

## Legislative Assembly of Alberta

Title: **Wednesday, May 24, 2000**

**8:00 p.m.**

Date: 00/05/24

[Mr. Renner in the chair]

THE ACTING SPEAKER: Please be seated.

The hon. Member for Lacombe-Stettler.

MRS. GORDON: I'm hoping, Mr. Speaker, that I could ask for unanimous consent to revert to Introduction of Guests.

[Unanimous consent granted]

head: Introduction of Guests

MRS. GORDON: Thank you. I would like to introduce to you and through you some distinguished guests that are with us tonight that are related to a person who spends a great deal of time in this Assembly, and that is our senior Parliamentary Counsel, Rob Reynolds. I would like to introduce his wife, Ritu Khullar, his son, Samir Reynolds, and his sister who's visiting from Burnaby, B.C., Valerie Wehrle. Samir is two years old and very pleased to see his dad tonight. They are seated in the public gallery so they can see daddy better. Please stand and receive the warm welcome of the Assembly.

head: Government Bills and Orders

head: Committee of the Whole

[Mrs. Gordon in the chair]

THE DEPUTY CHAIRMAN: I'd like to call the committee to order.

### Bill 25

#### Miscellaneous Statutes Amendment Act, 2000

THE DEPUTY CHAIRMAN: Are there any comments, questions, or amendments to be offered with respect to this bill?

MR. DICKSON: I think it would be a bad precedent if we had a bill go through that nobody said anything to, so I just wanted to acknowledge once again the terrific co-operation we received from the various departments that put forward legislative amendments and indicate my wholehearted support for miscellaneous statutes. It's always a treat to be part of a bill where you think everybody is going to vote with you, Madam Chairman. I just wanted to sort of be on the record that I was voting that way too.

Thank you very much.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Centre.

MS BLAKEMAN: Thanks very much. I just wanted to comment on the one section in which the Motion Picture Development Act is repealed. I had been in touch with some very active members of the film industry in Alberta to double-check as to whether they had strong feelings about this, and the response was no. The people I spoke to weren't that interested in returning to this, so they didn't object to the AMPDC being disbanded. They were quite happy with being housed under the Alberta Foundation for the Arts with the grants program there and just wanted to underline with me the importance of that program to them and that they didn't want to be moved around anywhere else at this point. It is working fine for them.

That's really the part of the Miscellaneous Statutes Amendment

Act, 2000, appearing before us as Bill 25, that was of most interest to my portfolio and to the sector groups that I represent. So I just wanted to go on record with that, and having made those few remarks, I will resume my seat.

Thank you.

[The clauses of Bill 25 agreed to]

[Title and preamble agreed to]

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

HON. MEMBERS: Agreed.

THE DEPUTY CHAIRMAN: Opposed? Carried.

The hon. Government House Leader.

MR. HANCOCK: Thank you, Madam Chairman. I would move that the committee rise and report Bill 25.

[Motion carried]

[Mrs. Gordon in the chair]

THE ACTING SPEAKER: The hon. Member for Medicine Hat.

MR. RENNER: Thank you, Madam Speaker. The Committee of the Whole has had under consideration certain bills. The committee reports the following: Bill 25.

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

HON. MEMBERS: Agreed.

THE ACTING SPEAKER: Opposed? So ordered.

head: Government Bills and Orders

head: Third Reading

### Bill 19

#### Alberta Income Tax Amendment Act, 2000

THE ACTING SPEAKER: The hon. Minister of Gaming.

MR. SMITH: Thank you, Madam Speaker. On behalf of the Provincial Treasurer and all those seeking lower taxes in the province of Alberta, I'm pleased to move third reading of Bill 19.

THE ACTING SPEAKER: The hon. Member for Edmonton-Riverview.

MRS. SLOAN: Thank you, Madam Speaker. I'm pleased to rise at third reading to debate Bill 19, the Alberta Income Tax Amendment Act, 2000, a bill which in effect proposes to eliminate the 8 percent surtax effective at the end of the 1999 taxation year. I find myself at this stage of the debate perhaps to a degree repeating comments previously made but questions which with all due respect haven't been answered.

One of my questions really relates to how a government can implement the elimination of any kind of statutory obligation before they've changed the legislation. I think that in principle this bill really sets a precedent to that effect. The surtax was a legislated, statutory obligation that this government made and committed itself

to in 1987. I found myself as I was preparing for the debate wanting to look back at what rationale was presented at that point in time for the surtax, and I got quite a surprise when I looked at *Hansard* for March 20, 1987, because what I read – and I'd like to read a bit of it into the record from that debate – is very, very repetitious of what I've been hearing in the House over the course of the last month or so as we've debated bills 18 and 19.

We've come over a decade; 1987 is the year in which this surtax was originally introduced. It's now over a decade later, and the government is still professing to need to undertake these types of tax reforms for the very same reasons the government used a decade ago. So reading from *Hansard* on March 20, 1987 – and at that time the hon. Treasurer was Mr. Dick Johnston, and he said the following in the context of the budget that year:

This year's budget will require adjustments not only to expenditures but also to revenue. Our objective is to provide a balance between expenditure reduction and taxation increases. Over the last several years Albertans have enjoyed by far the lowest overall tax rate of any province.

This province was boasting of that over a decade ago.

8:10

Further, he went on to say:

We are now in a situation where our current revenue sources and tax rates are not generating enough revenue to fund even our reduced expenditure base. In this budget, Mr. Speaker, I'm asking Albertans to pay more through taxes so that we can maintain the quality of our programs . . . First, Alberta's tax load should remain the lowest of any province; second, the burden of tax increases should be shared between businesses and individuals; and third, low-income groups should be protected.

Really no different than the arguments being made today for the proposed flat tax and the elimination of the surtax contained within bills 18 and 19.

Mr. Johnston went on to say:

For more than a decade Alberta has had the lowest personal income tax rate of all the provinces. Given this available tax room, we will increase the rate by three points to 46.5 percent of basic federal tax effective the 1987 taxation year. This will remain the lowest basic tax rate of any province. As well, we are introducing a temporary high-income surtax of 8 percent to ensure that Albertans with the ability to pay will make a relatively greater contribution.

Now, there's a bit of a contradiction, I think, in principles. We still have the same party in power, but the philosophy of the Conservative Party at that point in time was that the higher income earners have an inherent ability to make a greater contribution. The premise that exists today with the proposed elimination of this tax and the combined proposal by government to implement a flat tax is that in fact the higher income earners should get a bigger break; that's really what it comes down to. The higher income earners are going to get a double whammy, a very nice fat Christmas present from this government, Madam Speaker, Christmas in July perhaps, with the combined effects of the elimination of the surtax and the implementation of the flat tax.

Now, I just want to conclude from Mr. Johnston's debate by citing the following, which was the conclusion of his remarks for the budget that year:

Mr. Speaker, this afternoon I have outlined for this Legislative Assembly and for Alberta a fiscal plan which will set us on a new course towards the opportunities ahead. Alberta faces many new challenges, and we must all rise to the occasion. We must discard many of the solutions from the past and think anew and act anew. We must be determined in our resolve to eliminate the deficit in an orderly way over the next four years.

I'd just make the following observation. This government has

taken and marketed it that the elimination of the deficit was their idea, and in fact under the leadership of Don Getty the previous government was talking about that in 1987.

To quote again from Mr. Johnston's remarks:

Fiscal responsibility means making tough choices, and this government is prepared to act . . . Our overall expenditure plan for '87-88 will provide Albertans with the most comprehensive services available in Canada at levels of funding still among the highest of any province.

Now, in contrast, Madam Speaker, we have not seen in this debate any discussion or willingness by this government to talk about the impacts on revenue through the proposed elimination of the surtax or the piggybacking of the flat tax bill, and that troubles me a great deal. Yes, Alberta is in a very healthy economic and fiscal position at this point in time, but we really have no way of predicting what lies ahead for the province. Economically, in terms of our public programs, our population, and the needs of that population, even what sorts of disasters, whether they be stock market or environmentally based, natural in origin, we have no way of predicting revenue. Yes, it's perhaps very, very easy as legislators to say in times of plenty that we should forge ahead with what are viewed by some as risky proposals to reconstruct, to modify, to fundamentally change the system of tax collection, to eliminate a surtax which, granted, has had a life span of over a decade. In anyone's mind, in a logical mind, is it really a good time to be thinking of making these reforms when we're rolling in the dough, Madam Speaker? Would we be as confident if we were in a position of oil and gas prices perhaps not being as strong, the economy not being quite as brisk, and Alberta exports not being strong? Would we be as confident that these types of reforms are in the best interests of the province? Would we not see a government bringing forward more analysis and more concrete demonstration that these changes will not negatively impact the revenue side of government's finances and their accompanying responsibility to provide comprehensive, accessible programs for all Albertans regardless of what their income status may be?

The cynical and paranoid might say: well, maybe the government is actually planning that there's going to be a day when they're not going to be able to provide. In fact, maybe they even want to construct a day when they will be in a fiscal position where they cannot provide as much funding for public programs, because that fits very well with their ideology that the private sector, that the market has a role to play in absolutely every facet of the society and provincial business.

We've seen almost all of our core public programs subjected to some degree of contracting out, to privatization. Social services was first on the list with huge cuts in the early '90s, followed by health care, followed by the education sector. If you look at these things on a macro scale and you accompany those changes, Bill 11 amongst them, to allow the private sector now a formal, legal foothold in the delivery of health care, bills 18 and 19 really make a lot of sense. Now what the government is able to say, perhaps not today but at some point in the future, is that they will not have the same degree of taxation flexibility. If it impacts the revenues to the degree that they do not have the same amount of money to provide provincial programs, it'll be a case, Madam Speaker, of saying: well, that's why the private sector is there; that's why the reforms were made in the '90s to allow the private sector to deliver that responsibility.

To a degree we see the same theme in the increasing responsibilities placed on communities, placed on municipalities, and placed on citizens, Madam Speaker. I have spoken in this Assembly before about the level of fund-raising expected now in our education system. I have dutifully worked the casinos, worked the bingos, all of these things, to subsidize provincial funding. That in my mind is

only going to become worse as this government proceeds with their reforms of the tax system and perhaps a sad day when the province is not in quite so healthy an economic position.

The reality is that I've been out at the doors in Edmonton-Riverview. I can tell this government directly that from the conversations I have had with my constituents, tax relief and tax cuts are not a priority, clearly not a priority. I can tell you what's a priority. People are very concerned about the state of our public health care system. They are equally concerned about the state of our public education system, and they don't particularly have a high degree of trust in what this government's agenda is relative to tax reform. They see too much politicking, too much posturing, too readily willing to condemn the federal government.

8:20

I can tell you, Madam Speaker, that the constituents in Edmonton-Riverview have a high degree of respect for the federal government, the institution that it is, and the function it serves in binding us as a democratic country that is very well respected around the world for the multiple roles we play. So this government need be mindful that when they pounce on the federal government or condemn the federal government in a multitude of ways, the public hears those condemnations, and many of them don't appreciate it. They see that there's a lot more at stake. There's a lot more at stake.

Now, the other thing that I've had some fun contemplating is how this is going to be implemented. It's really difficult to not discuss bills 18 and 19 together, because they're going to be occurring simultaneously. I as a middle-income earner, Madam Speaker, wonder how it is that those of us that find ourselves in the middle-income bracket don't get the same degree of a break that the high-income earners will. The elimination of the surtax, from my particular vantage point or income standpoint, isn't going to mean a thing, because I'm not really in a bracket that it would apply to.

Further to that, I'd like to come right back to what I said in the beginning, and that is that I would like to be assured that the government has a plan, some type of stabilization plan, so that when the annual budget surplus is not in the neighbourhood of \$800 million or whatever it currently is sitting at, they have a way for making up the shortfall. Now, in fact, the Official Opposition has long advocated for – and this was way before my time in this Assembly – a stabilization fund that should be introduced and implemented in a healthy fiscal time such as we are in now. That stabilization fund would act as a buffer, Madam Speaker, so that in years when oil prices are not quite as healthy and the government isn't rolling in a multimillion-dollar surplus, the stabilization fund would be there as a safety net, if you will. So we have a plan. To those members who scoff and say, "Well, you don't have a vision," we've been advocating that for some time.

The other question that we need to ask is: why is it that the government chose to eliminate the surtax instead of eliminating Alberta health care premiums? If they truly wanted to provide to Albertans a reform that would benefit across the board, why would we not have considered eliminating the health care premiums? I think it's a logical question, and I'd invite the government members to stand up and give me an answer to that question. To me that's far more fair, far more equitable, and in essence has the ability to touch people of all walks of life and of all professions. But that is not before us in the form of legislation this evening. Regrettably, that's not the case. We find ourselves in a difficult position.

