an individual's enthusiasm.

Mr. Chairman, I know that when my wife is working at the hospital in Calgary, the natural practice for all of the nurses that were needed and were putting in overtime hours – rather than taking the money in pay, because it moved them into a higher tax bracket, they would take the time off. It made no sense for them to take the money because of the high taxes they'd have to pay. This will allow them to work hard, take their money, and enjoy the extra hard work they've had rather than just taking the time off and at least give them a healthy alternative.

We believe in encouraging creativity and enthusiasm in a different way here in Alberta, Mr. Chairman. We think government should get out of people's private lives and out of people's bank accounts. We think that if government backs off, then people will have more room to grow and more freedom to choose. Bill 18 will give Albertans more freedom. By removing tax brackets, Albertans will have the freedom to choose to work harder. They will also have the freedom to choose how they will spend the money that they will save by not paying the same amount of taxes. They won't be punished with higher taxes for getting a raise. There's nothing more discouraging than getting a raise and having it taxed away because your raise puts you in a higher tax bracket.

Low taxes are not only good for individuals and families, Mr. Chairman; they're also good for the economy. When individuals are allowed to grow, the economy grows with them. When individuals are feeling financially confident, the economy reflects that confidence. The Liberal opposition has suggested that we can't afford the kind of tax cuts that we are giving. Well, I think we can't afford not to give them.

The \$1.3 billion tax cut that we are giving to Albertans is affordable. Alberta Treasury estimates the new tax plan will increase economic growth. With the new tax cuts five years after the tax plan is implemented, Alberta's gross domestic product is expected to increase by about 1 and a half percent, or \$1.9 billion larger. Roughly 30,000 new jobs will be created, and increased economic activity will generate enough increased tax revenue to offset the 40 percent of the direct cost of the tax cut.

It's important to keep in mind that these numbers are based on the initial estimate of a \$500 million tax reduction. Now that we are giving a \$1.3 billion tax cut to Albertans, the economic impact will be much greater. This is good news. However, we need to always keep in mind the purpose of this bill: to introduce tax reform and give every Albertan a tax cut. Do the Liberals really want to see those who are in the lowest tax bracket – let's say a young couple expecting their first child – struggle to make ends meet? I know about that. With a new baby in their future they may be inclined to try to earn a little extra money to cover the additional costs of raising a family, but with the current system those extra hours push this family into the middle tax bracket with a higher rate. The only result is that one of them is away from home working longer hours without much financial gain. Bill 18 will end this penalty, Mr. Chairman. I honestly think the Liberals don't want to see that.

What about someone who is already in the middle income tax bracket? What if he or she works hard and gets a raise? Is it all right to tax away the extra money he or she earns? Where do the critics draw the line? Who do they choose to be winners and losers? Bill 18 will not punish these Albertans either.

[Mr. Tannas in the chair]

Mr. Chairman, it's time for some real tax reform. It's time we stop punishing hardworking Albertans by reducing any incentive to work, save, and invest, and it's time we let Albertans keep more of their own money.

Thank you, Mr. Chairman.

THE CHAIRMAN: The hon. Member for Edmonton-Glengarry.

MR. BONNER: Thank you very much, Mr. Chairman. It is a pleasure to stand this evening and make a few comments in regards to amendment package A1 in regards to Bill 18, the Alberta Personal Income Tax Act. Again we have a bill that's being presented here in the Legislature, a bill that requires amendments. Again it's a bill that was certainly brought in with great haste. The whole idea of our budget being brought in was because we wanted to get ahead of the federal Liberals, and without realizing that whatever changes they had in their tax system, it would certainly impact everything that we did here.

9:30

So here we are, looking at two amendments, one to reduce the flat tax from 11 percent to 10.5 percent and a second to increase the personal exemption from \$11,620 to \$12,900. When I look at this, Mr. Chairman, I certainly could never oppose a tax break for Albertans, and I think it is a great benefit for those 190,000 low-income Albertans that won't pay any provincial tax. This is a break that is going to those that need it most, but they are not the only ones receiving a great tax break in this whole scheme of things.

It was quite interesting this evening. Before I came down, I attended the by-election forum that was put on by three social studies students at Eastglen composite high school. I was amazed, as I was meeting and greeting people coming to the forum, at just how well informed they are in regards to Bill 18 and Bill 19. It was amazing how they sought out the MLAs that were there and got their points of view on it.

I know many of them had expressed an interest in speaking to some government MLAs, and they were very disappointed when they didn't get this opportunity. Certainly we didn't see one there, and if there was one there, then I would apologize to that person. But here we are, in a by-election where of course the record of this

particular government is going to be examined. We're into a by-election where they are going to be looking at Bill 18 and the amendments made to it here, and people didn't have the opportunity to quiz those government members on it. So the real test of this legislation is certainly going to be reflected to some degree in the by-election.

Now, then, we look at what happened with the federal budget. There was such a rush here to bring this in, to bring in changes in Alberta, to bring in this flat tax system that no thought was given to what would happen if indeed the feds altered theirs, and they did. They brought in a tax reduction. They brought in a tax reduction that was certainly fair to all segments of society, to all taxpayers, and I must commend them for that. I think what became evident very, very clearly, when we looked at Bill 18 and Bill 19, is that other people as well got tremendous benefits from these two bills, and those were the people at the upper end. So again we had the tax burden being placed on the middle class.

Now, I was certainly very happy to see that there was a great deal of consultation that went into this particular bill and these amendments. Certainly all Canadians, not only Albertans but all Canadians, have been waiting for some type of tax reform in this country, a tax reform that is fair and equitable. We are elected here to represent the views of our constituents, and certainly in all these consultations I don't think there would have been any Albertans in the other two groups, the middle income and the lower income, that told this government: well, let's give the biggest tax break to those people who can afford to pay it most.

I think that somewhere between those consultations and the drafting of this bill something went awry. I also think we saw the same thing with Bill 19, when of course the flat tax, the .5 percent, was scheduled to be eliminated before the 8 percent surtax. Once again – surprise, surprise – when the bill came out, it was not reflected in the bill, but the 8 percent surtax they were going to be wiping out of that was going to be implemented first, once again a benefit to those people who have the greatest ability to pay.

Now, then, this bill and its amendments certainly don't meet the wishes of the majority of taxpayers in this province. Again, I like the fact that it does give a break to those people who are on the lower end and who will certainly benefit from those. I also think back to a visit we made to the Mennonite Centre, Mr. Chairman. They do a tremendous amount of work with new Canadians. They gave us an example of where two new Canadians, man and wife, were working at minimum wage, and even with those dollars those people were living below the poverty line. So certainly they need every break they can get, but they need a tax system in this province that is going to be fair and equitable.

It seems to me, when I read Bill 18 and the amendments here, that this is not a bill that's going to be fulfilling the public good, but it fulfills the corporate agenda of this province. When we look at that, we do see the implications of what has happened. Where we have – and all studies indicate that we have – a greater spread between the wealthy and the poor in this province, we also find that both those divisions are increasing in size and we are getting a shrinking middle class, yet the middle class by this bill are being asked to carry the load of tax reform. Once again, this is not legislation that is for the people's good. It is legislation which will benefit the haves more than the have-nots. So what we have to do here in this province, Mr. Chairman, is certainly look at this whole idea. We don't have any trouble generating wealth in this rich province. What we have to do is redistribute that wealth, and this bill will certainly not aid the middle class in that regard.

We have certainly talked about the expansion of our economy here in Alberta. It is a very good economy, it is a strong economy,

and it is growing. We have to hope this economy will continue to grow, but we do have a cyclical economy in this particular province, and we do have times when of course we have to put more burden on the taxpayer. We saw that before, when we had the implementation of the .5 percent flat tax as well as the 8 percent surtax. But what has happened here in these booming times? The poor in this province have not benefited. We do have a tremendous number of homeless people, particularly in our urban centres and our major cities of Calgary and Edmonton, and there is staggering poverty.

When I toured the Mustard Seed centre in Calgary and other places in Calgary where the homeless were, I was quite amazed at how similar this situation was to one I witnessed down in California about 10 years ago. We were down in the inner city of Los Angeles on a beautiful summer day with many homeless around. We saw people walk down the sidewalk, and there was a sardine can sitting on the stone fence. One of the homeless picked it up and drank the juice out of it. This is a can that had been sitting out in the sun, and I would imagine that person had food poisoning from that experience.

9:40

Every report here in Alberta, Mr. Chairman, indicates that the amount of poverty for children and families in this province is also on the rise, and certainly this particular bill will be a little bit of a break for them initially. But also when I look at this particular bill, we have to look down the road and say: what is going to happen when this great economy that we have going in this province right now hits hard times? We know that's going to happen. So if we project what impact this is going to have down the road . . . [interjections]

MR. SMITH: Billy, you're doing a great job.

MR. BONNER: Thank you very much, Member for Calgary-Varsity. I just have a few more comments I'd like to make.

MR. SMITH: They'd better be better than the last ones.

MR. BONNER: They're excellent comments.

MR. SMITH: Well, we'll be the judge of that.

MR. BONNER: They would even fit in with your philosophy of things.

MR. SMITH: Oh, so you're saying you're ready to convert, take the pledge?

THE CHAIRMAN: Order.

MR. BONNER: Mr. Chairman, just finishing off my comments here. When our economy falls on hard times, as it will and it always has in the history of this province, then who is initially going to be impacted the most when we do have tax changes? Of course, this is going to be the middle class, upon whom the burden of the tax load was placed with this particular bill.

So, Mr. Chairman, in closing I must say that I cannot support these amendments at this time, and I look forward to further debate by other members of the Assembly. Thank you very much.

THE CHAIRMAN: The hon. Member for Calgary-Mountain View.

MR. HLADY: Well, thank you, Mr. Chairman. It's such a good-

news story again that I just had to stand up and cover a few more points on this particular bill, because it is such a great bill. There are some aspects of Bill 18 that make Alberta's tax system different than any other in Canada. It's true. The most obvious one is the introduction of the single-rate tax, but I'd like to focus on something that doesn't get much attention. I'd like to focus on the fairness to families that the changes to our tax system will bring.

Bill 18 dramatically reduces the difference in the way one-income and two-income families are treated by the tax system. [interjections] You bet, and having the lower tax rate that's being introduced in the amendment makes this even a better bill.

You see, Mr. Chairman, under the current system there are different amounts for the basic and spousal exemptions. Right now the basic personal exemption is \$7,231 and the spousal exemption is \$6,140. This doesn't make much difference to a dual-income family because both earners claim the basic exemption. However, it does make a difference to a single-income family – and this is where the unfairness is – because the one earner claims the personal exemption and the lower amount of the spousal exemption. Another reason one-income families pay more is that their incomes get pushed into higher tax brackets sooner, so more of their incomes are taxed at higher rates.