One of the other questions that I have asked myself with the elimination of the surtax is: what options really exist for the government when revenues fall? Well, given the Deficit Elimination Act and the Fiscal Responsibility Act and now the elimination of the

surtax, really the only option the government has is to cut programs. Am I wrong? [interjection] Well, I would invite the hon. member across the way to tell me what the other options are. I don't see any. Perhaps they might be contemplating at some future stage the introduction of a sales tax as something the Conservatives want to support. I mean, really, where are they taking us with this proposed elimination?

We've seen a lot of reforms instituted over the course of the last few years, Madam Speaker. It seems to me that the alternatives for future governments in this province are getting less and less, and that's a concern. I have tremendous faith, given all the interjections this evening, that there are government members on the other side that are really chomping at the bit, if you will, to get up and answer some of these questions and to provide a comprehensive analysis of the impact this will have on revenue and how they propose to compensate for that. I will look forward very much to seeing those things.

Just as I conclude, Madam Speaker, I must mention again the fact that the Auditor General has said in his report this year that almost every ministry has underaccounted the cost of doing business in their ministry; in essence, the fudging of numbers. [interjection] I can refer the hon. Minister of Justice exactly to the pages in the Auditor General's report where he makes those – in fact, I referred to them in earlier stages of the debates on bills 18 and 19. If this government is in fact fudging the financial cost of doing business, how am I as an elected representative in a position to truly be able to know what revenue is required in order to provide comprehensive programs? That is my dilemma.

Thank you, Madam Speaker.

THE ACTING SPEAKER: The hon. Government House Leader.

MR. HANCOCK: Thank you, Madam Speaker. Just a few words on Bill 19. I've spoken on Bill 19 before and just wanted to get on the record again by indicating that while a number of members of the opposition seem to be concerned about the plan, there has been a very clearly enunciated plan over time. That plan involves leaving some Albertans' money in their own pockets, a very essential part of the plan. As the economy of this great province improves and grows and as we find that the economic situation of this province is the best in the country and as people have some certainty about their job situation and look forward with confidence to the future, one of the elements of the government's plan is to make sure that they get to keep some of the rewards, some of the profits of their own labours. So the reduction of taxes is an important part of an overall plan.

Yes, we have to fund those essential public services of health care and education, and we have to fund them at appropriate levels, and we're doing that. Yes, we have to build infrastructure, because as the economy of this province grows, more and more people come to this province, and the population growth, the business growth require more infrastructure. So we have to build schools, and we have to build hospitals, and we have to build roads, and there's a plan for that.

But part of the plan is to leave some of Albertans' money in their own pockets, and they deserve it. After all the years of fighting that deficit, they deserve to have a break. Removing the surtax is a good first step this year and, companioned with Bill 18, changing the process next year so that every Albertan will have the benefit of a strong tax break and will be able to participate in the rewards offered by a strong economy with strong jobs. So that's very, very important.

The Member for Edmonton-Riverview strayed off onto the Auditor General's report and started talking about fudging numbers.

Of course, she's absolutely erroneous in that. There's been no question of fudging numbers. There's obvious disagreement in terms of how you account, but what she's talking about is that Infrastructure accounts for the accommodation provided to most departments of government, rather than it being accounted for in the books of the government. It is being accounted for. It's being accounted for to the public. It's being accounted for in Infrastructure and not necessarily in the departments. That's the ongoing discussion that is being had with the Auditor General in that respect. [interjections] Edmonton-Riverview seems to not realize that her time is up, Madam Speaker, and her time is indeed up. Rather than belabour some of these points, because she's clearly not listening, I would move that pursuant to Standing Order 47 the question now be put.

8:30

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

MR. DICKSON: Thank you very much, Madam Speaker. You know, listening to the Government House Leader make his observations, I'm starting to feel a little nostalgic. We're now at the tail end of the spring session of 2000.

AN HON. MEMBER: No. No, we're not.

MR. DICKSON: Well, there may be some that are planning on staying longer, but the writing is on the wall and we start to wind down. Somehow as we wander off to our summer retreats and our backyards and pick up those things like barbecuing and lawn mowing, some of us may miss the advice we get from across the hall. You know, it's just not the same thing, having somebody in your family offering advice, as it is to hear commentary from the members opposite. I'm already starting to grieve that a little bit. So let me dry my eyes and soldier on to make the following observations.

As we start to see the end of an old friend – and that's really what Bill 19 has been – a couple of observations. There's been a lot of talk about, you know, too much talk on this bill. Of course we heard just a moment ago the Government House Leader, even before we've heard very much commentary at third reading – I've got lots of colleagues that have come tonight prepared to speak to third reading and looking forward to it. Some of them may want to move considered amendments. That opportunity is being foreclosed now by the action of the minister of justice.

How much time have we spent on this bill? By my calculation the Liberal opposition for about four hours of debate has raised questions about the sequencing of the elimination of the 8 percent high-income surtax, why that would happen before the .5 percent flat tax would come off, I think pretty good questions.

I've heard no opposition members quibble about the housecleaning elements of Bill 19. I think there's darn near unanimity in terms of the need to change the reference to the renter's assistance tax credit, and certainly the repeal of the reference to the liability of corporations for Alberta income tax is appropriate, and removing reference to corporations in the calculation of foreign tax credit: those are things that to the best of my hearing the opposition has supported. Our focus has been on the inappropriateness of giving a break to high-income earners before you give it to low-income earners when the Premier and the former Provincial Treasurer told us the low-income earners were going to be first. When my MLA for Calgary-North West the other day made his presentation, he talked at page 1,744 of *Hansard* – this has been a long session, Madam Speaker. Imagine; almost 1,750 pages of pearls of wisdom that have been presented in the Assembly night after night.

AN HON. MEMBER: Not exactly.

MR. DICKSON: Well, I guess it's in the eye of the beholder, member.

My MLA for Calgary-North West was talking about honouring "the obligation and promise that was made in previous years that this surtax would be eliminated." Well, I'm all for honouring promises, but I'm also concerned about the promise made by the Premier in July of 1999, the promise made by the Provincial Treasurer in 1999. Those promises have not been honoured. If they had, we wouldn't be dealing with the elimination of the high-income surtax first.

In any event, in terms of debate we've had four hours of debate on this bill by the Liberal opposition, plus or minus, and some of the government members to their credit – I mentioned Calgary-North West – have gotten up and shared some elements of debate. We've had about three-quarters of an hour from government members. I guess I'd just say: is there anybody that thinks that's excessive? We could poll people this evening – well, Madam Speaker, you wouldn't want us to do that, but maybe we could do it sort of figuratively if not literally – whether people really think that four and three-quarter hours is too much debate. So I want to raise that concern.

Now, the other thing is that I've had some good advice in preparing for debate on this bill. I posted a question on my web site on May 18, [www.garydickson.ab.ca](http://www.garydickson.ab.ca), and I asked my constituents whether they support (a) "a progressive tax system with high income earners paying at a higher rate" or (b) "a flat tax system with all taxpayers paying at the same rate regardless of income." Do you know what's interesting? The result: 63 percent supported a progressive tax system and 38 percent supported the flat tax system propounded by the government. Do you know what's interesting? That was 324 visits to the web site between May 18 and May 23.

Now, I suspect they weren't all Calgary-Buffalo residents. I suspect some of them may be in Calgary-Lougheed or perhaps Calgary-Foothills or Calgary-Nose Creek. Some of those people may live there. You don't know exactly where people are from when they visit your web site. It's interesting that 63 percent of those 324 presumably Albertans registered that they support a progressive tax system. So that was, I thought, powerful instruction at least to me to find some way of reflecting that in debate.

Here we are at third reading on a bill which is part of a package. I make the observation Edmonton-Riverview just did a few minutes ago, that the government had alternatives in terms of if you want to do good fiscal planning, why wouldn't you go with the Liberal idea of establishing a stabilization fund so that in years when oil and gas revenues are high, there would be an accrual of dollars? Then when times are leaner, there would be a means of flattening out and mitigating some of the volatility on our income side. I'm not sure that I've ever heard a good reason why the government has never accepted that Liberal suggestion.

We've made a suggestion in terms of eliminating health care insurance premiums. You want to give a \$700 million break to Albertans? You know, that's a very effective way of doing it in a way that's going to help people in low-income and middle-income situations. But the government hasn't done that. They've decided to do this. So I do have that concern in terms of the sequencing.

You know, I regret that the Government House Leader has taken steps to close off debate yet again. Every time, it seems to me, the Government House Leader protests that he doesn't like doing it, yet he has developed a wicked habit of simply cutting off debate. You know, I don't think the Government House Leader wants that to be his legacy in this place when he's done a lot of other positive things. [interjection] Miscellaneous statutes: how would we have that without the work of the minister?

In any event, I think I've made the other points on numerous occasions, and I suppose I'll be listening carefully to probably protracted debate.

The one other comment I might make for constituents who may wonder why I would consider supporting Bill 19 even with my objections and concerns and my position in terms of Bill 18 is that I'm very concerned with the issue of sufficiency of dollars for our core programs. It seems to me that all this business in terms of tax cuts has to be very clearly predicated on having surplus dollars.

8:40

The other point – and I make this as a question to anybody in government that can provide me with an answer. The other day the former Provincial Treasurer, and I guess we can call him that, said in front of a national audience several times that he thinks people attending private schools are in some fashion – this is a kind of double taxation, and he thinks tax dollars should go to pay for all private schooling. You know, you have to ask: if Bill 19 and Bill 18 go through, where the heck is the money coming from?

If that's a view that's shared by government members – and I can't fairly present it as such, but here is a man who had the trust of the Premier. He was made Treasurer, and he presumably has the continuing trust of all those members who have rushed out to buy Alliance memberships and are zipping down to Ottawa to attend conventions and supporting the cause there. It's a pretty scary prospect that we would see full funding of religious schools. It's just a breathtaking kind of statement. Presumably he thought about it before he said it, so I have to speculate that if he's unsuccessful in the federal arena and he comes back to this place . . .

THE ACTING SPEAKER: The hon. Minister of Gaming on a point of order.

#### Point of Order

#### Questioning a Member

MR. SMITH: Thanks very much, Madam Speaker. Under *Beauchesne* 333. The member is sounding so completely aghast at the concept of funding private schools fully, and I'd like to ask him if he is in fact opposed to the funding of private schools.

THE ACTING SPEAKER: He'd like to ask the hon. member a question. Will you entertain a question?

#### Debate Continued

MR. DICKSON: I would never refuse a question in debate. I am absolutely opposed to full taxpayer funding of private schools. I've always been opposed, long before I became an MLA, and as long as I'm a taxpayer, I'm opposed. The reasons are many. Public schools are something that all of us in the community have a stake in, and that's the absolute best forum where we teach young people how to get along. That's in fact the currency of a civil society, of a democratic society. The kind of balkanization, fragmentation that would result from full funding of private schools would take us a huge way backwards.

Surely the Minister of Gaming knows that we're currently the only province in Canada that provides the high level of support that we do. So I oppose the report of your caucus committee, chaired by the Member for Calgary-Glenmore, and will continue to oppose it. What's more, I'll put that up on my web site when the House ends. That's a good question. I'm going to invite the people in Calgary-Varsity to tune in and tell me what they think, because the people I talk to there are as opposed to full government funding for private schools as I am.

So those are the comments I wanted to make. I'm looking forward to what I expect will be a long evening of vigorous debate, and we'll see what other commentary is offered.

Thank you very much, Madam Speaker.

THE ACTING SPEAKER: Hon. member, the chair was just going to interject a few minutes ago and ask if we could come back to what's before the Assembly, and that's Bill 19, which is the Alberta Income Tax Amendment Act.

Hon. Minister of Gaming, do you wish to conclude debate on behalf of the hon. Acting Treasurer?

MR. SMITH: Thank you, Madam Speaker. I can only say that it's actually another flagship day in Alberta. There have been so many of these since June 15, 1993, and I think this ability to be able to deliver to taxpayers a substantial savings in the tax roles which then increases disposable income – certainly from the perspective of my portfolio when I look at the Calgary Flames and the Edmonton Oilers, professional franchises that are struggling, with \$1.3 billion more in the disposal income, Madam Speaker, through the passage of Bill 19 and Bill 18, then perhaps Albertans can make choices through the individual use of those dollars that they will have at their disposal, and that in turn can help stimulate the economy to even greater levels of economic development, job creation, and a real sign of government that delivers maximum value for the dollars received.

So with those very few and short and concise closing remarks, it's been a privilege to be able to stand on bills that save taxpayers money.

[Motion carried; Bill 19 read a third time]

head: Government Bills and Orders

head: Committee of the Whole

(continued)

[Mrs. Gordon in the chair]

THE DEPUTY CHAIRMAN: I'll call the committee to order, and I'll call upon the Government House Leader.