When we move to the new system, both the basic and spousal exemptions will be the same, \$12,900. Also, with a single-rate system there is no higher bracket to be pushed into. It doesn't matter whether it is the income of a single-income family or a dual-income family; income is taxed at 10 and a half percent, not the 11 percent that was in the original. So under the current system a single-income family with two children and earning \$55,000 a year paid \$3,349 in provincial taxes in 1999, while a two-income family with two children and earning the same amount paid \$2,479. That's a difference of \$870. Now, Mr. Chairman, when our new system comes into place in eight months, a single-income family will pay \$1,968, while the two-income family will pay \$1,867. That's a difference of about \$100. Both families get a sizable tax break, and the difference in what they pay is dramatically reduced.

Just as we believe that Albertans should not be punished for choosing to work harder, we also believe that the family shouldn't be punished for choosing to have one parent stay at home. While this is a step in the right direction in reducing the income tax difference between one- and two-income families, Mr. Chairman, it only applies to the provincial portion. Again, federal taxes account for over 60 percent of the income tax bill.

There is something else to consider. According to a paper done by the C.D. Howe Institute, in many cases one-income families make less than two-income families. This makes sense since families with two income earners can make a lot more money. Their figures show that 80 percent of high-income families were dual income earners, and over half of all low-income families had one income earner.

Mr. Chairman, this is a fairer tax system because it provides great relief to low-income Albertans. By addressing this issue, we've also made sure that the new tax system helps those who are often the most vulnerable: single-parent families. Single parents can claim the spousal exemption for one of their children, providing the same level of savings enjoyed by a two-parent single-income family. A single-parent family making \$30,000 will receive a 276 percent tax cut. How can they get a 276 percent tax cut, Mr. Chairman? Well, it happens because this family that used to pay \$397 will now have their taxes reduced to zero and then get more through the Alberta family employment tax credit. These single parents are among the 190,000 Albertans who no longer have to pay provincial income taxes. As I mentioned earlier, this unfortunately doesn't apply to the federal income taxes.

However, Mr. Chairman, with Bill 18 a single-income family with two kids earning \$30,000 will save \$1,096 from 1999, and \$1,096 can go pretty far if you think about it. They could replace their hot-water tank, buy some new shoes for the kids, order some pizzas, rent a couple of movies, have a good time. It's a lot of money for a family with a low income. But the best thing is that they can spend it on whatever they want, and it's their own priorities. It's not for us to decide.

This government believes that the best way to help families is to leave more money in their hands at the end of the day. That's why we've been cutting taxes for years. Alberta is well ahead of most of the provinces in providing tax relief. The early elimination of the surtax on January 1 this year is great news for middle- and upper-income Albertans, but it is not the first tax break given to Albertans. In 1997, Mr. Chairman, we introduced the Alberta family employment tax credit, which gives tax breaks to low- and middle-income earners. In 1998 we cut the tax rate from 45.5 percent of federal tax to 44 percent, and we doubled the Alberta family employment tax credit.

MR. FISCHER: Is this a Conservative government?

MR. HLADY: Cutting taxes. Pretty good, huh?

In Budget '99 we introduced this new tax plan. Bill 18, Mr. Chairman, is important for Alberta's ongoing tax reform. It's important that we unhook from the federal system so that we can change the basic and spousal exemption amounts. If we hadn't unhooked from the federal system, we would not have been able to address the fairness issues such as the difference paid by one- and two-income families. In fact, these families would be worse off if we simply passed through the federal reductions. With Bill 18 all single-earner and single-parent families, whether they make \$30,000 or \$100,000, are substantially better off under the single tax rate.

One other area that's really important as well, Mr. Chairman, is bracket creep. I mentioned it a little bit earlier, but I'd like to get into a little more detail on bracket creep here. Everywhere in this province Albertans are trying to get ahead, working hard trying to create wealth for themselves and for their families, hoping to have more cash available to spend and maybe even a bit to save for a rainy day. They've worked to take part in the Alberta advantage that we speak so often about. With the amendment that we having coming in here, going from the 11 percent to the 10.5 percent, they're going to save even more.

The problem is that since 1986 our tax system has not kept up with inflation. This problem, otherwise known as bracket creep, has meant that the tax system has not contributed to that advantage. Before 1986 our tax system was fully indexed to inflation. If the cost of living went up, the tax system reflected those changes, for example by increasing basic exemptions. But the federal government decided it needed more cash, and rather than legislating a tax hike, they took the side door. They decided that in the future they would only index the tax system if prices rose by more than 3 percent. This is called partial indexation.

9:50

Say you've got a guy who tries to make a better life for himself. He wants more money so he can maybe buy a house, save a little for his future, do something for his children, do things he's always wanted to do. So he finds a job where he works harder than he's ever worked until he finally gets a raise. Logically, Mr. Chairman, you'd think he'd be better off. I mean, he's making more money, so theoretically you'd assume he'd have more to spend on groceries or to pay off his bills or whatever. The fact is that the tax man takes the better part of that extra money.

On top of all this, when his wages have gone up just to reflect the

fact that things cost more, a cost of living adjustment, the result is that he ends up getting pushed into a higher tax bracket even though his wages only went up enough to cover the increasing costs of things that he had to buy anyway. So really it's possible that this man is not much better off or possibly even worse. It's crazy. It's as if the government is saying: "You've got a lot of extra cash. You're going to have to give us more because you can afford it now."

Forget that everything costs more and that he's been working hard to get more income so that he can afford those things and maybe set a little aside for the future. None of that matters under the old system. We've been punishing those who work hard trying to get ahead and create more wealth for themselves with a tax system that creeps into their pockets and steals their hard-earned money when they're not looking. It's not only regressive; it's downright dishonest. It's about time we did something about it.

When you design policies as a government, the true test is to figure out a way to create systems that will benefit the most people as well as benefit those who need it the most. The great thing about the system we've created under Bill 18 is that it will do both, Mr. Chairman. Everyone will pay fewer taxes with this new amendment, which sets the flat tax at 10.5 percent and raises the spousal exemptions from \$6,140 to \$12,900 and the personal exemptions from \$7,231 to \$12,900. An additional 190,000 low-income Albertans will pay absolutely no provincial income tax under this new system. Now half of Albertans who file personal income tax returns will not pay Alberta income tax.

That's a wonderful thing. How can you beat that? Everyone has more cash in their pockets, and almost 200,000 of the people who need it the most won't have to pay any provincial taxes. That's a really important point because lower income Canadians are punished the worst with bracket creep. The value of the credits these people rely on erodes because of inflation so that they end up paying more money to the government. Many low-income Canadians have moved from a situation of paying no tax to paying tax even though the only increases they have seen have been to keep up with inflation.

It's just not fair, and that's why we are not only indexing our tax system but massively increasing personal and spousal deductions to make up for lost ground. We thought it was wrong that low-income Albertans were paying taxes, and we fixed the problem. Often it's money that could go towards rent, food, bills, new shoes, or whatever else they need. Money is tight at these lower incomes and every penny counts for them. Not only does bracket creep rob the rich; it takes money from the pockets of some of the Albertans who need it the most.

Bill 18 and its new amendments will make the system fair. It will relieve a huge amount of tax pressure from the people of this province and will make sure we're actually contributing to the Alberta advantage that we've always been talking about. This is a tax plan that has become the model for the rest of the country. I should point out that it's really great to see that Ottawa has finally opened their eyes to this problem and decided to follow our lead in eliminating bracket creep.

I really think we're doing a lot to create advantage for Albertans through Bill 18, Mr. Chairman, and I'm proud to be a part of the Assembly that has had the opportunity to do it. Thank you.

THE CHAIRMAN: The hon. Member for Edmonton-Glenora.

MR. SAPERS: Thank you, Mr. Chairman. I really appreciate the vigour with which Calgary-Mountain View is engaging in debate tonight. I think this has to represent a personal best on his part: three

separate efforts in committee on the same bill. I'm not talking about in the same legislative session; I'm just talking on the same bill, on the same amendment. It's got to represent a personal best. Very impressive.

One of the concerns I have is that the amendment talks about how the government wants to collect taxes based on a single rate of 10.5 percent, but to listen to the Member for Calgary-Mountain View, you would think the government really believes that all taxes, all taxation is a form of punishment. I'm going to go way out on a limb here and take a real political risk and say that I don't think all taxation is punishment.

You know, I don't know anybody that's particularly glad to turn over part of their hard-earned income to the tax man, but I do know lots of people that enjoy public education and public health care. They enjoy those public institutions that give us peace and security and justice. They enjoy the roads, they enjoy the parks, and they enjoy environmental protection. Mr. Chairman, generally speaking, I think most Canadians agree that taxes are the price you pay for the kind of society you want to build and you want to live in, so I don't think all taxation is punishment, and I don't think most Albertans or most Canadians are opposed to paying fair taxes.

You know, I've seen those bumper stickers that say: all taxes are theft. Now, I suppose there might be one or two people out there that believe that all taxes are theft, and they're probably the same people that don't put their money in the bank, because they don't trust it, so they keep it in a sock under their pillow. They're probably the same people that have another bumper sticker that says: this truck protected by Smith & Wesson. They probably have another sign on the door that talks about all the people they never want to see visit them, and they probably don't mind living that kind of imprisoned life. For the most part, Mr. Chairman, I think Canadians are far more fair-minded about taxation policy than Calgary-Mountain View would have us believe.

Earlier I was talking about the difference between the rich and the poor in this country and the growing gap, particularly here in Alberta. What we know is that this gap can be measured in so many different ways. If you take a look at chief executive officer compensation, for example, there was a survey done in 1977. It looked at 100 CEOs. Pay particular attention to this: the average compensation in 1997 for this group of 100 CEOs of large corporations was \$3.45 million annually. That was the average compensation. For comparison purposes, just to put that in perspective, according to Stats Canada, for 1997, the same year the average CEO compensation was almost three and a half million, the average Canadian worker earned \$31,100, less than one one-hundredth of the CEOs' average.

Now, CEO compensation also has grown by an alarming rate, while year over year the average worker's income in this country has only grown by about 2 percent since 1996. So again, Mr. Chairman, the argument of some who would have us believe that all the wealthy are packing their bags and going elsewhere because they're not doing very well in this country would be misinforming us.

Let's take a look at the argument that we have to provide greater tax advantages to the wealthy than to anybody else because if we don't, they will take their capital and go elsewhere. Well, I would like to know where all these very fine businessmen and businesswomen would go, because in fact if you take a look at the average percentage of return on capital between 1970 and 1979, do you know that Canada is second only to Japan in terms of the average rate of return on capital for that period of time? Fifteen percent compared to 17.9 percent. The United States was only at 14 percent. Investments made in this country did better than almost anywhere else in the world during that time period.

If that's the case, then why is it that there are those out there trying to get us to believe that tax policy is the only way we can stop this capital flight? Mr. Chairman, it doesn't make any sense to me. I would hope that the next time Calgary-Mountain View stands in his place, maybe he will tell us what studies he has to back up his assertion that Bill 18 is the answer to this problem which we haven't been able to nail down yet.

If we take a look at the rates of return on capital for the period between 1980 to 1998, again we see the same experience as what happened in the '70s. If you take a look, first of all, at the '80s, you find that the total return for the Organization for Economic Co-operation and Development, OECD, countries, the rate of capital on average in let's say 1985 was 14.2 percent. By 1989 it was 15.5 percent. Not bad, but take a look at Canada's history: 19.2 percent in '85, 19.3 percent in '89, again leading most of the developed world. This is contrary to the cry that we hear so much that corporate Canada has not been doing very well. Corporate Canada can always do better; there's always room for improvement. Yes, carefully crafted policy can help, but they have been doing very well.

10:00

Let's take a look at the 1990s. Again, let's compare Canada to the United States. In 1990 the rate of return was 17.1 percent in the United States. For the G-7 it was 15.5 percent. In Canada it was 17.8, leading the G-7, leading the United States. In 1995 18.3 percent was the rate of return for the United States, 16.1 percent for the G-7, 19.3 percent for Canada, leading once again. By 1998 the United States had managed to attract a rate of return of 18 and a half percent, the G-7 countries 16.4 percent. Canada's performance continued to be stable and above the average at 19.2 percent, Mr. Chairman. These are figures that we don't hear much from the disciples of Reagan and Thatcher economics, not a headline that we're likely to see in any of the Hollinger papers or in the headline of the *National Post* either. The fact is that the numbers don't lie.

In 1996 15 OECD countries had a higher percentage of tax revenue compared to GDP than Canada. By 1999 Canada will have dropped even further down the list, and because of the strength of the federal economy, the management of the federal budget, and the surplus that is projected over the next decade, that ranking will even become greater, Mr. Chairman. It will have dropped even further down the list.

Tax revenue as a percentage of GDP in Canada right now is about 38 percent, and we expect that to fall by at least a full third. Now, Canada is in the middle of the pack on that measure. It doesn't lead, but it certainly doesn't follow. Again, it's comparable to Germany, the United Kingdom, Hungary. The economies of Greece, Norway, Poland, Italy, the Netherlands, Austria, Luxembourg, France, Belgium, et cetera, all do far worse on that measure, and really we're not dramatically different from other economies that we're often compared to such as Australia or even once again the United States.

So, Mr. Chairman, it's clear that tax policy has a huge impact on the individual lives of wage-earning Canadians. We know from the statistics, we know from the evidence that there is this growing gap, and we know or we should know that when we have an opportunity through tax policy to do something about ameliorating the conditions of the very poor, we should make that a priority instead of first paying our attention to the circumstances of the very rich. That's not socialism; that's just fairness. That's not saying that we don't want to make sure that everybody can do as well as possible and leverage everybody's advantage to the maximum. It just means that we don't want to pick winners and losers. We believe fundamentally on this side of the House in equality of opportunity, not of outcome, making sure that people get the same breaks at the same time. We don't

want to keep on reinforcing all of the distortions that are currently in our system.

Mr. Chairman, earlier today during the Routine I had an opportunity to table three amendments in the Assembly. I tabled one amendment which, as I said during tabling, would refer the detail of this bill to the Standing Committee on Law and Regulations. I tabled another amendment which would ensure that there was complete flow through to the Alberta taxpayer for any of the benefits of federal tax reform, because in this delinking we're afraid that the provincial government won't rush to pass along tax savings to Albertans as a result of the very aggressive tax reform and tax reductions being done at the federal level.

The third amendment that I tabled is one that I was hoping we would be able to get to in debate, Mr. Chairman. I've been informed that that's likely not to happen, and I don't know why it is that the government would want to stop debate on this. While we were dealing with Bill 19, there's an amendment currently that's on the floor to be debated. The idea behind the amendment is to synchronize the removal of both the deficit elimination taxes, but in order for that amendment to be effective, we would have to further amend Bill 18 to amend section 89(3) to ensure that the deficit elimination tax is removed in the 1999 taxation year not the year 2000 taxation year.

Now, the government seems to be wanting to frustrate our attempt to get this amendment onto the floor of the Assembly so we can debate it. All I can think is that this government wants to maintain this .5 percent flat tax that over one and a half income tax payers have to pay for an extra year. Why they want to continue to pick the pockets of taxpayers to the tune of some \$350 million is beyond me, particularly when we listen to the arguments put forward by Calgary-Mountain View about how this government wants to rush to remove these hurtful and regressive forms of taxation.

So we're in a real quandary here because the government is really controlling the agenda. They're watching the clock, and they're sort of manipulating things around the fact that they would like not to have an opportunity for the House to vote on these Liberal amendments which are needed in order to synchronize the changes in Bill 19.

At some point we'll have to vote on the government amendment, and I think what's likely after that is that the government will probably not bring back Bill 18 until they can control the clock again through the use of closure. So Albertans may never have the benefit of this amendment proposed by the Liberal opposition. So when we get to Bill 19, the government wants to continue gloating that somehow it has found an error in the logic of what it is the Official Opposition is trying to do.

I just hope that the government doesn't continue to think so little of Albertans that they won't be able to quickly see through that kind of tactic and understand it for the cynical bit of politics that it is, Mr. Chairman. It seems to me that what we have is a striking example of this government being petty and playing politics while at the same time they want to put themselves up on this tax-cut pedestal and pretend that what they're really doing is in the best interest of everyone. Of course, all they're trying to accomplish now is something that's in the best interests of themselves. Their policy will not well serve Albertans, and this particular strategy about trying to block debate will not well serve Albertans otherwise.

Mr. Chairman, I fear that if I were to yield the floor and allow this government amendment to come to a vote, the result would be that immediately the government would adjourn, and we would never be able to move on. So I'm not inclined to do that at this point. I think I will just simply continue describing the difficulties I have with the current government policy even as the proposed amendments would have impact on it.

There was a paper presented in 1998 by The Urban Institute in Washington, D.C. and authored by Eugene Steuerle. The title of his paper is *The Simple Arithmetic of Flat Taxes*. The title of that paper really struck me, because I've always been frankly a little bit intimidated by tax policy. You know, when you read all the tax acts and you sit down with your accountants and you sit down with lawyers and you try to understand the whole myriad of Revenue Canada rulings and all the interpretation bulletins, I've always found it to be very complex. I have to clear my mind. I have to focus. I have to have, you know, the lights on high and the music down low, and I have to be able to really pay attention. I have to really be able to focus in to make sure that I understand it and that I get everything lined up properly.

Then it struck me that when this government comes through with a flat tax proposal, what they're trying to do is find a very simple solution to a very complex problem. There's a saying I heard once. You know, it's like one of those Murphy's laws: for every complex problem there is a simple solution, and it's always wrong. I think that's what we've got here.

10:10

We've got a very complex situation with tax policy. We've spent hours so far in debate explaining the interaction of tax policy on social policy and on the economy and the fiscal dividends and the economic dividends. You know that if you change one variable it affects so many other variables, so there's nothing simple about tax policy. So when I read this, *The Simple Arithmetic of Flat Taxes*, I thought: that describes this government to a tee. You know, simple thought, a simple process; let's try to boil this down to something that's so simple that it becomes almost meaningless.

So instead of working hard, rolling up their sleeves, you know, breaking a sweat on their brows, really paying attention to the detail, what this government has done instead is say: "Well, you know what? We'll just package up a simple idea with some political rhetoric, and we'll try to sell it to Albertans because we don't have much respect for Albertans." Now, this is what I imagine was going on in the government's mind, simply saying: well, you know, I think that Albertans won't question us, because after all we're the government.

What we know, Mr. Chairman, particularly with the experience on Bill 11 is that the government doesn't have that kind of trust or support from Albertans. Albertans are far more sophisticated than this government has given them credit for. Albertans are far more on the ball when it comes to the harmful impacts of social policy, in particular tax policy.

So this government may think that they can pull the wool over the eyes of the voters in this province, and they may be arrogant enough to think that they can get away with it because of the way they ramrodded through Bill 11, but I'm here to tell you along with my colleagues in the Liberal opposition that that's not the message that we're getting. It's not the message we're getting on the doorsteps in the Edmonton-Highlands by-election. It's certainly not the message we're getting on our fax machines and in our phone calls and in our letters. It just makes me want to scream out sometimes, Mr. Chairman, when I think that this government is really that out of touch, yet they still think they have the moral authority to continue to govern and just to push through whatever initiative they want.

In any case, all of that sort of came to mind when I read this title *The Simple Arithmetic of Flat Taxes*. But the Steuerle article has an interesting quote, and I'd like to share it with you, Mr. Chairman. What he says is:

The simple arithmetic of tax reform reveals that there is no free ride. Improvements in fairness and simplification are possible, but they require not a wave of the hand, but step by step examination of

almost every government program in the tax code or in the expenditure system. This is very hard work, it doesn't promise that everyone will be a winner when the legislation is finally drafted, and it can't be done without employing some basic arithmetic.

Mr. Chairman, this government has been trying to use the approach of simple answers to complex problems since 1993, when the Treasurer of the day, Jim Dinning, said in a public forum in Red Deer that there's a smart way and a dumb way to cut budgets, and he prefers the dumb way: just cut. You know, he wasn't kidding, and it set the tone for what this government has done. That very same individual, who is now the chairman of the Calgary regional health authority, talking about what's gone wrong in health, said: we'd rather experiment than plan. It's unbelievable. So when he's Provincial Treasurer in 1993 to when he's the servant of the government in the year 2000 in the Calgary regional health authority, the same attitude is prevalent.

There is no reward for that kind of simple thinking, for that kind of laziness. There is a reward for hard work. There is a reward for paying attention. There is a reward for planning. We should not let this government get away with that kind of laissez-faire attitude particularly when it comes to the hard-earned money of the men and the women we were elected to represent. I think that this government should be embarrassed by the direction they're going with tax reform, Mr. Chairman, and I look forward to my next opportunity to pursue that particular thought.

THE CHAIRMAN: The hon. Government House Leader.

MR. HANCOCK: Well, thank you, Mr. Chairman. I think we've heard a number of comments tonight about government not allowing things to come to the table and rambling debate on things that aren't on the table. The fact of the matter is that we're on an amendment to Bill 18, and that amendment is a very good amendment. Bill 18, as it was brought forward, dealt with the circumstances that we had planned for, fully anticipating that the federal government might bring some amendments to their budget based on the input which has been made by Alberta from time to time and over the years that they should reindex, that they should be cutting taxes, that they should do a number of things. It was anticipated that if they did in fact cut taxes, there would need to be amendments to this bill in order to make sure that those tax cuts were passed through.

So the amendment is a good amendment. It moves from the 11 percent rate, which was originally proposed in the policy, to 10.5 percent, and it raises the personal exemption that was proposed from \$11,620 to \$12,900. And those are important. The dual change is very important, because what it does, as has been said in this House before, is remove 195,000 Albertans from the tax rolls. There can be nothing fairer, Mr. Chairman, than removing low-income Albertans from the tax rolls, and this amendment does that.