#### Bill 18

#### Alberta Personal Income Tax Act

21. Mr. Hancock moved:

Be it resolved that further consideration of any or all of the resolutions, clauses, sections, or titles of Bill 18, Alberta Personal Income Tax Act, 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 8:47 p.m.]

[Ten minutes having elapsed, the committee divided]

[Mrs. Gordon in the chair]

For the motion:

Boutilier

Hancock

Marz

Broda

Herard

McFarland

Cardinal

Johnson

Nelson

Clegg

Jonson

Pham

Coutts

Klapstein

Renner

Dunford

Laing

Severtson

Evans	Langevin	Smith
Fischer	Lougheed	Stelmach
Fritz	Mar	Tarchuk
Graham		
Against the motion:		
Blakeman	Massey	Sloan
Dickson	Nicol	Wickman
Totals:	For – 28	Against – 6

[Government Motion 21 carried]

9:00

THE DEPUTY CHAIRMAN: We will now resume debate on the amendment in committee.

The hon. Member for Edmonton-Rutherford.

MR. WICKMAN: Thank you, Madam Chairman. I sort of want to take off from where I left the other day. I was trying to make the point at that particular time what welcome news it is, in terms of having a tax cut. All Albertans welcome a tax cut. Well, most Albertans. [interjection] No. You're right. I'm correcting myself. There are some.

The Member for Edmonton-Riverview raises a valid point, because in my constituency I would find some people, too, that would say, "Well, we're prepared to bypass, to forgo a tax cut provided we're assured that those dollars will go to beef up the health care system, beef up the educational system, and beef up social service programs and such." But assuming that I'm now speaking on behalf of my constituents that do welcome a tax cut, they welcome a tax cut, but they welcome a tax cut from the point of view of having a tax cut that is fair, that is based on fairness.

I was trying to point out the other day that we have a situation where now, with the passage of Bill 19, we sort of have a double whammy in terms of the greatest benefit being to those people that make the greatest amounts of money. I want to give some examples. I had just started to give some examples the other night when my time ran out.

Let's say the lower income. We all concede right off the bat that there is a benefit to them. It's a welcome benefit to them, and I truly, truly welcome that benefit because they're the ones that really deserve it. But let's go up from there.

Let's start at a level of \$35,000. With a taxable income of \$35,000 we would see a reduction in the provincial tax under the 10.5 percent Klein flat tax, and in the year 2004 we would see a savings of \$248.78, which percentage-wise amounts to 10 percent.

Now, if we look at \$60,000, we see a savings of \$755.34, which is the same as a 13.4 percent reduction, so it becomes consistent already that you notice those figures going up.

When we go to \$80,000, there's a savings of \$1,511.50, or a reduction of 17.8 percent. In other words, the reduction certainly is greater, but at the same time the corresponding percentage in terms of the reduction becomes very, very noticeable.

Let's look at \$100,000. At \$100,000 the savings is \$2,267.52, or a reduction of 20 percent in provincial tax.

We go to \$150,000 and it becomes \$4,158.06, or 22.5 percent.

We then go to \$200,000. Note this figure. The reduction becomes \$12,450.47, or a reduction percentage-wise of 38.9 percent.

The highest example I'm going to give you is a quarter million dollars, and we do have a substantial number of people in this province that have a taxable income of a quarter million dollars. Now, these figures are going to show in the provincial tax in the year

2004 under the 10.5 percent scheme – and this isn't counting the little additional benefits under Bill 19 a person would receive – a savings of \$19,093.57, or 43.5 percentage-wise in terms of a reduction.

So I've taken it from a taxable income of \$35,000 with a reduction of 10 percent to a quarter million dollars with a reduction of 43.5 percent. That clearly illustrates where the government priority is in terms of tax reduction and which income levels of people they are attempting to cater to. And that's been the point, Madam Chairman, that this caucus has attempted to make all along, right from the very start. We understand the pressures the government faces in terms of a tax reduction. We've tried to argue that the tax reduction is one thing, but the fairness of the tax reduction becomes another thing.

The government likes to throw that spin out there that everybody gets a cut; everybody gets a tax cut. Certainly everybody gets a tax cut, but would you prefer a tax cut of 10 percent as opposed to 43.5 percent? Wouldn't we all love to see a tax reduction of 43.5 percent in our provincial income tax by the year 2004? I'm certain we would, and I have to stress again that that is the argument we've been making and that's the reason we've been consistently opposing Bill 18 and why we under no circumstances can find Bill 18 acceptable in its present form. Now, there are amendments that are forthcoming, when our Member for Edmonton-Glenora gets here, that will make Bill 18 a passable bill, an acceptable bill, a bill that most Albertans, those Albertans that do want to see a bit of a tax cut, would then rejoice about.

Okay. I've presented the arguments on the question of the inequality or the unfairness – let's put it that way – of the spread in the benefits of the tax cut. I want to now take us to some of the other provinces, and let's look at what's happening in some of the other provinces in terms of the basic principle of taxation done on a progressive basis. It's a basic principle: taxation on a progressive basis. Look at B.C. You have a zero to \$30,000 income; you have a tax rate of 8.4 percent on the income. Over \$85,000, when you go to that extreme, you're at 19.7 percent. So you see that it's roughly 240 percent higher percentage-wise in that particular category than for somebody making \$30,000 a year.

Now, the member on the other side here, the hon. minister, is giving me those little comments that B.C. is not the appropriate government to go to because of course it is a New Democrat government, and I can understand that from her point of view she may feel that's a very, very unfair comparison.

So let me go to Ontario. Ontario is the opposite, of course, of a provincial government governed by a New Democratic Party. They're a party governed by the Conservatives, very much like the government here in the province of Alberta. But even in the province of Ontario in their wisdom, compared to the province of Alberta, their tax structure for up to \$30,000 a year is 6.2 percent. That's 6.2 percent. From \$30,000 to \$60,000 it's 9.24 percent, and at \$60,000 and over it's 11.16 percent. So there again we're seeing close to a 200 percent difference in terms of the percentage; in other words, a doubling. Because you're making \$60,000 as opposed to \$30,000, your percentage rate of taxation is doubled. That is a progressive tax, and that's a government that prides themselves on being Progressive Conservatives, like the government of Alberta, yet the government of Alberta chooses not to go for a progressive type of taxation.

We can look at New Brunswick. Again a similar scenario. In New Brunswick, if I recall correctly, we have a young fellow there governing that province by the name of Lord, a very young fellow, a Conservative. There we see a progressive rate going from \$30,000 at 10.2 percent to over \$59,180 at 17.4 percent. Again, pretty close to double that percentage rate.

I can look at Saskatchewan: the same thing. I can look at Manitoba: the same thing. The one that sticks out like a sore thumb is Alberta, which will then read: all income classes at 10.5 percent. So you see that the provincial government here is going totally against the grain from what all other provinces have done. Why have they chosen to provide such a substantial benefit to fewer than 25 percent of the population at the expense of 75 percent? I don't understand that.

9:10

The Member for Edmonton-Riverview made some good points here about door-knocking and how not everybody favours a tax cut. The government, of course, likes to talk about their great tax cut and what they've achieved, but let's also look at some figures here. On growth in taxes under the premiership of the current Premier and — well, you can't say the Acting Provincial Treasurer because he's only been acting for a period of time. But let's just say that under this particular government we see here — now, this is between '92-93 and the current year; in other words, in that period of time that the current Premier has been leading the Conservative Party.

Here we're going to see tax increases. Increases from user fees and charges amount to \$26 million. The increase in the health care premiums amounts to \$248 million. The personal income tax, the bracket creep in that cumulative period of time amounts to \$2.044 billion. The education property tax increase is \$42 million. The Alberta .5 percent flat rate tax creep is \$95 million, and the 8 percent surtax creep, which of course is being eliminated, is \$79 million. So in that period of time of eight years we have seen total increases of \$2.534 billion in revenue through taxation, whether you call it a user fee or direct taxation or an education tax or a health care premium or whatever. That's a little over 2 and a quarter billion dollars.

Now we look at tax cuts. The reduction in the personal income tax rate, when one does their income tax return, from 45.5 percent to 44 percent has netted a reduction or a cut of \$123 million. The Alberta family employment tax credit: a benefit of \$78 million. The provincial property tax on residential and farm property: \$87 million. The provincial property tax on business properties: \$50 million. The machinery and equipment tax: \$178 million. Aviation fuel tax: \$29 million. Railway fuel tax: \$13 million. The elimination of the 8 percent surtax will amount to \$162 million, and then elimination of the .5 percent flat rate tax, when that takes place next year, will be \$325 million. The move to the flat rate tax is another \$300 million. That's a total cut of \$1.345 billion, or a real tax increase of \$1.189 billion over that period of time. So it's a fallacy to feel that Albertans have more dollars in their pockets, talking on a global or cumulative basis including the total population.

Looking at a study here that was done by Brad Severin, BDO Dunwoody, using the 10.5 percent flat tax as compared to the federal system — this is now talking in the immediate; this isn't the year 2004 — it points out that at \$15,000 you have a savings of \$430. The optimum disadvantage — let's put it that way — is at \$30,424; your tax saving is \$41.48. At \$100,000 your tax saving is \$1,292.45. Now, this is not done by the caucus research staff. This is done by a very, very credible chartered accounting firm, and it points out very clearly that the middle income, at that \$30,000 level, gets the very, very least benefit. So the government is correct when the government says that everybody gets a tax cut. Certainly everybody gets a tax cut, but under this flat tax proposal it's clear from the documentation and from the studies that have been done that the benefit is going to favour those who have the higher incomes.

Now, we look at the proposals that have been tabled in the House here that we saw the Member for Edmonton-Glenora table the other day and which hopefully will be given the opportunity to be

introduced as amendments. We're dealing now with the current amendments, of course: the reduction of the 11 percent to 10.5 percent and the increase in the personal exemption to \$12,900. Under the proposal put forward by the Member for Edmonton-Glenora, we're going to see a progressive tax reduction program, and it's going to be delinked from the federal government. I believe most members, if not all members, in the House do believe in delinking.

The current Acting Treasurer has taken objection to some of the figures and questioned the calculations of the Liberal opposition. We're not saying that this thing is carved in stone the way it is. We recognize being in opposition that we can't implement it. We can just hope that the government has the wisdom to take the good ideas that come from this side of the House and incorporate them in proper form in a piece of legislation, but this is just to sort of present a model.

The model, of course, is what we call a progressive tax reduction program, where we see taxpayers earning up to a certain level paying zero percent provincial income tax. That's consistent with what the provincial government is proposing because of the increase in the personal exemption and such. Up to a certain level, \$13,600 roughly, there will be no provincial tax payable. I guess all members of the House here sort of nod their heads in agreement that that part of it is acceptable, even to those that earn a lot of money. They say: well, the people at the lower end of it do deserve a break. So that's a break that I think we can all applaud.

We then go to the next category that would take it up to just under \$100,000 and see a percentage of 10 percent and then those earning over \$100,000 paying 12 percent. Even at those particular rates of 10 and 12 percent there are still substantial savings and substantial reductions to those people that do make over \$100,000 a year. What it does, because of the 2 percent additional amount in the percentage basis over those in the middle, is it allows some of those savings or reductions that otherwise would be shifted from the higher income to the middle class, and it would present, I think, a much, much more fair picture. Albertans would say, "This is great that the government is recognizing that those of us in the middle income have been hit over the years" and seem to be constantly hit.

For middle-income earners their income is high enough that they don't qualify for programs that may be out there. Seniors that may be middle income, because of their income, no longer get the universal benefits provincially that they once used to get. So clearly in recent years we have seen the direction taken where more and more of the burden is placed on the middle income, and we see the lower income, and rightfully so, see more and more programs coming their way, like the employment tax. That's fine, but there are still a lot of areas that should be beefed up as well for people in those income levels.

Again, then, we see that those that have the higher incomes have the advantage of being able to take advantage of tax shelters, are able to set up corporations, businesses where income can be split with spouses and such. In other words, they're in a position where they can afford to hire the expertise, the most knowledgeable as to how to minimize or reduce your tax that you'd otherwise find that one has to pay, that's payable against yourself. We've all heard the stories of people making \$100,000, \$200,000, or a quarter million dollars a year that haven't had to pay income tax because they've been able to utilize write-offs by hiring the necessary expertise. That's the higher income category of people, Madam Chairman, that Bill 18, along with Bill 19 of course, is going to favour. That's where I have the real, real difficulty with it.

I don't really question the motives of the former Treasurer, because I'm not really sure when he had sort of made up his mind

that he was going to head off to greener pastures. But it's sort of ironic, I guess – maybe one could call it a coincidence in timing – that under his ministry as the Provincial Treasurer that the talk of the various types of tax reductions started to come forward, like the reduction in the gas tax, the \$100 rebate, this and this and this, and then finally settling on what we call the flat tax.