It's a very fair process, because what it does as well is lower the single rate to 10.5 percent. Now, I like to talk about this as a two-rate tax system. There is zero percent tax for those who earn at a rate at which they wouldn't be taxed because of the personal exemption. We shouldn't forget in this discussion that of course spousal exemptions are going up significantly, so both a taxpayer and a taxpayer's spouse, if they're not an income earner, have the same exemptions. So this is a very fair process to families. All of the existing tax credits remain, so income earners in the middle-income range have the benefit of all of the tax exemptions and the tax credits that they've had before.

It's a very, very fair process, and coupled with the progressive tax rate system that the federal government still maintains in terms of the multirate structure, the combination of the two gives Alberta the

best possible tax position for small business to operate, for the economy to operate, for money to be returned to taxpayers' pockets so that it can be recirculated through the economy, and in general it makes a very, very strong Alberta advantage gain. So, Mr. Chairman, I think this is a very, very good amendment.

Now, Edmonton-Glenora was purporting to speak to this amendment but in fact tried to speak to other amendments which they haven't brought forward yet but tabled in the House today. What they're trying to do is suggest that by amending Bill 19, which comes up for debate later on, we can move to next year the removal of the surtax that comes off this year under Bill 19 and then amend Bill 18 to bring it back into this year. Well, that's about as ad hoc tax planning as any that they accuse the government of doing.

The fact of the matter is, Mr. Chairman, that over a year ago Albertans were promised that the surtax would come off this year and that the delinking would happen next year. That's when we can delink; that's when we will delink at the earliest possible opportunity. That's what's appropriate. That's good planning. That's not the ad hockery that the Liberals would have us engage in now, by a simple twist of the wrist move it back a tax year, which can't be done because you can't bring this in without delinking from the federal government. So it's just inappropriate for the Liberals to suggest that we have kept them off the debate floor when they could have allowed a vote at any time on this.

Mr. Chairman, at this point in time we do have to debate other business of the House, so I would move that the committee rise and report progress.

[Motion carried]

10:20

[The Deputy Speaker in the chair]

MR. SHARIFF: Mr. Speaker, the Committee of the Whole has had under consideration a certain bill. The committee reports progress on Bill 18. I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

THE DEPUTY SPEAKER: Does the Assembly concur in this report?

SOME HON. MEMBERS: Agreed.

THE DEPUTY SPEAKER: Opposed?

SOME HON. MEMBERS: No.

THE DEPUTY SPEAKER: So ordered.

head: Government Bills and Orders
head: Committee of the Whole

(continued)

Bill 19

Alberta Income Tax Amendment Act, 2000

20. Mr. Hancock moved:

Be it resolved that further consideration of any or all of the resolutions, clauses, sections, or titles of Bill 19, Alberta Income Tax Amendment Act, 2000, shall, when called, be the first business of the committee and shall not be further postponed.

[The voice vote indicated that the motion carried]

[Several members rose calling for a division. The division bell was rung at 10:22 p.m.]

[Ten minutes having elapsed, the committee divided]

[Mr. Tannas in the chair]

For the motion:

Amery	Fischer	Paszkowski
Boutilier	Fritz	Shariff
Broda	Graham	Smith
Calahasen	Hancock	Stevens
Clegg	Hlady	Strang
Coutts	Klapstein	Taylor
Ducharme	Magnus	Woloshyn
Dunford	McFarland	Yankowsky
Evans	Melchin	Zwozdesky

Against the motion:

Bonner	Leibovici	Sapers
Carlson	Nicol	Soetaert
Dickson	Olsen	

Totals:	For – 27	Against – 8
---------	----------	-------------

[Government Motion 20 carried]

THE CHAIRMAN: The hon. Government House Leader.

MR. HANCOCK: Thank you, Mr. Chairman. I would at this time ask for unanimous consent of the House to abridge the Standing Orders such that if any other votes are taken on Bill 19 before the committee adjourns that the bells ring for the normal 10 minutes for the first vote and thereafter be abridged to one minute.

[Unanimous consent granted]

THE CHAIRMAN: Okay. We have Bill 19, then, under way, and we have amendment A1, as moved by the hon. Member for Edmonton-Glenora. The hon. Member for Edmonton-Glenora.

MR. SAPERS: Mr. Chairman, thank you. We had a very interesting circumstance last week, before the May long weekend, when I'm sure the government was hoping that the minds of Albertans would be paid to the burgeoning spring and the warmth of the sun and the blue skies that most of us enjoyed in this province. I think the government was hoping that nobody would notice what stunt the government pulled. You know what? They noticed, and I heard about it. People were actually outraged that the government would take the opportunity to pull the kind of stunt that they did in terms of the time allocation on these tax bills.

We have Bill 18 and we have Bill 19. Really, this is a total restructuring of the way taxes are collected in this province. There's really no reason why bills 18 and 19 couldn't have been done together in one bill except the government wasn't sure what it wanted to do in terms of tax strategy when it came to the fine details.

See, in 1996 the government had said that they were going to eliminate the .5 percent tax that all Alberta taxpayers pay. Then they changed their mind because they thought they couldn't afford it. So in 1999, when they published the budget for 2000, they did a full reversal, and they said: no; we're only going to get rid of the high-income surtax, the 8 percent that about 390,000 Albertans pay, and maybe nobody will notice. So because they did that reversal of

policy, they really had to do two separate bills, because Bill 18, which totally redrafts the tax act for Alberta – it's called the Alberta Personal Income Tax Act – has in it a section that talks specifically about one of the deficit elimination taxes. Bill 19 amends one of the sections that would be in Bill 18.

As I was describing before, because of the intricacies of parliamentary procedure in the opposition we're not allowed to amend a section of a bill that's not in the original bill. So this is why we come to an amendment such as the amendment before us, which is amending section 3.03, to talk about the flat tax being withdrawn in the same year as to which section 3.04 applies, which of course is the section 3.04 that's in Bill 18.

Now, when I moved this, I made it very clear that the intent of this and the only reason why we couldn't do it directly was because, as I say, of these intricacies of parliamentary procedure, but the intent clearly is to ensure that the government can't pick winners and losers with their tax reforms, that they would remove both of these so-called deficit elimination taxes at the same time next year; in other words, for the 2000 tax year.

Now, the Government House Leader, like a kid trapped in a candy store, ringing his hands and jumping with glee, went: "My goodness, my goodness," or words to that effect. I think he said: this is delicious, so exactly like a child in a candy store. He said: this is delicious; the Official Opposition has made a mistake. Now, I can understand his delight, because of course the Official Opposition does not make mistakes. So I can understand his delight when he thought he had found an error. He couldn't contain himself. In fact, I have never seen the Government House Leader more animated.

My colleague the Official Opposition House Leader, who wasn't present to see the performance, read *Hansard* this morning and called me and said: Sapers, what did you do to Hancock? That's what he said. It's a quote, Mr. Chairman. "What did you do to him? He was so animated, it literally jumped off the page at me." He could tell. He could see the gleam in his eye. His cheeks got rosy. He was light on his feet, and the reason why is because, again, he thought he had found a mistake.

Now, the mistake, of course, is his. The issue is that the government controls the timing on when bills are introduced, and they can control that in a thousand different ways, as we've seen over the course of just this very day, so the timing is not of the Official Opposition's choosing. What we can do is bring honest and accountable opposition into this Legislative Assembly to make sure that the government can't just run roughshod over the people of this province. So we introduced an amendment to Bill 19, this amendment which will see to it that the .5 percent flat tax is removed at the same time so that average Albertans don't take it in the neck, Mr. Chairman, because this government wants to play favourites.

Now, of course, you have to read this together with one of those amendments that I tabled earlier today during the Routine, particularly the amendment on Bill 18 that would amend section 89(3).

10:40

MR. DICKSON: That's the Liberal fair tax tax?

MR. SAPERS: It is in fact, Calgary-Buffalo, all part of the Liberal fair tax package, in fact truly for the first time since 1993 what would really be an Alberta advantage. The Liberal opposition has come forward with the beginnings of tax reform that will be fair, will be fundamental, will be focused, will be comprehensive, and will be sustainable, all admirable goals, none of which the government initiatives can achieve.

MR. DICKSON: You should be selling this in West Edmonton Mall gift shops.

MR. SAPERS: Well, I fully expect the Harris Conservatives to pick up on this Liberal package and bring it into Ontario, and then maybe once Mr. Harris adopts our plan, the current Premier will see that, since he's always so nervous about what it is that Ontario is doing. He'll look back there across the Canadian Shield, and he'll see what it is that's going on in Ontario and say: well, we can't let Harris out tax reform us. He'll bring the Liberal package back into Alberta – and that would be okay with me if that happened, Mr. Chairman – and then they would implement what would be truly fundamental and fair and comprehensive and sustainable tax reform. If that's the way it has to go, you know, maybe what I'll do is air express this package of amendments over to Mike Harris.

Maybe I should send it to Tom Long too, because, you see, when he puts it on the agenda for the Canadian Alliance, maybe the former Provincial Treasurer will see it as well and think: oh, my goodness, somebody else has a better idea; I'd better appropriate it for myself. Then maybe we'll see it fed back into the system that way as well, because we know full well that those characters don't have any qualms at all about appropriating the good ideas of others. So we would give them this good idea because we know it's the right thing to do.

The bottom line here, Mr. Chairman, is that contrary to what the Government House Leader would have Albertans believe, that the Bill 19 amendment that's before us is out of sequence or prolonging the collection of this so-called deficit elimination tax, this tax that was brought in in 1987 – and I believe the deficit was gone by '94 or '95. Budget '96 was the first budget without a deficit. Actually, I believe that was about a year after Saskatchewan eliminated theirs. So the Alberta claims about, you know, whose budget was balanced first are probably a little exaggerated, but that's okay. I'm still proud to be an Albertan. It's just the government I take issue with, Mr. Chairman.

In any case, we have the budget balanced, the deficit gone, but this government has for years and years and years proceeded to collect these so-called deficit elimination taxes, which were only supposed to be temporary. What we want to do is eliminate them both, and we want to eliminate them both as soon as possible. The soonest we can do that, of course, would be the very next taxation year. So that's the impact of these amendments.

I want the hundreds of Albertans in the galleries with us tonight and I want all of the men and women who will be reading *Hansard* and those tuned in on the worldwide web on real-time audio, listening right now, because I know my son is – and, Jeremy, it's time for bed – to all understand that these two amendments have to be read together. You have to take a look at this, because, as I said, Bill 18 is a comprehensive rewrite of the Alberta tax legislation. It has a section in it that relates to one of the deficit elimination taxes. Bill 19, which is really an amending act to the new Alberta Personal Income Tax Act, talks to another deficit elimination tax. You have to read them both together. It's been approved by Parliamentary Counsel, and it's the only way that we can bring this measure of fairness to Albertans.

So if I have to say it again so it's crystal clear, I will. What this will do, in effect, is make sure that at the very next opportunity, the next taxation year, when Albertans sit down to fill out their tax returns for the income they've earned this year, they will be able to save themselves from paying not just that 8 percent surcharge that the government wants to just forgive for the highest income earners in the province; they would also be saved from paying the .5 percent flat tax, which generates about \$340 million worth of revenue, projected on an annual basis, and which is paid by over 1.5 million tax filers. That's over \$340 million and probably closer to \$350 million this year, and with the growth in this province it might even be closer to 1.6 million Alberta tax filers.

In any case, the majority of taxpayers, almost every single one of them, will pay the .5 percent. Only those at the higher income level pay the surcharge. We don't think that's fair. We don't think the wealthy deserve yet another break on top of all of the goodies that this government already provides for them. We want to make sure that this tax reform advantages the widest variety of Albertans. That's why we brought in this amendment. That's why I would urge this government to vote in favour of it.

Please, I would say to my colleagues in the Legislative Assembly, don't take notice of the gleeful musings of the Government House Leader when he suggests that the Official Opposition would have Albertans paying this tax for an extra year. That is nonsense. In fact, it's more than nonsense. It's bull droppings, Mr. Chairman. Of course, the evidence of that is that amendment A1 to 19 is the companion or, as my colleague from Calgary-Buffalo says, the Siamese twin to this amendment for Bill 18, which I have already spoken to.

It could not have been made simpler. This is deadly simple. This could not have been made simpler. The only way it could have been made simpler is if the government had kept its word in 1996 and eliminated that .5 percent tax first so that when they rewrote the tax act in Bill 18, we wouldn't have had this mismatch between which deficit elimination tax was going to go first. It would have been made simpler if the government hadn't broken its promise. But since, you know, this government has a habit of not keeping its word, we have to do what we can, given the rules of procedure, to hold this government accountable. So here we have these two amendments, which really must be read side by side so that all Albertans will get the full appreciation that it is the goal of the Official Opposition to remove not just the 8 percent surcharge but the .5 percent flat tax as well and to do that as quickly as possible.

I don't know, Mr. Chairman, how much more needs to be said at this point in time. It seems to me that it couldn't be clearer; it couldn't be simpler; it couldn't be more fair or fundamental. I will yield momentarily to see whether or not my arguments have caused a tax epiphany on the part of government members, and they will quickly accept this amendment as the one that makes sense. Of course, if they haven't come to that realization, Mr. Chairman . . .

Chairman's Ruling Speaking Twice in a Debate

THE CHAIRMAN: The hon. member made reference to something that's not possible. Once the closure motion is on, you get to speak once; okay?

MR. SAPERS: You're right. Thanks. My colleagues, Mr. Chairman.

THE CHAIRMAN: Okay; fair enough. Good. I just didn't want you to sit down thinking that you were going to be able to come up, and you're not.

10:50

MR. SAPERS: No. And of course it's sad that we're under that duress at this point in the debate, Mr. Chairman. I was inspired by Calgary-Mountain View rising not once, not twice, but three times during the amendment on Bill 18, and I would have appreciated being able to speak as many times at least on my own amendment on this very important matter. But because the government is using the heavy hand of closure and clubbing democratic debate once again to a close in the Chamber, I won't be able to do that. But I know my colleagues will carry on the debate.

The thought that I was trying to complete was that I would yield

the floor to the government to see whether or not they had seen the error of their ways. Of course, I don't expect an apology or any act of contrition from the Government House Leader, but you know I would expect him at least to be silent while his colleagues stand and say: well, gee, you know, this amendment to Bill 19 really does make sense. Then, as I say, we'll hear from my colleagues as well.

Debate Continued

MR. SAPERS: So, Mr. Chairman, thank you for making sure that I was correct in the impact of closure. As I conclude, I will simply reiterate that the government's plan is to remove the 8 percent surcharge first. This is a surcharge that's paid by less than 400,000 high-income Albertans. The Liberal amendment would cause the removal of the .5 percent flat tax, which is paid by all Alberta tax filers. We don't think it's fair to reward the wealthy first, particularly at the expense of those who aren't, so we would like to see both of these deficit elimination taxes gone, gone, gone, and our amendments, read together, would accomplish exactly that.

Thank you.

THE CHAIRMAN: The hon. Member for Calgary-North West.

MR. MELCHIN: Thank you, Mr. Chairman. I rise today to speak to Bill 19 and to the amendments before us. In effect, you know, the amendment is literally just repealing the opportunity for the government to accomplish its purpose in Bill 19 of repealing the 8 percent surtax. [interjections] Would you like that more clearly?

AN HON. MEMBER: Yes, please.

MR. MELCHIN: Okay. Let me say that again. This amendment would defeat the main purpose of Bill 19 by preventing the opportunity of getting rid of the 8 percent surtax.

Certainly I can't see anybody around here that would be thrilled to see that we leave an 8 percent surtax in place. I don't hear anyone saying that there was any complaining or worry on behalf of the wealthy that this temporary measure in 1987 was introduced as a surtax to fight the deficit, a deficit elimination tax. I don't ever hear the complaint that it's easy enough to put on this temporary measure with the promise that it be temporary and that at some stage when deficits were eliminated, the 8 percent surtax would be eliminated. I can't see that we would have anything but an obligation as a government. That's why this bill has been brought before us. Now that the deficits have been eliminated, we also must honour the obligation and promise that was made in previous years that this surtax would be eliminated.

It's a great thing for all Albertans that we would be able to demonstrate to them not just who benefits but certainly that we show that we fulfill obligations and promises of the past governments. The wealthy, too, will not then be said to be fighting a surtax or deficit which no longer exists. The province has had already a few years in which we've had opportunity to apply our annual surpluses towards that debt, the net debt now being eliminated and therefore no deficit or debt remaining as obligations or as rationale for retaining this.

Section 3(3), if it were amended, literally would just leave the rest of the bill to housekeeping amendments. Even those remaining housekeeping amendments are important as they are since this act will continue forward. Even with the introduction of Bill 18 and with the acceptance of that act this bill doesn't end with the new income tax act being put in place. This act will have to remain in force for years to come. As you know, when anyone files an income

tax return, they go back for a period of years through assessments, up to seven years. When they go back and audit the returns of the past years, this act will still be in force and apply to those applicable years. So as we go forward, there will be a number of things in this act, in cleaning up, that no longer apply in the old act as minor amendments. Certainly the renters' assistance tax credit, one of those, has not been in place since 1986.

Another amendment we're seeing that will be brought forward in this bill that continues forward with it is the repeal of the reference to the liability of corporations for Alberta income tax. Most of these things I guess could continue, but since this act will have a life for years yet to come, we may as well see that clarification is brought to it. The foreign tax credit likewise removes reference to corporations in the calculation of the Alberta foreign tax credit. It's no longer needed since this is dealing with personal income tax, and the corporate reference no longer has application.

The critical part of this, the elimination of the surtax of 8 percent, the basic tax in excess of \$3,500 is the main element and purpose for which this act is being brought forward at this stage. Now, we have certainly heard arguments to the effect that it will only benefit a certain portion of the public, and it is true that this surtax does apply to incomes above a threshold of \$47,000 today, but it's not true that there hasn't already been an application or introductions in the existing Income Tax Act that would benefit all Albertans.

In 1997 there was the introduction of the Alberta family employment tax credit. This credit gives a tax break of up to \$1,000 to lower and middle-income families. So already we see that not just the wealthy have benefited in this regard, but certainly to the lower and the middle-income families the enrichment of the Alberta family employment tax credit has already been introduced back in 1997. That was the first one that was chosen to be changed and improved prior to any removal of surtaxes.

They talk about maybe choosing the flat tax at a half percent, and that certainly is an important part of our revisions in the new Alberta Income Tax Act. It's in Bill 18 that that surtax will be eliminated also in 2001. Yet all Albertans benefited in 1998, when we cut the tax rate from 45 and a half percent to 44 percent. All Albertans benefited from this: the low certainly, the middle-income class – they are the greatest numbers of Albertans paying income tax, so as a class in itself they have benefited substantially – and certainly so would the wealthy. The combined impact of those moves meant a 65 percent cut for a single-income family with two children earning \$30,000 per year.

Now, personal income tax will be paid under the new Alberta Personal Income Tax Act beginning in 2001. However, as I'd mentioned previously, the Alberta Income Tax Act is going to remain in place for seven to 10 years for administrative purposes.

In 1999 because our existing income tax was tied to the federal, we did match all the federal increases in the basic and spousal exemptions. Those enriched exemptions have benefited all classes of taxpayers, not just the wealthy. We have seen three different measures that have benefited the low and middle and all income taxpayers prior to even removing the supposed advantage for just the wealthy.

We do see at this stage even with the recent federal income tax announcements for this year that those savings have been passed on. As the federal rates have come down and the indexation has improved, those get matched automatically for 1999 and the year 2000 with our existing income tax system.

So all Albertans have benefited substantially and will continue to do so. We would have liked to have and could have potentially introduced the new act earlier, but to delink from the federal government, there is a time requirement to adjust and change

methodologies and systems and for notice periods that we were required to give to the federal government. In that light, 2001 was the first year that we were able to make the broad, sweeping changes in our Income Tax Act. But with the opportunity to remove them and, I would say, to go back to the original promise to Albertans, we said that when the time came, when the deficit was eliminated, these surtaxes would be eliminated, that they, too, would be taken off the books.

11:00

As a symbolic gesture to even the lowest income taxpayers, those that may not even be on the tax rolls, I think it's critical that they see they have a government that when there's a promise given, when there's a tax raised for the purposes intended and that purpose is accomplished, when that date arrives, the end of that tax also happens. It's too easy for governments to lay in place income taxes or any other forms of revenue collection with a stated purpose or for a period of time. We've already, just by the discussion here, found out how difficult it is to remove such a temporary measure.

We all know that income taxes were introduced in this country as a temporary measure back in World War I to pay for the war measures and those expenditures for the war, and we also find that we fight a different battle today with the surtax. It was implemented for a different purpose, a different cause, and that certainly was to pay for the debts and the accumulated expenditures we hadn't paid for in previous years. We had to find a means to pay for those services which we received. Yet now when the day has come that we try to eliminate such a surtax or such a tax, we find nothing but complaint that maybe not all Albertans but maybe those who are in the wealthy class for whom this was just a temporary measure – it is not harming anybody by removing the tax, but it certainly is benefiting those to whom the promise was made, and that applies to all Albertans.

In fact, in 1986 and '87, when that was applied, there were many Albertans who would have been in the low-income stages at that time in their life and who could be and probably are in the upper-income aspects of it today, so it was never intended that you wouldn't have an opportunity to become one of the wealthy. In Canada this isn't exactly a wealthy measure; we're only talking \$47,000. If this is the wealthy class, the average income in my own constituency I know is certainly well above that measure, so I've got to look to all the people of my constituency whom I represent. The average family household incomes are above that measure. That's the average. So we have certain members here even in this whom I represent. For his own purposes we have to see that this is given for his benefit, and for that aspect I'm pleased to see that we can deliver on that promise. I would say that not just in my area but throughout Alberta the average family income is above this threshold, and there are a substantial number that will benefit by it.