9:20

It is so similar from what I can understand – and I can't say that I'm an expert on the policies of the former Reform Party, which is now called the Alliance Party, but it's a bit of a coincidence that we see the philosophy of that particular party, from what I can gather, being very, very similar to what the Provincial Treasurer was proposing in this House at that particular time and managed to convince his colleagues to go ahead with even though he'd no longer be here.

On that note I'll conclude then, Madam Chairman. Thank you.

THE DEPUTY CHAIRMAN: The hon. Member for Calgary-Montrose.

MR. PHAM: Thank you, Madam Chairman. It is a pleasure for me to join the debate on the amendment to Bill 18 that is in front of us. This amendment is a very simple amendment. It proposes to reduce the flat tax rate from 11 percent to 10.5 percent and to also bring in the flat tax so that all Albertans can benefit from it.

Let me begin by saying that the flat tax system that we're bringing in already builds in protection for the poor and the people who have low incomes. We have already raised the personal exemption to the point where thousands of Albertans who are paying tax today will not have to pay provincial tax anymore, 190,000 people to be exact.

Not only that, Madam Chairman; I have heard so many arguments today coming from the opposition about the need to tax the wealthy, the rich people. This is the same argument that I have heard from many Communist countries before. The socialist point of view, you know, always assumes that somehow by destroying the rich, the wealthy, the most hardworking individuals in our society, we can achieve equality, and that's the wrong way to achieve equality.

You have two ways of achieving equality. One is to bring all the people up and try to give them the opportunity to become the best that they can be. The other way is to drag everybody down through the mud and make sure everybody suffers equally. I come from a society where it was a crime to work hard, where it was a crime to build something for your family and for yourself, and the people that are speaking on the opposition side do not know how lucky they are, because they never had to go through that. To see this kind of social engineering, to see this kind of idealism sneaking into this Legislature and becoming, you know, something that we are trying to achieve, I think, is incredible.

On the other hand, looking back on the situation like we have here in Canada, a lot of people have complained lately about a brain drain that's happening to Canada. Many of our brightest, most intelligent, most capable people are going down south, because the tax system down there is more competitive. That is the reality, and if we are losing these people, very soon we will lose the competitive edge of our technology, of our industry, and then there goes the high lifestyle that we enjoy today.

Somehow people think that the rich people or the hardworking people will just roll over and play dead when you impose taxes that unfairly penalize them for working hard. I'll tell you that those people will move, and very soon we will be left with industry that doesn't have the kind of competent people to run it, and that's why I don't know why we attack or try to bring some kind of aggressive

tax on the people who are hardworking individuals, who are trying to build something for themselves and their families.

Let me set the facts straight. This proposal will cut the total amount of taxable money by over \$1 billion. That money will be left in the pockets of Albertans, and that's the kind of money that people can do a lot of things with. They can build their house. They can save for their children's education. All of those nice things can happen tomorrow. It can happen starting January 1, but these people are standing between the people and that tax cut of over a billion dollars.

No matter how you spin it, I don't think their constituents are going to be very happy about it. Why? Because this is the first opportunity that this government is able to bring a real meaningful tax cut to the people, and what do the opposition say? The first thing they do is try to stop us from doing that. Sometimes I think the opposition ends up in a difficult position. They have to criticize everything the government does, but I cannot see how they can win when they fight the government's attempt to reduce the tax burden on Albertans. I really encourage all of you to take a hard look at the proposal that we have in front of us and vote for your constituents, vote for the kind of tax break that your constituents have been asking for for many years.

Also, some of the opposition members say that the motive of this government is to reward the rich friends that we have. How do you define rich? Is a family making \$100,000 rich? Is that a rich family by your definition?

My daughter just turned one year old, and I intend to do everything I can to make sure that she obtains a university education. I will do everything I can to ensure that she has a bright future in front of her. Those people over there somehow think that is a crime, that when people work hard and when people improve themselves and are able to get a good education, they should be penalized. I don't think so. [interjection]

I see the Member for Edmonton-Riverview is trying to debate from her chair. You know, with this kind of philosophy I'm not surprised at all that when you ran for the leadership of the opposition, you could only bring out less than 600 people in the entire province to vote for you. You know, that was a shame. I brought out 985 to vote for me just in the nomination in my riding. Okay? You had the entire province to play with, and then you brought out less than 600 people. I'm not surprised at all, Madam Chairman.

The people of Alberta are very intelligent. They are capable of telling black from white, and no matter how you spin it, you are dragging your feet on meaningful tax reform. Not only can the average Albertan see the logic, but this is the kind of tax system that encourages people to strive for the best that they can, to achieve the dreams that they want to achieve.

For people to say, "Wow, the middle-income people are the people who are paying the price for this proposal" is totally wrong. This proposal that we have also gives the family with one income earner the choice. It equalizes the playing field. It allows the people to make the choice of whether they want to have a double income or a single income, and that's very meaningful. That is very significant, because we are living in a society where the government has been intruding enough in people's lives, and it's time we give the people that choice, the choice that they can make for themselves and their families.

Now, going to the middle-income family, I challenge anybody over there who can present a calculation that those sort of people are worse off under our proposal today compared to the way we used to do it. It is very, very simple. The Premier already made the commitment in this House that we are committed to making sure that Alberta's tax system remains the lowest in Canada. There's nothing



that can be more simple and nothing that can be more straightforward than that, and that's a very, very honourable commitment, and this proposal is doing exactly that.

9:30

Now, we are given a choice. We can stay here and listen to the opposition and debate this thing until midnight and maybe come back tomorrow and come back next week and waste thousands and thousands of dollars of taxpayers' money. Or we can say: let's vote for a tax system that does not penalize hardworking people, a tax system that inspires Albertans to strive for their best, a tax system that will stop the brain drain to the U.S., a tax system that will bring back hope, a tax system that will give our children a fighting chance in an increasingly competitive global market. Then vote for this amendment. Vote for this bill, because that's the right thing to do.

People are asking: how do I know this? Well, you can look at Alberta. For the last seven years, despite the opposition trying to paint a negative picture of this province, we didn't attract many people moving from the U.S. to Canada, but within Canada you can see a net flow of people coming from all parts of Canada to Alberta. Every year we attract hundreds of thousands more people from all over the country to Alberta.

Why is it? You know, the first thing that comes to mind when you ask those people is that they think Alberta has the best environment in terms of taxation. We have the lowest taxes in the country, and young people can find jobs here in Alberta. Businesses want to move to Alberta because they can set up shop, and they don't have to pay the heavy tax that they have to pay in other jurisdictions. With jobs to attract young people, you will attract the educated people to come to Alberta to raise families, to have children, and just to enjoy our province.

#### **Chairman's Ruling Relevance**

THE DEPUTY CHAIRMAN: Hon. member, the chair is just going to interrupt a minute. We're in committee stage, and we do have an amendment before the house. It is deemed A1. The first part amends from 11 percent to 10.5 percent. The next part of the amendment deals with the \$11,620 to \$12,900. Can we talk a little bit about this?

MR. PHAM: Madam Chairman, I'm right on top of it. I'm trying to explain to the opposition why these amendments are so important, why we have to reduce it from 11 percent to 10.5 percent. Somehow I keep hearing them oppose this amendment. This is so frustrating to me, because I cannot figure out why. Maybe after my speech tonight, they can change their minds. I am hoping. I'm counting on that.

I understand that it may be frustrating to you because you agree with me, but some of the opposition members do not. So give me some time, and maybe I can convince them to vote for this thing before midnight. You never know.

#### **Debate Continued**

MR. PHAM: Anyway, coming back to this amendment. You can see that it was very, very clear. It is an honest attempt. It is the reward that all Albertans have been waiting for for the past seven years. Since we were elected in 1993, we have asked Albertans to make a lot of sacrifices. We have done a lot to control our spending, and we got our financial house in order. Now is the time to allow Albertans to enjoy some of the benefits that we have all worked together to achieve.

So don't stand in the way of progress. Don't stand in the way of

a massive tax cut for Albertans. Vote for this bill. Vote for the future of all our children.

Thank you.

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

DR. NICOL: Madam Chairman, thank you very much. It's a real pleasure to get up this evening again to speak to the issues of what constitutes fair taxation and what constitutes an appropriate level of taxation.

We're looking at an amendment to Bill 18 that's going to effectively try to redistribute the benefits of the tax breaks that are given from Bill 18 to fit in with the promises made by the Premier prior to the federal budget. So they're now going to change the exemption rate and the base level of taxation from 11 percent to 10.5 percent so they can continue to carry through with the commitment that under their structural change in taxation, they're going to be able to offer every Albertan a reduction in tax.

Madam Chairman, we keep hearing references to what constitutes fair, what constitutes the idea of a competitive tax structure. We heard the previous speaker talk about progressive taxes being a disincentive. One of the most interesting things that has happened today was the Acting Provincial Treasurer's tabling in the procedure early in the afternoon. He tabled a document that was a news article carried through whatever INF is and put into the *Edmonton Journal*. What it is is a commentary by Nobel prize winning economist Robert Mundell where he's talking about the relative effects of taxation and the income distribution effects of taxation.

At that time the Acting Provincial Treasurer made a comment that Dr. Mundell thinks the flat tax rates are a very good idea. Well, Madam Chairman, that, in essence, when you read the document and read what he's saying, basically is the end point in his argument. If you read the biography of Dr. Mundell – I will as an economist recognize Dr. Mundell also as a very knowledgeable person, a person who deserved the Nobel prize that he won. He's probably one of the fathers of the open economy on a worldwide basis that we're moving to.

His whole premise is based around the idea that in order to have a functioning open economy you have to have four different components. The first of them is the idea of perfect capital mobility. Okay. That I think we have now basically achieved with a lot of our international trade agreements. Very few people really consider that to be advantageous to Alberta, because we are a resource-rich province where those resources in their primary state are not mobile. We have to create the environment that will provide investors with the incentive to put their dollars here in Alberta, develop those resources here in Alberta, and export final product.

The second component of that Mundell model that he's talking about when he was relating to this competitive position is the idea that we have to have floating exchange rates. This, in essence, controls the movement of money and the relative pricing of money when we do our investments between different countries.

The next part of his model, which, Madam Chairman, is probably the least well developed to date in our open economy initiatives, is labour mobility. We already have a very serious problem even within countries to promote and to encourage labour mobility to fit the type of model that Dr. Mundell proposed.

The final component of his model is the fact that we have to also have the ability for our resources to move so that our goods and factors can be available where the production combination can be best put together.

So the idea, then, is we look at this model that Dr. Mundell has

put together – it has been on numerous different occasions referred to as the Mundell-Fleming model for open economies. What it basically boils down to is that it is based on the concept of relative advantage and the marginal theories of economics.

What we heard previously from the member opposite, from Calgary-Montrose I think it was – he was talking about a system of economics and a system of decision-making that is totally based on average calculations. Madam Chairman, that kind of economic analysis and that kind of economic thought died in the 1800s. The concepts of marginal decision-making are the standard concepts of economic theory now, and we have to look at it in the context of how Dr. Mundell talks about the single tax, the appropriate tax rate, and the advantages of the lowered level of progressivity, and that's how he talks about this report as he gets further into it.

9:40

Almost everybody starts off their presentations with kind of the end point in their discussion, and then they build up to it. Well, in this article Dr. Mundell is quoted as saying that

a progressive tax system is put on for redistributing income from rich people to poor people and if you go too far in that direction, you chase the rich . . . out.

Everybody recognizes that. Individuals look at their ability to earn an income based on their social decision-making and their ability to earn an income. Family, environment, opportunity create a balance, which, when put with your ability to earn an income, makes your choice as to whether or not you're going to move to a different area on the basis of tax rates.

What happens is that further down in his interview, he talks about the real issue being the movement in the direction of less progressivity, not necessarily the establishment of an absolute flat tax rate. His comparison is that in the U.S. the top tax rate used to be 70 percent. Reagan reduced that to about 28 percent. Under Clinton it's now been pushed back up to about 40 percent. He talks about the state taxes then adding as much as 8 percent more to it. So the marginal tax rate in the U.S. at the top level is about 48 percent.

He also then talks about the top federal tax rate in Canada being 30 percent with provincial income taxes adding 15 percent for a 45 percent marginal tax rate. According to Mundell, we already have the most competitive marginal tax rate in North America, and Alberta has a lower than average Canadian tax rate, so we're actually below that.

In essence, we already have all of the advantages that Mundell was talking about in his article. We don't have to go farther, and we do get the advantages that he talks about in this article of the ability to use the tax rate and the tax system to redistribute income to promote social and cultural identity. These are the kinds of things that he's talking about here, and it is inappropriate for the issues that come about when we talk about how to deal with the interpretation of these articles. They have to be dealt with in totality.

Madam Chairman, what we're ending up with here is the issue of who gets the benefit from a tax cut. Bill 18 is promoting a total structural change in tax, and what we've talked about here on a number of occasions is whether or not income, even as reported by Mundell, is effectively a tax on the kind of reward for labour, if you want to put it that way, or whether it's a tax on the total return on your decision-making activities.

Now, if we're going to deal with it from the perspective of the second type of model, where we're looking at the economics of making decisions on our taxation based on that, then we would have to dissociate from the federal government, because we couldn't use the taxable income component that's calculated in that federal government tax form because it doesn't represent the total return of an individual from their participation in that open economy that

Mundell is talking about. He's talking about the ability of an economy to generate income flows and create wealth as the capitalized value of those income flows.

We have to make sure that if we're going to deal with the kind of relative advantage that Dr. Mundell is talking about, we use the same definitions, and to do that, we have to make sure that when we're talking about these kinds of marginal issues, we don't confuse them with the average decision-making criteria that we heard espoused previously. That kind of thing is not the way economic theory is moving. It's not consistent discussion with the open economic systems that I think everybody who now believes in a progressive economy actually supports. It's just a matter of how you define the relative effects and the relative role of government.

We talk also about the idea of: how do we deal with taxation, and what is the role of taxation? In the context of a true open economy government would play a very minimal role in how we deal with the control of and the interference with the economic system. Madam Chairman, we as a society have chosen that not to be the kind of economic system we want. We already have a whole cupboard full of legislation that influences how that economic system works.

We create laws that effectively create a capitalized value. We create laws that prohibit uses. We create laws that in essence create an add-on cost. We create other laws that effectively alter the ownership of and the right to use those kinds of resources. As we get to those, we have to look at how that income that we generate through those tax revenues contributes to our ability to compete in the other legal jurisdictions within that open economy. According to Mundell, the person the Acting Provincial Treasurer said was describing the kind of economic system we should have in this province, we already are at a position where our economic decision factors give Alberta a competitive advantage. We don't have to deal with it from the perspective of moving farther, moving to an absolute, which he defined as a single-rate tax.

The idea that we've also heard discussed on a number of occasions is: well, a single-rate tax is still a progressive tax because you have the initial exemption rate, which we'll now, I think, be establishing at about \$13,560, so that if you're below that, you won't be paying any provincial tax and that as you start to pay more, you gradually have a marginal tax rate that approaches 10 percent. But as we generate more income, we also begin to exclude income from the taxable income calculation on that tax form. So in essence what we're doing is hiding income as we get to a level of income that we don't have to have a report made of that income. What we're doing is having a declining tax rate.

This proposal that we're talking about tonight in this amendment is going to move that declining tax rate farther down in the tax scale so that individuals who are subject to taxation will effectively be given an advantage at a lower level of income, where their tax rate on their total resource earnings will be declining. Effectively what we're saying here is that our tax system is not a tax system on total resource earnings. What it is is a tax system on reportable earnings.

I guess we have to look, then, at whether or not that's the kind of tax system that's valid within the context of our comparative advantage when we deal with the open economy. Well, Madam Chairman, we cannot – and I emphasize cannot – develop a tax system that measures and adds into taxable income all of the nonreportable incomes to create a true flat tax. The administrative cost of that, the amount of Big Brother looking over your shoulder attitude or requirements that would be needed to enforce it, just creates a society that I don't think anybody supports.

In essence what we need to do, then, is build in a proxy system. Many of our economic systems are based on the idea of legislation to create proxy systems in lieu of the marketplace operating. What

we do is create a proxy system to have tax contributions that reflect the hidden incomes of persons with the ability to get a greater resource return. So in essence what we're doing, then, is having a stepped-up tax rate.

9:50

Canada has one of the lowest step-tax rates in the world. I think we're second. The U.S. has two. We have three. Well, if you want to include the zero tax rate at the bottom, we have four. So in essence what we've got, then, is a four-step system. Those steps are probably not set at the appropriate level yet, but that's because we've not had them indexed for the last number of years, and earnings have accelerated and we've ended up with bracket creep.

What we need to do is readjust those brackets in line with an appropriate level of targeted income redistribution and then let them be put in place. I would suggest possibly two brackets plus the zero; no more than three brackets plus the zero. We could probably account for all of the options that are associated with increasing income resource earnings and the ability to contribute and support the kind of society we want through a progressive tax system.

So what we want to do, then, is look at it from the point of view of: is it fair? Is it 11 percent, or is it 10 and a half percent? That is kind of covering up the true aspect of the debate that has to go on when we're changing the fundamental structure of our tax system. We talk about fairness. We talk about the disadvantage to earn. As long as we are in a competitive advantage situation, if our tax system is the lowest, even at the marginal rates, we are the area that has the competitive advantage and we won't have to worry about the brain drain and the exodus and the transfer of high-value labour out of our province.

Those are the kinds of issues that we have to start addressing here instead of some of the debate that we've heard, where we're talking about: well, you don't support a tax break. Everybody deserves to pay the lowest amount of tax possible, and that level is determined by the kind of social programs, the kind of income transfer programs that we as a society collectively decide we want to operate through our legislative process.

We have seen a large number of legislative initiatives come through this House sponsored by the government that would in essence and do create wealth initiatives and wealth concentration factors for persons with certain resources or certain wealth-holding activities. We don't have those same kinds of debates about those in terms of whether or not they're equitable or whether or not they're fair. They are judged in terms of their competitiveness with other jurisdictions, and we have to look at them from the perspective of whether or not our legislation creates, maintains, and supports our competitive advantage. I would suggest that moving to this flat tax at either 11 or 10 and a half percent is a significant overreaction to the concepts that are talked about by Mundell and his colleagues when they talk about the advantages of an open-economy model.

Madam Chairman, I support the open-economy model, but I also support an economic system in our province that has a social conscience. Thank you.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Centre.

MS BLAKEMAN: Thanks very much, Madam Chairman. I'm rising to speak on the amendment – I'm assuming it's called A1 – which is changing it from an 11 percent flat tax to a 10 and a half percent flat tax and raising the personal exemption to \$12,900. It's always interesting following the Member for Lethbridge-East. I always learn something new about economics.

You know, when I look at whether this amendment is going to make a difference as to whether I support Bill 18 or not, I don't think

so, but let me work through some of the issues that have come up for me. Part of my concern is around this government's practice of mushroom economics. I mean, we've heard of trickle-down economics and Reaganomics and voodoo economics. This is mushroom economics, because it seems that everything is developed behind closed doors in the dark, and the support for it is never to see the light of day.

[Mr. Renner in the chair]

I note that the opposition put forward a number of written questions in this spring session asking about the background information or what kind of information was prepared by or for Alberta Treasury on the economic impact, on revenue recovery: all kinds of questions about what was behind the development of this. The answers keep coming back: no information has been prepared by or for Alberta Treasury. Here's another one: no information has been prepared by or for Alberta Treasury on how much of the economic offset or revenue recovery results from various components of the tax plan. There's another one and another one and another one and another one. Yeah, there's about half a dozen of them here.

So every time we asked for information about what would have made them decide on this, there was no answer. I guess it leads me to believe that there was no work done there. When we ask to see their calculations on how they're coming up with all of the stories that are being put forward by the Acting Provincial Treasurer about so-and-so and their lovely family getting such and such of a tax break, those calculations are not forthcoming either. So I think it is mushroom economics.

Now, while this debate has been before the House, I have had the opportunity to listen to people in Edmonton-Centre, and I have to say that very, very few – I think there are two – have been asking, clamoring for a tax break. Most people are pretty frank in saying that they're willing to pay taxes for services. Certainly people's memories here are casting back and going: look, just a few years ago we were asked to tighten our belt and pay surtaxes and cut back on all kinds of things in order to maintain our services. Well, as we know, the services weren't maintained; they were cut. People are saying to me: well, you know, for the \$100 or \$200 I'm going to get back out of this, I'd rather that money was invested into the system, particularly into the health care system. That's the one that comes up the most often.

So people are not asking for a tax break. They are asking for adequate and sustainable funding for education. You know, we're still looking for enough funding dollars for mild and moderate special needs, for example. We only have the high special needs that are funded. And, yes, the cap has been lifted there, but people are still really affected by this, particularly in my constituency, because as it was explained to me, there tends to be a fringe of people. When there are special needs offered, for example, then you get a number of other people that are moving into the neighbourhood to take advantage of that, but they're not covered by the funding.

So, you know, are people saying to me, "Oh, we desperately want a tax break here"? No. They're talking to me about funding for a mild and moderate special need. They're talking about funding for the health care system. Right now we're dealing with a strike with health care workers who are asking for a raise, and the reason they're out on a strike right now is, no, there isn't the money to give it to them. Well, people that are talking to me are saying: we'd rather see that money going into the health care system or into social services.

I have a lot of people with mental health illness in Edmonton-Centre or who are on AISH because of a physical disability. Given the housing allowance rates that are offered under those programs,

it's impossible for them to find a reasonable place to stay, a safe place, a place with some dignity to it. We all hear about the downloading on the municipalities. Well, maybe the money should be going to the municipalities rather than downloading on them. I just don't have people phoning me demanding a tax break. I do have them phoning me and asking when these areas are going to be adequately funded and on a sustainable level. People don't want to be on this trampoline of good times and bad times. In the good times they get a tax break, and in the bad times they get their programs and services taken away.

10:00

People are also asking about the impact on the revenues and the management of the budget in the province. We do have a cyclical economy here. We don't seem to be able to not have it, and everyone else recognizes that. Why is there no discussion of addressing that, of having a cushion in place, or as the opposition has suggested, a stabilization plan or a stabilization fund to carry us through those times when the economy has a downturn?

Certainly one of the things we noticed from having programs cut in a downturn is the impact that has on the infrastructure, on the maintenance. Those are the first things that get cut, that kind of ongoing regular attention being paid. That gets taken away, and then we have a huge problem with roads and buildings and all kinds of infrastructure. Will this amendment, which is cutting the flat tax from 11 percent to 10.5, make any difference on that? No. I still maintain that this is like Robin Hood's evil twin brother. We have robbery from the middle class to pay for the wealthy. That just strikes me as bizarre, but it doesn't seem to strike the hon. members opposite in the same way.

It's interesting. This government isn't motivated by any other small percentage group to bring in special laws. What we're talking about is that the people that are really going to benefit from this are the top 1 to 3 percent of the income earners in Alberta. They're the ones that are really going to benefit from this. But, you know, could we get the government to do legislation on behalf of the 52 percent of the population that are women? No. Could we get the government to bring in legislation for children in poverty? No. But here we have a flat tax scheme being brought in to benefit the top 1 to 2 percent. For no other sector of individuals in Alberta would we have the government willing to go to such lengths to satisfy a very small percentage of people, but that's exactly what's going on here.

The whole concept that I hear discussed, that somehow people who save money on taxes will reinvest it into the economy and this fires up the economy, that the money circulates around – well, I think that's probably true for those in the middle and even lower income. Their money does circulate around; it does stay here. But I don't see that happening for the wealthy elite. Their money doesn't stay here. Certainly the investment of money goes offshore. It doesn't stay in Alberta. It's not invested here. It leaves the province. So that money is not recirculated through this economy.

Even when we look at purchasing, I think the purchasing from that group goes elsewhere. Certainly they're not stampeding around Alberta or using passport Alberta or vacationing at Sylvan Lake. They're taking their vacations well outside of Alberta, so there goes that tourism money. It's not being spent here; it's leaving the province.

You know, they're looking at special purchases. That isn't happening here in Alberta. Those special purchases are being made in other places. Maybe the goods are actually being brought here, and some money might be made through a custom or import tax, but that isn't coming into the province. So I don't see how that argument goes around here. That money is not circulated in Alberta. It's

not spent here; it doesn't stay here. It scoots out of this province as fast as its little legs will carry it.

There's also the argument: well, you know, we need to leave more money in people's pockets. Well, if that were true, then we'd be looking at cutting user fees, which are coming out of everybody's pockets. That would make a real immediate contribution to the change that people had in their pockets. What have we still got here? Eleven hundred or thirteen hundred different user fees, which this government was promising to do away with or at least look at. We haven't heard anything about that. They're pretty fond of their user fees.

Now I hear there's speculation from the Acting Provincial Treasurer about a sales tax. Well, there's another regressive tax that impacts more harshly on the middle and lower income earners and has much less effect on the higher income earners.

How about getting rid of health care premiums? Boy, that would put some cash back in people's pockets. That would be a real meaningful thing to do, but I don't hear any talk about that. Now, there is something that would have benefited a lot of people right across income levels, but no talk about getting rid of health care premiums. No. We want to do a flat tax, which is going to far and away benefit the higher income earners.