No one has ever said that you shouldn't seek to benefit, to work hard to improve your industry and opportunity to earn greater income. This would only be a better incentive to show to the rest of Albertans that though they may not be in that income tax bracket today, they too would have the opportunity to retain more of their dollars, that that extra incremental time they spend, the effort they push, the risk they might take might be rewarded, that they might have an opportunity to keep it in their own pockets.

I'm pleased to see not that we would support the amendment to get rid of that but that we would deliver on a promise that the surtax, this 8 percent surtax, be eliminated effective January 1, 2000, this year. Also, it will be, I would say, an exciting day in January of 2001 when we can eliminate the other surtax and completely modify the Income Tax Act.

For this purpose, Mr. Chairman, I would certainly plead with all

my colleagues and those in the opposition that they give serious reconsideration to supporting Bill 19 in its present form, that the surtax along with the minor amendments to it be fully accepted as implemented, and that we fulfill the promises made back in the previous years.

Thank you, Mr. Chairman.

THE CHAIRMAN: The hon. Member for Edmonton-Meadowlark.

MS LEIBOVICI: Thank you, Mr. Chairman. I rise tonight to speak in favour of the amendment, and listening to the speaker before me, it almost sounded as if he, too, were speaking in favour of the amendment, so it will be interesting to see where he stands when it comes to the standing vote.

The reality is that we are talking about a government plan which will, in removing the 8 percent surcharge, affect about 400,000 Albertans. Our amendment, when looked at in conjunction with Bill 18, will look at positively affecting all taxpayers within this province, so there's a real difference as to what we have put forward with regards to amendments to the tax system within this province. We believe that the system needs to be a whole lot fairer, and that is one of the reasons this amendment is now on the floor of this Assembly, to ensure that in fact that will happen.

You know, right now I'm looking at a letter I've received from a constituent with regards to PDD and the unfairness in the way that individual is being requested to look after her son and pay substantial out-of-pocket costs for ensuring that her son receives the kind of support he could not receive from an agency. Those costs that she's looking at paying out of pocket are over \$1,000 a month. That's just one instance of where I look at what the real concerns of Albertans are with regards to a whole host of programs. Whether it is within PDD, whether it is the out-of-pocket costs they're paying for MRIs and now CAT scans, whether it is the so-called new initiative by the government with regards to aging in place, the fact is that what we are going to see is increased out-of-pocket costs to Albertans.

[Mr. Shariff in the chair]

We have in front of us a tax plan that in effect will differentially reward people in different income brackets within Alberta, so what we see again is a government that very much plays favourites and very much ensures that those who have the ability to pay out of pocket for different support services will have better access to those services and better treatment than those who cannot. So it's almost a double whammy that people in the middle to lower income brackets are going to be dealt when Bill 18 and Bill 19 are passed.

I say "when" because in fact this government has brought closure in on Bill 18 and is bringing closure in on Bill 19, and whether Bill 19 is passed in the spring session or in perhaps the upcoming fall session of this Legislative Assembly, it seems this government is bound and determined to pass it. If in fact they don't pass Bill 19 in the spring session, then perhaps there's a message there that the Liberal opposition has been right in terms of what they have been saying with regards to the discrepancies in the effects of Bill 19.

You know, I look at what's happened over the last seven years and many, many years ago – many years ago: just six or seven years ago – when the government talked about the fact that their cuts were going to do wonderful things for this province. They were going to improve the health care system, improve the education system, and improve the delivery of social services and the social services net. I said at that point that the emperor had no clothes and that in fact the Klein-speak we were hearing from the government and the government members was nothing but that in effect when they said one thing, in actual fact something else happened.

We saw a lot of that occur in the Bill 11 debate. When it became very clear that what they were talking about was private, for-profit hospitals, the government would say: no, that is not the case; they are surgical clinics. Well, the only people that were being fooled were the government members, who in actual fact seemed to have undertaken Klein-speak as part of their lingo. They must have a dictionary somewhere in their back pocket that indicates what exactly is meant when the Premier says one thing but in fact it's something else.

11:10

Lately we've had the Premier talk about Bill 18 and Bill 19 in terms of Ralph economics, and in fact what we have in front of us is Ralph economics. Again we see a black-is-white scenario where the government members come into the Legislative Assembly – and now it's more of an Alice in Wonderland experience, I find, in here – they sit in their seats, and all of a sudden reality seems to disappear. We're in a topsy-turvy world where the figures that are in front of the government members mean absolutely nothing. The fact that the tax breaks that are provided are much less for the lower income and middle-income levels than the upper-income levels doesn't seem to have any impact. In fact, the government members will stand in their places and say that that is not the case.

Though sometimes figures can lie and we see that on some occasions, in this particular case when we look for the so-called benefits to the middle- and low-income earners, we see that they are not there. They are in fact an adverse benefit, if we want to call it that, when you look at all the other out-of-pocket costs that are provided for by various Albertans as a result of varying needs in providing for themselves and their families.

So what we have is the amendment that will attempt again, as the Official Opposition tried to on a number of occasions – there's an old saying about trying to make lemonade out of lemons. This is one such situation, where we are trying to amend a particular bill that is in fact an amending act to another bill that substantially changes the tax structure. We'd try to incorporate a measure of fairness within both those bills so that all income earners can in fact appreciate the same kinds of savings and benefits that at this point only the higher income earners will be able to appreciate.

Now, in the by-election that is occurring at this point in time, this is an issue that is brought up at the doors as well as the Bill 11 issue. I had the opportunity to go out just prior to the session at 8 o'clock tonight and do a little bit of door-knocking, and I intend to do some more over the next few days. People understand this issue much as they understood the issue of private, for-profit hospitals. Even though this government with the Klein-speak didn't understand, they understood. Albertans and the people in Edmonton-Highlands understood that that in fact was happening. In the Ralph economics people just as much understand that they are going to feel the brunt of a tax policy that does not look at what their real needs are and does not take into account the number of hours, the hard work, all the effort they have put into their workweek.

So I would hope that it isn't a deep tunnel government members enter into when they come through the portals of this Legislative Assembly and that they don't think of this Assembly as a wonderland where realities do not come into play but that in fact they keep their minds open to what the facts are, and the facts are in front of them. The Treasury critic at any point in time I'm sure would be more than willing to sit down with any of the government members and go over, tax point by tax point and income level by income level, what the tax breaks are that are provided in our proposal versus what the proposal is by the Acting Treasurer. There is in fact no real rush to push either one of these bills forward at this point in

time, because if the department were looking at implementing, which I understand they are, for the next tax year some of this new tax policy, they would have enough lead time to do it in August or September or October, which, again, would coincide with the fall session, which would allow the government and the Acting Treasurer time to really get a good grasp of his portfolio.

I think that's probably what's required right now to see the folly of the suggestion that was put, you know, perhaps in haste by the former Treasurer as he was heading out on the campaign trail. We know that he has used this flat tax policy as part of the campaign for the CCRA party, but unfortunately I don't think he had quite enough time to really look at the full implication. As the Member for Calgary-Buffalo has so aptly pointed out, as he often does during my debates, the former Treasurer was just so busy packing his bags and thinking about that new place in Ottawa that he was going to be moving into, he really didn't have the time to spend, as is required, to ensure that this would in fact be of benefit to everyone in Alberta.

So we're looking at a tax policy that is a fundamental shift and change, perhaps not a change with regards to government policy, that has in the past shown that this government is not averse to exposing and exploiting the differences amongst people within this province and has set in place actually a systemic change – and I talked about that a little bit in my discussion on Bill 18 – in the role of government and in the way government approaches social and policy changes in this province and has shifted the whole viewpoint of society from a more collective one to a more individualistic one, where survival of the fittest is almost the mode of operating. That I think is a discussion that needs to be much broader not only within this Assembly but perhaps on a campaign trail.

Perhaps a general election is what we are also looking at in the fall. That would be a good idea in terms of putting forward this tax policy as well as Bill 11, which hopefully will not be proclaimed before that general election so that in fact people can have that broader discussion as to what is the viewpoint of society, that is required in this province. For sure the Edmonton-Highlands by-election is the one that is the field test, where some of this will be tested out. I think it's very important that everyone has the full benefit of the discussion outside the confines of these four walls.

Again, if I can urge all the government members to come out of that wonderland hole, which they seem to be submerged in within this Assembly, to look at the actual facts and figures that are in front of them, to make sure they are representing the wishes of their constituents. It's not just good enough to say that you are getting a tax break. I think you need to explain what exactly that tax break means and what the premise of it is. In fact, I think you need to almost go back one step to the fact that this is not a savings that's being provided by the government to its citizens. It's actually a noncollection that needs to occur, and that's where the savings I guess are generated from in actual fact. It is a government policy decision that's made as to how much to collect and then in effect what services not to provide.

11:20

Those are some of the parameters I think the discussion has to be formulated and based upon, and that's a broader discussion that needs to be put out to Albertans at large. Again, I don't know that there has been a lot of consultation. It would be interesting to hear what consultation has occurred by the government members that has led them to this decision that this is in fact the structural change that is most advantageous to all Albertans and would be supported by most Albertans. My guess is much as I am finding in Edmonton-Highlands and with others I speak with, that in actual fact people are very aware of the disadvantages provided by this particular tax

scheme and that given a choice, they would probably look at a progressive tax system that is much fairer and more along the lines of what we have presented as a potential solution to the unfairness within the current flat tax scheme proposed by this government, that that is something that needs to be discussed.

I think that hand in hand with that discussion, however, before we rush headlong into how much can we give away in terms of taxes, what needs to be looked at is: what exactly are the services that Albertans would like to have, and what are the services that government should be providing? That is a part of the discussion that we have not heard, so we do not know what the impact will be if in fact there is a downturn in the economy and what ends up happening is that there are not sufficient dollars provided in the budget for some of the essential services we have decided should be provided, like health care and education. In fact, what may well happen is that some of those essential services might not be provided because there have been some contractual obligations entered into with private contractors that need to be provided before some essential services.

I just wanted to do a quote about Aberhart, that someone had asked me to quote a while ago, and it is as follows:

If we stood in a pulpit, and there, with our hand on the Bible, solemnly declared that ours were the only party which had a "plan" for the political and economic ills of our province; that our plan alone and none other would work; that our plan was the "economy of God"; that it was "absolutely guaranteed"; and then after stalling around for eighteen months doing nothing, we confessed that we had never had a plan at all, would you say that we were honest and sincere or "crazy in the head"?

When I look at some of what the government has done over the last few years, especially with regards to health care, where they have over and over again said they had a plan and then they had no plan, I think that some of the politics that were occurring around the time of Aberhart in fact may be seen again in Alberta right now. I thought that was an interesting quote given that it was done almost to the day, May 28, 1937. So that was about 63 years ago, that particular quote. Sometimes history does repeat itself in terms of some of the situations that occur. We will, I guess, see whether history will bear itself out in terms of the upcoming election as to whether people will forget some of the actions of this government or whether in fact they will remember. My guess is that at this point they will remember.