Here's another way to look at this: time is money. A lot of people today would far prefer to have the time. So if we had more money being invested in health care or education, then maybe families would have more time because they'd be working fewer bingos to raise money for their school. Or maybe families would have more time because they'd be doing fewer casinos in support of whatever health agency is important to them, or raising money for the northern Alberta children's hospital or the Stollery centre or any of those various charities that you hear are desperately trying to raise money for health research or health purposes in this day and age.

Maybe if some of this investment was going on and these programs were being adequately funded through funds raised through taxes rather than trying to cut them, we'd have people that could spend less of their time selling raffle tickets to pay for their kids to learn leadership and team skills through sports or culture. How about support for the libraries and the museums? So time is also money here, and that's another way that people in Alberta could really be benefiting, but there's no discussion of that.

[Mrs. Gordon in the chair]

One of the things I think about the flat tax is that a true flat tax presumes that no other taxes or credits or deductions are in play. In fact, we pay a lot of different taxes. We pay municipal property taxes, education tax, business or corporate taxes, oil and gas royalties, stumpage fees in forestry. We pay gas taxes. We pay licences, all kinds of them. There are municipal licences, provincial licences, federal licences. All kinds of money is being paid out in licences. We've got import duties and customs. We've got machinery taxes. We've even got environmental taxes, like the bottle deposits and the tire deposits. So it's interesting that they want to bring this scheme in called the flat tax, but they're not getting rid of any of the other taxes that people are paying, and they're now talking about a sales tax on top of everything.

Right from the beginning I've maintained that this Bill 18 and its companion piece, Bill 19, is about a flat tax scheme which really benefits the highest income earners in Alberta, but this has to be sold to the voter base, which is the middle-income people. How does this happen? How do you convince people to accept a new tax scheme, an entirely different tax scheme? Well, I think the first thing you do is call it something else. You don't talk about the fact that it's an

entirely new tax scheme. You talk about it as a tax cut. You just call it something else and keep selling it as something else. The second thing you do is take the poor off the tax rolls so that the government isn't seen as taking advantage of the poor and really slamming them.

The third thing you do is set the tax rate low enough so there is an initial tax cut. It's like a loss leader in the store. You know, in order to get people to come into the store, you set the price of something really cheap so lots of people come in to buy it. Then they're in the store and you've got them. They'll spend money on other things while they're in the store. That's exactly what's happening here. That's what all this dickering is about. That's exactly what this amendment is about. It's about setting that tax rate low enough that people will actually get a tax cut. Given that the people on the higher end, the highest income earners, are the ones that are benefiting the most, you've got to keep dropping that rate so that actually the folks in the middle class are going to get some kind of tax cut, period.

So that's what's really happening here. It's a whole different tax scheme, but it's being sold as a tax cut. But that tax cut may not be there forever. Next year we could have a downturn, and that tax rate starts to just go right back up again. And who is really going to pay? Who's the one that's really going to be hit on that? It's the middle-income earners.

10:10

I think that whether this is 11 percent or 10 and a half percent, it's still a flat tax scheme. I think it will harm Albertans. It will particularly harm the people I represent, who are mostly middle-income earners and working low income, and I can't support that. Could I support a fair tax cut that has an accountability factor in it for some sort of stabilization for the downturns in the economy? Yes, indeed, I could. Do I think there should be a fairer tax cut, that the taxes should be as low as possible and still be able to sustain the economy and the programs and services that we want? Absolutely. Do I object to raising the personal exemption? No, I'm fine with that. I think that's perfectly fair, especially to those that are lower-income earners.

So it's not that I'm against anything this government is ever going to propose. I look at the different pieces. I break it down and try and think: is this going to work the best for the people in Edmonton-Centre? There's very little in this scheme that is being put forward by the government that's going to work for the folks in Edmonton-Centre. Can I be tagged with: well, I don't want any kind of tax break for people? No, I've never said that. If it's fair and if it's going to allow the budget to work on a sustainable level, it's fine by me. It's more than fine by me; I'd support it. But that's not what's being contemplated here.

I still find it really interesting that most of this scheme is being brought in to benefit a very small percentage of high-income earners. This government would not bring in any other kind of legislation, no matter how desperately needed, if we were talking about that low a percentage of people in any other group for any other reason.

So with those comments, I appreciate the opportunity to speak in Committee of the Whole to this amendment on Bill 18, and I look forward to continued debate on it.

Thank you.

THE DEPUTY CHAIRMAN: The hon. Member for Leduc.

MR. KLAPSTEIN: Thank you, Madam Chairman. The proposed amendment to Bill 18 is good news for all Albertans. I can only imagine the envy that other provinces feel as this debate is going on,

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.

I think one thing we can all agree on is the benefit to low-income Albertans. Nearly 200,000 Albertans will be removed from the provincial tax rolls. Unfortunately, this only takes care of the provincial taxes. The federal bill still accounts for two-thirds of income taxes. However, there's no denying that low-income Albertans are winners with this bill. There's a little more difficulty getting the opposition to acknowledge that middle-income earners are also winners. Since they, too, will receive a tax break, I don't see how they are losing.

I think the biggest problem 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. Just because someone earns more than his 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 deter people from bettering themselves at work, because the more you earn, the more the government takes in taxes. It is a fact that high taxes stifle an individual's enthusiasm.

We believe in encouraging creativity and enthusiasm in a different way here in Alberta. 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 they will save on 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 in Alberta; they are 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 opposition has suggested that we can't afford the kind of tax cuts we are giving. 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 be about 1.5 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 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. Does the opposition 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? 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, and the only result is that one of them is away from home working longer hours without much financial gain. Bill 18 and the proposed amendment will end this penalty. I honestly don't think the opposition wants 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? Why do they choose to be winners or losers? The bill and the amendment that is proposed for us will not punish these Albertans either.

Madam 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.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Mill Woods.

DR. MASSEY: Thank you, Madam Chairman. I appreciate the opportunity to say a few words about the government amendment to Bill 18, which proposes to strike out the 11 percent and to substitute 10.5 percent and to strike out \$11,620 and substitute \$12,900 when those amounts appear in the legislation.

It was Voltaire, Madam Chairman, who said that "in general, the art of government consists in taking as much money as possible from one class of citizens to give to the other." That's what Bill 18, regardless of the amendments, does: it takes money from one group of citizens and puts it in the hands of another group. That quote from Voltaire was in the mid-1700s. It was true then and is true today and is exemplified by the impact Bill 18 is going to have on the tax system in this province.

10:20

In looking at the amendments, the question has to be asked: do the amendments change Bill 18 in any substantial way? The answer to that is found in re-examining the principles, the big three principles that are usually expected to govern the tax system. Of course, the first and probably one of the most important principles is tax equity. The amendments are such that the same kind of criticisms that were leveled at the original bill remain: that the amendments in no way make a difference in terms of the inequities that were found in the original bill. In fact, they probably make them a little worse.

The foundation of a tax system is supposed to be its progressivity. In spite of the claims of the Acting Provincial Treasurer, the flat tax scheme in front of us moves Alberta towards a less progressive tax system, and that's a violation of the equity principle. It's long been recognized that the tax system is a mechanism for the fair and equitable redistribution of wealth. The provisions in Bill 18 add to the unfairness in terms of the distribution of wealth in the province, favouring those people who already enjoy a favored position in the province. So the notion of the violation of the equity principle embedded in Bill 18 is in no way changed by bringing forward these amendments.

The principle of neutrality is another principle that has been questioned in terms of Bill 18. Neutrality is wrapped up in the notion that tax incentives or tax changes should in no way cause individuals to modify their behaviour and that a neutral tax change would not affect existing relationships. Well, that neutrality principle has been violated in Bill 18 because existing relationships are changed. The middle class will pick up a larger burden of the tax bill in the province, and those in the upper-income brackets will have their tax burden reduced. So it does change the relationship between groups, and that was a relationship that was already strained in many ways.

The attack on the middle class is one that I think has been chronicled elsewhere, but there's a feeling by middle-class Albertans

that they are under attack, that they're being asked to pay more and more of the tax load, that they're being asked to take more of the burden of keeping our institutions and government services operating than is really their fair share. Even though they get a cut, even though their total tax bill will be reduced in some instances, that ratio is disturbed, and again they are left paying more than they might otherwise have were a different tax scheme put forward by the government.

One of the sort of side effects of this kind of scheme put forward by the government is one I heard from one of my constituents who, in talking about the proposal, said: "What would you expect? The middle class always gets shafted in any kind of change." Really, one of the side effects of this legislation is that it's going to add to that cynicism at a time when I think that's unfortunate. There was an opportunity, when the government found itself in a desirable financial system, to put forward real tax reform that would lead to fairness and that could leave all Albertans feeling like they were treated fairly. The claims by government members that the middle class should be thankful because they got a tax cut too, even though it wasn't as big as for those who are earning high incomes, and that somehow or other they should be pleased because they got some money is quite an astounding claim to be heard in this Legislature.

So for two of the three huge tax principles, equity and neutrality, the violation of those principles remains unchanged by the amendments before us. The third principle, which is the principle the government has promoted most heartily, is simplicity. Certainly the movement to a flat tax is simple. It makes calculations easier but comes to us in this bill at quite a price, and it's a price some Albertans are unwilling to pay. The tension between those principles I think is still here in Bill 18. I suspect in many ways almost any tax proposal registers some tension among those principles, but this flat tax is clearly one that on principle alone should be closely questioned.

One of the other comments I wanted to make, Madam Chairman, was on the reasons that have been given by the government for this particular tax reduction. Again, the amendments have done nothing to change those reasons or to make them any stronger, but the reasons we hear in the Chamber continue to be similar. When those flat tax proposals in the States were first made public, one of the political leaders there labeled the proposals as voodoo economics, and that label has stuck and has been associated with the kinds of economics of the Reagan era and the Thatcher era in Britain and the notion of trickle-down economics.

We've heard this time and time again in this Legislature in spite of it being discredited everywhere else, and I guess it's not surprising, given this tax proposal, that we would hear that kind of argument. The notion that citizens with more money in their pockets, even the small amounts this tax break will make available, are going to invest more and spend more, thereby creating more wealth and more jobs, has pretty well been discredited. That was south of the border and in Britain, and it's probably even more so in this country and in our province, where so much of income is placed into equity. That whole notion, as I indicated, is one that upon being investigated just does not hold water, although it's one we hear time and time again from government members.

One of the other arguments – and I mentioned this before in talking about the bill because I heard it again from a government member this evening – is that this tax scheme is going to prevent the brain drain. I find it quite astounding that we have government members truly believing that it's this kind of a tax measure that's going to keep Albertans and Canadians here and prevent the movement of citizens south of the border. That's just not true.

10:30

Any kind of in-depth look at the brain drain indicates that people move to a new community for a lot of reasons. Scholars and researchers looking for places to establish themselves are lured to those places for a variety of reasons, and offering the modest tax break to the middle incomes that this amendment puts forward is not going to attract them. They are attracted by the kind of research facility, the kind of research climate. They're attracted by the amenities that are available in a community for their families: the kind of recreation, the kind of cultural and educational facilities that are available for them and their families. They're attracted by safe communities. They're attracted by housing that's readily available. Certainly taxes are a part of the mix that goes into their decision-making, but to claim that somehow or other this Bill 18 and the amendments are going to halt the brain drain I think is really stretching it and pushing it to its limits.

The other myth I heard perpetuated this evening is that this amendment will give the rich the tax break they need so they'll work harder. Again, I think that's just what I called it. It's a myth. I don't recall being able to read any studies that indicated that that was the truth, that somehow or other the more money you had the harder you worked. I just don't believe that's true, and I think it would be a hard sell for some of the very hardworking, low-income constituents that I serve to indicate to them that that was the reason why they work hard. So it's a myth, and it's one that I find quite astounding that we have perpetuated in the Assembly.

One of the other comments that I would like to make, Madam Chairman, is that the Acting Provincial Treasurer has drawn on some legitimization in the last number of days, in particular the chartered accountants in the province. He purported to have a letter from them endorsing the tax bill. He had filed the work of a scholar who indicated, he purported, that he supported his tax proposal and these amendments.

I find it curious, to say the least, that he would draw upon those two groups and their support and yet was so brutally dismissive of the 100,000 Albertans who signed petitions opposing Bill 11. They were cast aside as special interest groups, as belonging to unions, as being people who are only interested in protecting their jobs, that same kind of dismissal of the 25,000 parents across the province who signed petitions in support of extra funding for school. They, too, were dismissed.

So the Provincial Treasurer draws on a very narrow group and seems to give them great credence when that group supports the government's position and seems very willing to dismiss the hundreds of thousands of Albertans who let their voice be known on issues when it's contrary to government policy and legislation.