There was one other item I wanted to bring forward in my discussion, and that was with regards to the argument of the brain drain. Again, I had mentioned it a little bit earlier. In fact that brain drain was caused by the cutbacks by this government.

Thank you very much.

THE ACTING CHAIRMAN: The hon. Member for Calgary-Buffalo.

MR. DICKSON: Thanks very much, Mr. Chairman. I know this is in committee, so a number of us will get a chance to speak to this yet. I'll be brief because I know my colleague for Lethbridge-East wanted to chat as well.

I'm just going to make the observation that I listened to the Member for Calgary-North West when he spoke, and two things struck me about his comments. The first one is that he certainly has some professional expertise that most of the rest of us do not bring to this Assembly. The second one: it's always refreshing to see a government member stand up without notes and simply talk about what he believes and what he knows and what he understands, that sort of thing. It's actually quite refreshing. When you see people reading speeches, you never know who's written the speech, and you assume it's some gnome. There are 700 people, I think, working for the Provincial Treasurer, 713 employees. How many of them are cranking out speeches for government members to use in debate?

Anyway, my only observation was that the Member for Calgary-North West clearly knew what he was talking about in making his points.

[Mr. Tannas in the chair]

The thing I listened for, though, because I always pay careful attention to what the Member for Calgary-North West says, was some explanation in terms of why we couldn't deal with the 1.6 million tax filers and why we only focus on the 390,000 tax filers who will benefit from the elimination of the 8 percent high-income surtax. By my calculations I think about 1.6 million tax filers would benefit from the .5 flat tax. So it just strikes me as really problematic that when the Member for Calgary-North West had a chance to make the case and explain why this amendment that's being introduced by my colleague for Edmonton-Glenora wouldn't work, he didn't explain, at least to my recollection and my hearing, why we couldn't and shouldn't do both at the same time.

There are some questions in terms of parity and some questions in terms of fairness and questions in terms of equity. There is a cost difference. It would be about \$325 million, I'm advised by Edmonton-Glenora, to provide the elimination of the .5 flat tax, whereas it's only \$144 million for the 390,000 tax filers who would benefit from the elimination of the 8 percent surtax. You know, I think the Member for Calgary-North West believes strongly in commitments being honoured and undertakings being discharged. I'd say to that member: I agree, and that's why I'm puzzled why we're not doing what the Premier said he would do. I had a note; gosh, I must have misplaced it yet again. Oh, here it is. [interjections] Well, I wanted to make sure I quoted the Premier correctly. I didn't want to do an ad libing.

Here's the Premier, July 27, 1999, in the *Calgary Herald*: "What we want to do is make sure that those who can least afford to pay tax get the first break." Not the second break, not the sequential break, not the last break, but the first break. Then we have the former Provincial Treasurer saying on July 28, 1999, in the *Calgary Herald*: "Certainly our priority is for low-income earners, and there are ways that can be addressed."

So what happened between those comments in the summer of 1999 and the bills we see in front of us? In fact what the amendment introduced by my colleague from Edmonton-Glenora does is simply honour the pledge that the Premier made, that the former Provincial Treasurer made on July 27 and July 28, 1999, respectively. Who would oppose that? [interjections] No. In fact, members, I'm insisting that we do what the Premier said he wanted to do in July of 1999 and what the Provincial Treasurer said he wanted to do in July of 1999. I'm sure the people in Calgary-Varsity would like to see this government deliver on what the Premier and the former Provincial Treasurer promised. Isn't that the point of the exercise? I think so, Mr. Chairman. The Minister of Gaming may have some other explanation to offer.

11:30

If the government cannot afford the \$325 million that would be lost by moving immediately to eliminate the .5 percent flat tax, let's see that case. Let's have the case laid out for Albertans to see, to review, to analyze, and to assess. I have not heard that argument being made. Frankly, I suspect that with respect to the oil and gas prices being high, the kind of revenues we're seeing, the Minister of Gaming is bringing money in by the Brinks truck. You imagine sort of a cavalcade of armored trucks from Calgary to Edmonton bringing in the gaming revenue. It continues to flow. The dough continues to come, and maybe the Minister of Gaming is going to take credit for the fact that we're awash in gaming revenue.

It seems to me that the money is there to in fact be able to

accomplish this. To those who say, "Well, it's easy for the opposition to talk about this additional sum of \$325 million," it's true. We don't have the 700-odd employees from the Treasury Department to run a gazillion projections and estimates, so we put forward suggestions and challenge the government to offer concrete reasons why we couldn't do those things. Absent those kinds of concrete, compelling reasons, we have to assume that the opposition idea is probably a pretty good one.

As I say, I know that I have colleagues who want to speak to it as well, but I'd just make the observation that I think this amendment is important. I think it's a positive one. I'd like to see the commitment made by the Premier kept. I think my colleague from Edmonton-Glenora explained very well the question raised by the Government House Leader the other day and established that this is not some kind of reverse sequence thing, that 18 and 19 are the Siamese twins of legislation, and that one has to look at the amendments put forward by the opposition on both bills to be able to understand the cumulative impact. I thought that was explained well by the Member for Edmonton-Glenora.

On this one, Mr. Chairman – and I say this quite sincerely – I'm looking for support from government members for this amendment, because to vote against this surely leaves the Premier and our Canadian Alliance leader wanna-be way out at the end of the plank and sawing it off behind them, and I can't believe that members of the government caucus would want to do that. I think they'd want to ensure that the promises made and the undertakings given by those two gentlemen would in fact be honoured by the government.

As I say, I'm going to be happy to report when I get some more response to my web site on the question posed around the government's tax proposal, on whether Albertans favour the government flat tax proposal and package over the Alberta Liberal fair tax proposal.

So those are the comments I wanted to make, Mr. Chairman. Thank you very much.

THE CHAIRMAN: The hon. Member for Lethbridge-East.

DR. NICOL: Thank you, Mr. Chairman. It's a real pleasure to get up this evening and speak to the amendment on the floor to Bill 19. This is, effectively, going to change the direction or change the ordering of the operation of the bill with its impact on the relationship between the 8 percent surtax and the .5 percent flat tax. What it'll do, effectively, is tie together some of the actions of bills 18 and 19 in a little different way than they have been under the government proposal.

Mr. Chairman, we see on so many occasions the debate that comes up around these bills dealing with what's fair, what's equitable, what's right, and how the product that we're going to end up with, a different taxation structure and a different taxation regime, relates to the relative fairness and the relative change from the taxation levels that we see with today's current mix of different taxes in terms of the income tax, the flat tax, the surtax, the exemptions, and all of those kinds of things added together. I guess the thing we have to look at that when we put all of these taxes together is: what is the impact that that has on the individuals in Alberta that are paying the tax, that are paying their money into the general revenue fund to support the legislative programs that the citizens of the province are asking for from their government? I think we have to look at differentiating the concept of the taxpayers and the citizens, because it's kind of two different functions. In one they're representing the funding agency for public programs, and as citizens they're representing the consumers of those public programs. We have to have that balance between the two of them.

We keep hearing the discussion about how there's going to be a significant change under the combined new program that will effectively make sure that there's an increased number of Albertans that are not subject to any taxation at all by increasing the basic level of exemption to the \$13,560 range, this kind of approach. We're also seeing within the combination of these two bills a structural change from a program which has historically been a taxation on individuals to where we're now going to see a movement towards more of a taxation structure based on family status. Basically, instead of becoming an individual taxation system, this is now becoming a family taxation system, because we're increasing the exemptions for spousal exemptions as well to try and compensate for the idea of a stay-at-home spouse that is not bringing an income into the household.

So essentially what we're seeing there is that kind of a structural change, and this amendment effectively says: let's look at how that is put together and how it's phased in and structured as we move from the current system to this proposed new absolute level of taxation over that two-year period of the two bills and the two different focuses. What we'll see, then, is effectively some kind of change in that obligation as taxpayers to fund the programs of our citizens.

Then what we're going to see also is a relative change in the weights of those taxations within the context of the group of Albertans who are going to be asked to pay and who fund our programs. The current program essentially has a phased-in, linked program with the federal government. I don't think anybody is arguing with the idea that we need to move away from that tax-on-tax system to a tax-on-income system. That, I think, has to be looked at in this whole package as being a very positive step, but as we look at it from the perspective of Bill 19 and the amendment that we're dealing with, it looks at how that .5 percent flat tax relates to the 8 percent surtax and the relative timing of the citizens receiving benefits from our legislative change.

11:40

Mr. Chairman, even prior to getting elected to this House, I was among some of the more fortunate in the province to have an income that was significantly above the average of the province. You know, I always felt that that created in me not only a very privileged situation where I had a lot of public input into my education, but because of my parents' commitment, because of this provincial commitment to fund such great universities, I was given the opportunity to go out and effectively create for myself an opportunity to earn an above-average income. That in itself also creates a sense of obligation to make sure that what I give back to society is in proportion to the commitment that society has made to me. By that means I see nothing wrong with someone in my position, who is earning a higher income, being asked to pay a proportionately higher rate of taxation on that higher level of income.

Now, we all recognize that when we have that stepped-rate taxation system, on the first part of the taxable income I pay the same as every Albertan. On the second group I pay the same as every Albertan in there. So the higher rate of taxation only occurs on the marginal level of taxation, above the step points. We hear all kinds of debate about whether or not this in essence is fair in the sense of bracket creep. As inflation pushes our wages up to keep our spending power in line with our income, is it fair that we have bracket creep? Is the way to get rid of that to do away with the steps? No, Mr. Chairman. The way to get rid of that is to index the steps.

This is the approach that the federal government has taken, and that in essence eliminates the concept of bracket creep as well so that

you don't get faced with this whole concept that you get an increase in income and that income is only enough to cover the amount of cost of living that you have to spend to stay at the same point. Well, we can do away with that by having indexed values on the brackets that we use to reflect the relative rates of tax payable.

Now, in the end, Mr. Chairman, when we look at how we put that whole new package together, effectively the government with the combination of bills 18 and 19 has defined a totally different type of structure. How do we get there? The amendment that's on the floor right now basically is saying that it's more important for us, within the context of public decision-makers, to make sure that the broad spectrum of all Albertans who are paying taxes get some benefit; in other words, the elimination of the .5 percent flat tax before we eliminate the 8 percent surtax on the top taxed Albertans.

I think that one thing we have to look at is: how do we go about reflecting our commitment as Albertans to make sure that the people who could use those dollars the wisest to support themselves, to increase their well-being, get those dollars first? I think that by supporting this amendment, we're effectively saying, "Let's make sure it is every Albertan," because every Albertan is subject to the .5 percent flat tax and because every Albertan, no matter which bracket their income puts them into, is paying that .5 percent on each of those dollars that is taxable. If we support this amendment, what we're going to say is that it's important that they all get that benefit before we give it just to the people who are being taxed the 8 percent surtax. I think that what we have to do is look at that from the perspective of what's fair and what's equitable.