The results of this legislation I think the Member for Lethbridge-East has already indicated this evening, that it's a movement towards less progressivity in the tax system, and I think he made the arguments fairly strongly earlier this evening in support of that proposition.

Bill 18 and these amendments are really a Trojan horse bill under the guise of a tax cut, under the pretense that people – well, not a pretense. They will get a tax cut. There is a major shift in terms of tax liability to the middle class. Some calculations have been made that by 2004 under the current system, the middle class would be in a much similar position as they are under the proposal before us. We'll look back at these changes in the future, Madam Chairman, and realize just what has been done to the tax system. I'm sure there's going to be a government down the road that will take the needed action to rectify the errors that are being made and the unfair changes to the tax system that will be a result of the provisions of Bill 18.

So with those comments, Madam Chairman, I'd like to conclude and look forward to further debate on Bill 18.

THE DEPUTY CHAIRMAN: The hon. Member for Redwater.

MR. BRODA: Thank you, Madam Chairman. On the amendments to Bill 18. In the discussions about our future and the future of our economy we talk a lot about how as a province we want to grow, and there is no question that we will grow. Our economy will continue to diversify. We will start more businesses. We will find ways to make new and existing Alberta businesses and industry more productive. We will make the most of the new technologies, and 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 Albertans, and that includes us as politicians. It also includes corporate Alberta, the oil patch, all of 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 they should get as much support as possible. They are after all building our future as well as their own.

Madam Chairman, I'm proud to say that Bill 18 is designed to help all Albertans, including our young people, and you don't have just my word on it. Everyone is starting to sit up and take notice. 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 the middle-class alike. And it's true.

From this, we want our young people with entry-level incomes to see that even though they don't make the big salaries of more established professionals, they are just as important. We don't wait until they make the big bucks before recognizing them. Bill 18 will remove traditional tax disincentives so that these people can get on with building a future we can all enjoy.

When it becomes law, Bill 18 will increase the basic personal exemption 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. In fact, even those who work full-time earning minimum wage – and that's about 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 or getting your feet wet, when you've landed a 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 the lives of these folks. So Bill 18 helps them in the beginning. Then as they progress, the new tax system makes it easier for them to go forward.

10:40

As we have all heard, Bill 18 introduces a single tax rate, 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, and 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. If they get both the breaks and the opportunities here, the States won't look nearly so attractive to these young workers.

All this extra work gives the province momentum and bodes well for our economy. Very well, I might say. By 2006 Alberta's GDP is expected to increase by 1.5 percentage points more than it would have without Bill 18. That translates into almost \$2 billion more in our economy than we would expect without any changes to our personal income tax system. By no coincidence the increased economic activity will mean more jobs in the province, about 30,000 more by the year 2006 than we could have expected otherwise. 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, Madam Chairman, that 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, and I would also say probably the opposition as well. Why should we have a tax system that does? Bill 18 is designed to take them forward, so let's get on with it and support Bill 18.

Thank you, Madam Chairman.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Calder.

MR. WHITE: I'm here. Thank you, Madam Chairman. Once again it's a pleasure to address this August body, particularly when some of them are listening. [interjection] A flat tax, not a single tax: that's just for sales, and we all know that, so let's deal with what we have in this Bill 18.

It is clearly a flat tax, and there are a lot of myths surrounding it. But let's ask some fundamental questions, the whys and the wheres. Where are we going with this flat tax? I read with interest the Alberta Tax Review Committee's report, such as it is, and it wasn't hard to figure out where they were going, when they plainly were stopping at a flat tax as an interim measure so that we can go from a tax on tax, which our current system is in relation to the federal tax, to a tax on income, which this bill goes to, to a final destination as a tax-on-consumption, which would be a new VAT, as it is described in England, a value-added tax, or a PST, as it is described in so many other provinces, and to eliminate the income tax.

Now, in theory that sounds to be a reasonable objective, because it's clear that leaving hard-earned funds in the pocket of a consumer regardless of what income rate they are has some attractions in that you can say to a citizen at whatever income level: we're going to leave the cash you've earned in your jeans until such time as you decide to expend that, and then we're going to tax you on that. Well, in theory it works rather well for all income groups if all of those funds that were income were expended. That, of course, is certainly not the case, because a good deal of those that have their staples covered, their barbell, their nut, the amount that it costs them to live, rather early, those in the high-income brackets, have a great deal left over then to invest, if you will, or to further cause more income generation.

For that group and for the middle income that are striving for that and the higher income, it works quite well. Unfortunately, it does not work all that well for a great deal of our society, those that are expending all of their funds just to keep their wheels turning. So they end up in a neutral position, or at the very end of the lower scale they end up in a negative position, because all of their funds are expended for those fundamental elements that now cost them considerably more. Those people are in fact pushed through the cracks, and we end up with this horrible social problem at the lower end of the scale, which all of the trickle-down theories will not and cannot account for.

Now, I would assume that these people that wrote this report were of good intention, but they're all from the higher end of the scale. Regardless of how you cut it, if you're designing a system which you live in, you have some kind of fiduciary interest in this. Although you try to set that aside as much as you can, you still do. If these people assume that if you take care of those that are the generators of capital investment, do in fact do that, and that those at the bottom end of the scale will always be there, as many of these people assume, then I suppose you do and should come up with these conclusions.

I would move on to the second question. Why are we going to this? Now, you'll hear the proponents of the flat tax talk about it being simpler, being much more fair. You'll hear them talk about the potential reduction in evasion and illegal avoidance of tax, and you'll hear them speak of that all-encompassing phrase of economic prosperity, that it will foster that.

Well, let's deal with simpler first. True, it would be simple if in fact the flat tax did away with all exemptions, with the personal exemption or spousal exemptions or RSPs or any kind of tax incentive such as we have in the oil and gas business, which have in most cases served this province rather well. Yes, if you did away with all of that lot, it could be simpler. I mean, wouldn't it be wonderful, an ideal situation to be able to file a two-sentence income statement and be able to have your tax calculated by long multiplication, if you will, and be able to say: okay; that's my commitment to society.

Well, of course, we know that is not about to occur for all of the complexities of the society that have been built since 1917, when income tax was instigated. There are so many social concerns and business concerns. That kind of simple formula would work if in fact we were dealing with an entire income generation from the province totally and completely unrelated to the federal scene. Now, this is but one province with 10 percent of the population. This tail is not going to wag the dog sufficiently to change all that there is in the federal government. So for two reasons: one, is that all of those other incentives that are rightfully included currently in the tax system are there for a good reason, and secondly, the federal scene is not going to be changed by one province. So let's dispel that argument of it being simple.

10:50

Fairness. I dealt with fairness, and the same arguments apply as when I dealt earlier with moving through the flat tax into a PST or a VST, and those arguments still apply. These cuts would and could be fair quite easily. This province is currently fat with cash and could have given, even with the current tax system, just the elimination of that which was eliminated currently in Bill 19, the 8 percent surtax and the pure flat tax that's applied for elimination of deficit of .5 tax over all income. If you eliminate those two, that's a good start. Then just take that which is currently being filed and the current method as being filed with the tax on tax and lower that. But, no, this bill goes beyond that. It moves and shifts the burden of the tax from the high income to the middle income. It certainly does move some of the lower income off the tax rolls, which is a very, very good end into and unto itself, but it doesn't mask the major shift.

Those that are proposing this flat tax are arguing that it's a break for everyone. Well, that being the case, there's no argument there. Of course, we can see that. But in that tax break for everyone we've got this massive shift going on that doesn't seem to hit the street well. It certainly hasn't been through the entire business community as yet. I spent some time in the last couple of days asking, and it certainly hasn't and will not and may never get to really where the



folks are. That comes from some discussions earlier in the evening at the doors in Edmonton-Highlands.

People are not terribly keen on listening to politicians a great deal, and they certainly only read that which is printed in the newspaper in sort of a catch it if you can and read between the lines or read the headlines and understand what's going on here. They certainly aren't aware that the shift is occurring.

Let's for a moment assume that the expenditures of this government were fixed and that this government had already taken the current tax-on-tax rate down from 44 and a half percent to 38 or 39 or 36 percent, and then applied this flat tax over the course of maybe two years. It would be painfully obvious, then, that with the move from one tax system to another the burden would be shifted. It would clearly be shown very easily that the tax burden for the middle income would be increased. Because this government happens to be in the unique position of having this large bucket of cash, it's able to give everyone this break. It's unfortunate from my point of view but it's fortunate from the government's point of view that the middle income will not really recognize that the higher income are getting the lion's share of the largesse of the government, and it's a shame.

I should quote a very good line from a journal article that was repeated by the good offices of the library. It was in November of '98, and it is a report on the Alberta Tax Review Committee and their recommendations. There's one chap there, a Mr. Donald, from Parkland Industries.

In North America, flat tax proposals have foundered for decades on the popular belief that the rich should pay a bigger percentage of their fortunes toward the public good. This argument is not so much wrong as oversimplified, says Mr. Donald.

He goes on to say in another quote:

The fairness of our plan lies in raising the personal exemption. The lower your income, the more that exemption means to you as a percentage of your income. For the wealthy, it's almost no help at all.

Well, that gives you one of the mind-sets that does two things. One, it totally and completely ignores that middle income that pays the bulk of the tax. Now, an exemption for those people, as the gentleman clearly pointed out – at the higher income it means much less than at the middle income. But in a flat tax rate that person's income and their expenditure rate versus a higher income and their expenditure rate to function in this world and do all of the necessities of eating and housing and transportation and all of that lot are a much greater percentage. If that's taxed at the same rate, it's clearly obvious to anyone that the burden is going to be shifted there, and therefore in this member's view it's woefully unfair.

Moving on to another popular misconception that's touted by a lot of flat tax proposers, that evasion of tax or cheating, if you will, is less likely to occur on this simple application of tax. Well, in writing after writing after writing there is no substantiated proof of that at all, although quite frankly I don't know how you would substantiate that. But it is clearly the opinion of most economists that that does not occur, because the evasion is based on an assumption that that which is paid by an individual in the way of tax to further the coffers of the government is misspent. Those funds are expended rather poorly.

Now, it matters little whether you're paying a little or a lot if you're of that opinion that then evasion comes rather easily or if it's easy to convince oneself that cheating is a reasonable thing to do because the money is going to this big black hole or is being expended in a manner that certainly doesn't help that person in their life trying to further their ends, as it were. So let's set that one aside. We're dealing with only a provincial tax, and we're not dealing with the overall big nut of the federal income tax. Let's set that argument

aside as being mostly a federal argument, but it certainly doesn't hold water in the provincial scene.

[Mr. Herard in the chair]

The last argument that you hear all the time and you hear in this Chamber particularly is economic prosperity, the theory that all wealth is created by this trickle down: if you have the higher end of the income levels that have these extra funds, they invest. Now, I don't know how a brand-new Mercedes every year is investing. I fail to see how the purchase of another three vacations on a yacht furthers the ends of Albertans. I don't know how that end of the expenditure works out. So let's assume that that's a very small percentage of that high end of the income scale that does expend that way. Just set that one aside for awhile.

11:00

How does it fit that investing from that group is any better than investing from the middle-income group? I for one don't understand it at all, because the middle-income group, as most of those that are assembled here and certainly the staff are – that's their end too. I mean, they're looking to as early as possible pay off their mortgage and set their children off on a decent course by paying for their education and all that lot and get a position where they can take the disposable income that they do have after covering all the expenses of the day and say: "Now, how do I build my nest-egg beyond that RRSP that I've been contributing to, beyond the company plan? How do I do that?"

Their end is the same as the higher end except that their urgency is a little more – well, I shouldn't say that their urgency is a little more urgent, but I guess that's what it is. They're now at this end of the boomers, and they're looking at that retirement out there. So they really, really do want to put this money to good use and do a fairly good job of investing and managing it such that it will cause growth for themselves and therefore for the economy.

The higher end of course don't have that concern so much. Why should they be concerned about retirement? Their retirement was covered long, long ago. They have that kind of an income that it certainly doesn't concern them, the waning of the later years when their income level from active employment will drop dramatically. So why would we want to put those funds out there? That leaves me a little bit dry.

There are a number of quotes which I can't quite locate at the moment, but I should like to come back a little later to speak of those quotes. John Kenneth Galbraith, of course, delivered a great number of them that specifically related to the trickle-down theory, and a number of others really did not subscribe to that theory, that sort of the supply side of the economy.

Here we are. John Kenneth Galbraith said: it's a relatively sophisticated form of fraud. That's from an article that *Hansard* will undoubtedly ask me about, so I should probably quote the author right off the top. It's Neil Brooks in an article in the July-August 1999 issue of the *CCP Monitor*. I should also like to read into the record a Nobel laureate for economics, James Tobin, that termed it, and I quote: snake oil. It's an easy way of selling the flat tax. There's another quote, too, by the famous George Bush, when he referred to this variation of the supply side theory as voodoo economics.