Now, Mr. Chairman, just as a comment before we kind of close time on this. The Government House Leader challenged me a minute ago: can't you say something positive about this bill? Well, Mr. Chairman, I think one of the things is that we can look at this bill and say: yes, there are some positive things in it. If we look at section 2, effectively it brings the language of the tax act in line with the changes in the structure of the federal government by eliminating the deputy minister of national revenue and taxation and substituting that with the commissioner of Customs and Revenue. This brings it in line with the new chief administrator of the federal taxation system. So what we're doing in essence is creating the same kind of terminology in both of our tax acts. Again, another very positive thing about this.

I just want to remind the Government House Leader that I've now said that there are two things that are really good about these tax packages, so I'm not totally negative about it. It's just a matter of whether or not we deal with it from the perspective of what's fair, how it works, who we give the benefits to, and in what order those benefits are provided to Albertans.

In that overall context I think it's important that we look at how to measure that fairness. We've heard some of the members previously talk about the whole idea of how to kind of make Albertans feel that their additional income isn't being taxed to the point that they are not getting ahead. Well, because of the fact that each of our steps is taxed at the common level, when you're dealing with a percentage tax increase, Mr. Chairman, it's not feasible or not possible under that kind of a calculation to in essence have to pay more in increased taxes when you earn more money. That just doesn't work, because we're only paying the increased rate on the dollars that are included in the income range that fall into that higher bracket.

Even if we do end up with an inflationary loss of purchasing power because the next year we're spending our higher income, unless we're falling behind the raise income being less than the consumer price index, then what we'll see is that every Albertan, no matter how it works, will have more dollars to spend as long as their

income is rising faster than that consumer price index.

So it doesn't matter how they fit into these tax brackets, because they're all treated the same, their purchasing power is the same, and we end up dealing in the context of the purchasing power of those dollars being a factor of that consumer price index change and the new bracket that we're falling into in terms of the bracket and the change that occurs there. It just doesn't work out in any way that you could put those together where you'll actually end up with reduced take-home pay.

So the effect here is then to make sure that we do have equity in the system. We've heard a number of comments from some of my colleagues tonight already that have talked about the Premier's earlier commitments to make sure that the initial tax breaks are enjoyed by all Albertans. We want to make sure that that follows through when we're dealing with the additional debt or deficit elimination taxes that were imposed in conjunction with the focus of the taxes that were now to end in the 1999 tax year and that were originally imposed, I think it was, in 1987.

That's the kind of time frame that we're looking at. We want to make sure as we start to eliminate those that they're done in the same spirit with which they were put in, in the sense that the broad-based benefit goes to all Albertans before the specific benefit goes just to the high-income Albertans.

So if we can look at it from the perspective of that kind of a relationship with the amendment that we have on the floor to Bill 19, it's a matter of making sure that we end up with a degree of directional fairness and targeted tax benefit going to the Albertans, Mr. Chairman, that I sense a lot of people feel should be given the ability to increase their spending power before those of us that fall into the very fortunate categories of being included in the higher income categories of Albertans and not having to deal with the issue of: what are the implications of this in the context of changes in social responsibility and the changes that may have to be incorporated to make sure that all Albertans have a base level of economic well-being, that whole concept of economic well-being and how it relates to social justice? I think the taxation system has to become a real important part of our decision-making there, because as we look at what constitutes social justice for all, it's a matter of: how do we deal with making sure that that fairness exists?

11:50

One of the things that I haven't mentioned yet tonight, Mr. Chairman, is the fact that as we increase our incomes, we get to take more and more of those incomes in value and in measure that are not included in the taxable income calculation on our tax forms. So, in essence, the higher income that we earn the less of the total income we actually get taxed on. By having a higher taxation rate with those higher income levels, what we're saying is: in order to create consistency in the calculation of our taxable income, we know that the people at the higher end are not reporting some of those incomes. Because of the way we measure it, we will in effect use the higher rate to get a little bit of tax off those incomes that we didn't ask them to disclose. I've talked about those previously, Mr. Chairman, things like stock option incomes, equity earnings, and we've talked about some of the profit share systems that are out there. Those kinds of things don't all get reported when we fill out our federal income tax and report that taxable income, which our new tax-on-income calculation is going to use.

We have to look at it from the perspective of: do we call it fair when we say that because you've got a higher income, you don't have to pay any tax on some of your income, but if you're at a low income and all you've got is a wage income and possibly a savings account that gives you an interest income, then you have to pay tax

on all of that income? That, in essence, creates an inequity in the system, which in my perspective and under my measurement of social justice is less fair than trying to say that we've got to do away with the concept of bracket creep and the idea of how that relates to the whole system of taxation and that fairness in that whole system.

Mr. Chairman, in conclusion, before we have to be called to vote on this, I think it's important that we recognize that Albertans need tax relief. We have to provide more money back to the citizens and the taxpayers of Alberta so they can in essence have more money in their pockets to spend. We've consistently run a surplus in the budgets of this province over the last three or four years, and it's time now that we recognize that some of that should fall back to the citizens of this province so that they can make decisions on their own how their dollars are spent rather than us making those decisions on how their dollars are spent because they've given it to the general revenue fund through taxation. If we want to talk about how that relates back to some concept of social justice as well, we have to say, you know: "What is the relevant benefit of paying off the debt, giving tax relief? Who are the beneficiaries if we pay off the debt, and who are the beneficiaries if we give tax relief?"

Mr. Chairman, economists all know that when you fund programs on borrowing, what you're doing is you're living today off tomorrow's income. In essence, what we're asking is for the future generations to pay for us to have a good living today. I could put together a really strong argument that instead of giving tax relief right now, what we should be doing is paying down the debt so that the next generations don't have to fund the benefits that we're getting this generation. Well, I also think it's very fair at this point, because of the rate that we have and the surplus that we have, that we do get a balance here so that a lot of us can also enjoy some of the tax relief and can create the fairness that's necessary to have Alberta the best place to live in this country.

THE CHAIRMAN: The Associate Minister of Health and Wellness.

MR. ZWOZDESKY: Thank you, Mr. Chairman. I'm pleased to rise to offer a few comments in support of Bill 19. While I realize that we are on the amendment as provided by the hon. Member for Edmonton-Glenora, I realize too that a wide range of latitude has been offered to previous speakers. In that respect, I just want to make a couple of brief comments that I think should be reiterated.

First of all, for people who will be reading this later, I just want to make it very clear that Bill 19 ushers in the elimination of the 8 percent deficit elimination surtax. As I was reading up on the history of this particular surtax, which we are now attempting to eliminate through Bill 19, I noted that it was brought in as a temporary tax approximately 12 or 13 years ago. I was reminded, in conversation with the hon. Minister of Innovation and Science here beside me, that back when income taxes first started in this country, they were in fact tied to that issue of being supposedly temporary, surrounding the war effort almost a century ago, and we still have them. However, in this case, what we're talking about is the 8 percent deficit elimination surtax, that was only brought in about 13 or so years ago. It's time now for us to remove that particular tax.

I think it responds well to what Albertans have requested and demanded, and I fail to see how the amendment that has been proposed by Edmonton-Glenora helps further that particular aim. I've read this amendment through as it applies to section 3.04, and I don't think that in all good conscience it helps accomplish the purpose for which the bulk of the bill is actually designed.

We're often told that there's not enough being done, Mr. Chairman, to provide breaks to the middle class. Well, this particular deficit elimination surtax will in fact do that. It will benefit the

middle-income earners, and I think all members of the House know that. We know that the broader picture of deficits is that they were eliminated several years ago. We know that we have a law that prohibits further deficits from ever starting up. Our net debt has been retired. We're on a good track toward reducing the matured or the secured debt, perhaps in record time as well. All things being equal, with the economy being as buoyant as it is – and we have no reason to see any immediate downturn in that – I think we will see a much quicker retirement of the matured debt as well. That leaves more money in Albertans' pockets, and at the same time it also allows us to look at more important investments in other areas.

So while the economy is strong, it's nice to know that we are leading the nation yet again. A lot of different provinces are talking about eliminating taxes or reducing them, and for many provinces unfortunately that is nothing more than a wish list. In this province we are making good on that commitment. I think all of us, particularly during 1993 through 1997, did a lot of talking about how to get rid of deficits. We all certainly campaigned on it, and we all supported the need for the elimination of the deficit. Now we're getting rid of part two, you might say, which is the 8 percent deficit elimination surtax as it applies particularly to the middle class.

Mr. Chairman, this bill should be read in tandem with Bill 18, of course, which talks a great deal about the single-rate tax, which is also of benefit to Albertans. We're reducing taxes in many ways, and I think you'll continue to see that kind of strong reinforcement of Albertans' wishes by our government. I cannot support the amendment as brought forward by the Member for Edmonton-Glenora. I'm sure he put a lot of thought into it, and I'm sure that his researcher did as well, but I fail to see how it would actually accomplish the main purpose that is behind this bill.

So with those few comments, Mr. Chairman, I would urge our members to look carefully at this bill and to find it in their good wisdom to support Bill 19. I will take my chair.

12:00

THE CHAIRMAN: Due notice having been given by the hon. Government House Leader under Standing Order 21 and pursuant to Government Motion 20, agreed to May 23, 2000, under Standing Order 21(2), which states that all questions must be decided in order to conclude the debate on Committee of the Whole consideration of Bill 19, Alberta Income Tax Amendment Act, 2000, I must now put the question, first of all, on the amendment A1.

[The voice vote indicated that the motion lost]

[Several members rose calling for a division. The division bell was rung at 12:00 a.m.]

[Ten minutes having elapsed, the committee divided]

[Mr. Tannas in the chair]

For the motion:

Bonner	Massey	Sapers
Carlson	Nicol	Soetaert
Dickson	Olsen	White
Leibovici		

Against the motion:

Amery	Fritz	Shariff
Broda	Graham	Smith
Calahasen	Hancock	Stelmach
Clegg	Hlady	Stevens
Coutts	Klapstein	Strang
Ducharme	Magnus	Taylor
Dunford	McFarland	Woloshyn
Evans	Melchin	Yankowsky
Fischer	Paszkowski	Zwozdesky

Totals: For – 10 Against – 27

[Motion on amendment A1 lost]

[The clauses of Bill 19 agreed to]

[Title and preamble agreed to]

THE CHAIRMAN: Shall the bill be reported? Are you agreed?

SOME HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed?

SOME HON. MEMBERS: No.

THE CHAIRMAN: Carried.

The hon. Government House Leader.

MR. HANCOCK: Thank you, Mr. Chairman. I would move that the committee now rise and report Bill 19.

[Motion carried]

[The Deputy Speaker in the chair]

MR. SHARIFF: Mr. Speaker, the Committee of the Whole has had under consideration a certain bill. The committee reports the following: Bill 19. I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

THE DEPUTY SPEAKER: Does the Assembly concur in this report?

SOME HON. MEMBERS: Agreed.

THE DEPUTY SPEAKER: Opposed?

SOME HON. MEMBERS: No.

THE DEPUTY SPEAKER: So ordered.

[At 12:14 a.m. on Wednesday the Assembly adjourned to 1:30 p.m.]