No, don't tell me that the time allotted for the speech has come and gone. It's unfortunate. I'll have to resume my dissertations on the economic prosperities a little later, the voodoo economics of this government.

Thank you kindly for the time allotted, Mr. Chairman. I will take my seat now.

THE ACTING CHAIRMAN: The hon. Member for Medicine Hat.

MR. RENNER: Thank you, Mr. Chairman. It's a good opportunity to spend a little bit of time talking about Bill 18 here. We find ourselves at third reading. I spoke briefly to this bill earlier and talked about my view of the continuing progressivity of the bill, so I'm not going to get into that kind of detail. I would like to spend just a little bit of time talking in general terms about tax policy, what I think should be reflected in tax policy and how this bill in fact fits my idea of what tax policy is all about.

We've got before us Bill 18 and an amendment to that bill that deals with the specific rates. I think it's important that we talk about the specific rates, but I also think that it's important that we have the context in which those rates are going to be applied. When any government is talking about collecting taxes, the reason that taxes are collected is because there are a number of services that the public expects government to provide, so the only way that governments have to provide those services is through some form of taxation.

We in Alberta and in most of the western world have various forms of taxation. Some of it is in the form of corporate tax. Some of it is in the form of personal income tax. We also in Alberta are very fortunate to have a significant revenue stream from royalties on natural resources. So government, I think, has to constantly keep in mind that we want to be as equitable as possible. We want to ensure that we collect only the amount of taxes that are necessary to provide the services that we see as being core services of government.

Tonight we're discussing the whole area of personal income taxes. Traditionally what has taken place not only in Alberta but across Canada is that the federal government has for all intents and purposes established the tax policies for the entire country. The federal government brings down a budget, establishes a tax rate, and then the provinces have traditionally added their taxes onto the established policies of the federal government in the form of provincial taxes being a percentage of the federal tax.

So what this bill does is significant in two ways. First of all, we split ourselves off. We remove ourselves from the necessity of being dependent upon the policy of the federal government. Instead of having a tax on tax, we have the fortunate position of being able to determine our own tax policy within this province.

The other thing that we do, probably the most significant change that Albertans will see, is that we have discussed repeatedly ways of having a more equitable tax, because traditionally in Alberta and in fact in Canada, Mr. Chairman, we have had multiple rates of taxation. After an individual calculates his or her taxable income, then there are graduating rates of tax, some of which apply to lower incomes, and then as your income passes one point, you get into another tax bracket, and so on. That is what all of us have experienced who have been in a position of working for wages or perhaps even being self-employed, working hard, working extra hard, either working overtime or receiving some kind of a bonus from a client or from an employer.

I know all of us have been in that situation where you feel so good about what you have been able to accomplish. You've received a bonus, be it a \$100 bonus or a \$500 bonus or a \$1,000 bonus, and lo and behold at the end of the month, when you get your final paycheque, you look at it and you find out it's hardly any larger than what it had been the previous month. You wonder: "What's going on here? How can this be that I worked all these hours of overtime or became eligible and received a fairly significant bonus, and then it all seems to be headed down the pipe to the tax man in Ottawa?"

Well, the reason for that is that by receiving that particular overtime or that bonus, in many cases we have crossed that threshold into another tax bracket. So instead of paying 20 percent of our income in taxes, that one extra few hours of overtime has taken us

into the next tax bracket, and that tax bracket may well be 30 or 40 percent. I don't want to get into all of the specific numbers, but we've all been there, and I know that you've been there, Mr. Chairman. How disappointing it is to work so hard to earn additional dollars and then at the end of the month find that they've all found their way to places other than your own pocket.

11:10

Well, what Bill 18 is proposing to do and what this amendment will accomplish is that rather than having all of that money heading down to Ottawa, a significant portion of that money is going to stay in my pocket, is going to stay in your pocket, Mr. Chairman, and it's going to stay in the pockets of Albertans. In fact, \$1.3 billion in the next tax year is going to be staying in the pockets of Albertans. It's not going into the Provincial Treasurer's domain. It's going to be staying within the pockets of Albertans.

The reason it's going to be doing that, Mr. Chairman, is that instead of having progressively larger and larger tax bites coming out of everyone's paycheque, we are going to be establishing a single rate of taxation. We will know from this time forward that the taxes that we pay when we get that \$100 bonus will be, as is determined by the amendment that is before us, 10 and a half percent. So if I get that \$100 bonus, I know that I'm going to have to pay \$10.50 in taxes and the other \$89.50 is going into my pocket. There will be no surprises, no surprises at all, except of course that we don't have control in this province over what the federal government will continue to do.

Although there has been some movement in Ottawa recently, the \$10.50 that goes to the Provincial Treasurer in Alberta will also be augmented by a significant amount of taxes that go to Ottawa. We'll deal with that as citizens of Canada when we next get involved in federal elections, because I'm sure that federal politicians will see what has gone on in Alberta and I'm sure will be able to offer the citizens of Alberta and the citizens of Canada some choice when it comes to taxation policy. All we can deal with here tonight is the taxation policy with respect to Alberta.

So what we have done now is established a single rate, and that single rate is 10 and a half percent. But we've taken it one step further. I talked about the fact that taxation policy needs to be fair. It needs to be equitable, but it also needs to be fair. It also has to recognize that there is some reality in this world. The reality is that like running a business, where you have fixed costs and variable costs depending upon the nature of your business, as individuals we have a certain amount of fixed costs and a certain amount of variable costs. We have tried to establish an amount of money that would relatively equate to fixed costs. It depends upon the size of your family, and it depends upon your economic circumstances.

What this bill does - and it's also included in the amendment that's before the House right now, Mr. Chairman - is establish a baseline. It says that if your income is less than \$12,900, then you will pay no tax. So it says, in essence, that we recognize that there are some fixed costs that should be recognized, and for an individual it's \$12,900. If you have a household, two adults living in the home, you would have double that, \$25,800. We also recognize that if there are children involved in your household, there needs to be some additional personal exemptions for those.

So with a process of personal exemptions in place, a family of four - be it traditional, a husband, wife, and two kids, or be it a single mother and three kids - essentially will have the first 30,000-plus dollars tax free for provincial tax purposes. Those are the fixed costs that I talked about. What this government is recognizing is that there are some costs associated with maintaining a household in this province, and we have said that the government should not be drawing its pound of flesh out of those fixed costs that are involved

in the household. But after that, then, we all recognize that it's necessary for those individuals who have the wherewithal, who can afford it, to contribute to the well-being of society in general. We all feel that we've been elected to come here to the Legislature in Edmonton to approve spending and establish policies that are for the good of all Albertans. In order to do that, one of the sources of revenue that we have is personal income tax.

We said that as of the proclamation of this legislation before us taking effect in the tax year 2001, all income will be subject to a provincial tax of 10 and a half percent. So when I get that bonus or when you get that bonus, Mr. Chairman, or my constituents back in Medicine Hat, where there's a lot of work to be had right now and a lot of overtime to be had – when the weather is good and when the sun is shining, there's a lot of work that can be done – that money is not being taken away in an unfair, inequitable way. There will be one flat tax and one single rate of taxation, and that will be 10 and a half percent.

As a result of that, the bottom line of all of this is not only will we have a fairer system of taxation, not only will there be approximately \$1.3 billion left in the pockets of Albertans so that they can determine how best to spend it and not leave it up to the politicians here in the Legislature, but there will be approximately 190,000 Albertans removed from the tax rolls because of the increase in personal exemptions. The most important thing is that every Albertan will share to some degree in the savings.

[Mrs. Gordon in the chair]

Whenever you redesign a tax system or any way of divvying up something that is based on some kind of a formula – after all, income taxes are simply a series of formulas – if you're going to redesign how you collect those taxes or how you allocate that revenue stream to government, one would often assume that if you're going to take something that is not equitable and create something that is more equitable, one would almost come to the natural assumption that some people are going to end up paying less and other people are going to end up paying more. That's how averages work. But the beautiful thing about what we're discussing here tonight is that as a result of reducing the single rate of taxation to 10 and a half percent, as a result of establishing a personal exemption at \$12,900, every taxpayer in the province of Alberta benefits. I think that's the key. That's what Albertans elected us to do. That's certainly what the people in Medicine Hat elected this member to do: to ensure that taxes are reduced in a fair and equitable manner and that the savings from those taxes can be shared by all Albertans.

So, Madam Chairman, I think that that pretty much concludes my comments on this bill. I encourage all members to support this amendment, and I look forward to further discussion as we proceed into third reading.

11:20

THE DEPUTY CHAIRMAN: Okay. We will be dealing with the amendments. We deemed the amendment A1 yesterday, and there are parts A and B. Do you wish to deal with it as one amendment, or do you wish to deal with it separately?

HON. MEMBERS: As one.

[Motion on amendment A1 carried]

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

MR. SAPERS: Thanks very much, Madam Chairman, and with apologies to the Government House Leader. I appreciate the opportunity, as limited as it is, to continue my debate on Bill 18 in committee.

I think that it's important for the record to show what's happened. Because of the use of closure the Official Opposition are limited in terms of how many times they can speak in committee. Normally, of course, in committee you can have a real debate. You can go back and forth. You can ask questions. You can expect responses. It's the time, really, when a lot of the work of this Assembly gets done. In other Legislatures and other parliaments what happens is there is usually all-party prestudy of a bill. The committee process works in a much different way. We've even had some examples in this Legislature where, depending on the cabinet minister involved, they've actually engaged their counterpart critic, their shadow minister, in a real debate. I've had the opportunity to work with a couple of ministers on that basis where you can put real input into a bill and help craft a good piece of legislation.

Now, let's contrast that to what's gone on with Bill 18. When it comes to tax policy, this government doesn't want any dissent, they don't want any criticism, and they don't want any real debate. What they do is bring in closure and introduce their own amendment, which they needed to do because they messed up with the original drafting of the bill because they were too anxious to score brownie points ahead of the federal budget. Then they try to manipulate the clock so that we can't have this normal discourse, this normal back and forth, and they really shortchange taxpayers. That's particularly important at this point in time, because this is, after all, a tax bill, and this is going to make a fundamental change in the way that taxes are collected. It's going to make a fundamental change in who pays the taxes, and as we've said so many times, it's going to be fundamentally unfair.

One of the things that's particularly unfair about the government's whole tax initiative is the way that time after time after time it rewards the wealthy. Now, earlier in debate I pointed out both in Bill 18 and Bill 19 this disparity between the rich and the poor, and I have to continue to scratch my head as to why this government wants to continue to exacerbate that disparity. In Bill 19 debate this government actually, unbelievably, defeated the first amendment, which would have led to the synchronized elimination of both of the so-called deficit elimination taxes. This government actually wants to continue to pick the pockets of Alberta taxpayers by collecting these deficit elimination taxes, which of course aren't needed to correct the deficit anymore because we don't have a deficit. We haven't had one in the province since '96.

I know that the Acting Provincial Treasurer and the Minister of Government Services have a disagreement about whether or not there's still a debt in the province. The Minister of Government Services says that there can't be a surplus because we still have this net debt, but the Acting Provincial Treasurer was talking to the media the other day and bragging that the projected surplus in the budget is going to be even higher than the \$713 million that was projected. So I would hope that they'll have a cabinet meeting one of these days and will actually sit down and decide whether or not there's a debt or a surplus or what it is. I think Albertans would be very interested to know if in fact this government is no longer projecting a surplus. I wonder what that would mean in terms of the economic cushion that was built into the budget. It could just be a matter of convenience, you know. Never let the facts get in the way of government initiative; right?

While the government moved against the amendment on Bill 19, they used the artifice, they used the construct, they used the excuse that the reason they weren't going to support the amendment on Bill

19 was because, in their minds, it would somehow extend the powers of the province to continue to collect this so-called deficit elimination tax. Well, there is a section in Bill 18 which has to be amended to make our amendment on Bill 19 fully implementable. To operationalize the amendment to Bill 19, you would have to also deal with the proposed section 89(3) in Bill 18. The current tax act talks about a "flat rate tax payable under this Act for a taxation year by an individual," and for the years 1988 and subsequent that flat tax is .5 percent. Now, we've talked about this flat tax for a fair bit. We know that all Alberta tax filers have to pay this flat tax. It doesn't matter where you are in the income spectrum. The government of Alberta wanted to reach once more into your pocket, take some of your hard-earned cash out of your pocket, and pay off the debt.

In 1996 the government promised they were going to eliminate that tax, but then they changed their mind in 1999. In fact, they broke their promise. Now, we want to help the government keep their word, so in order to help them keep their word, we'd like to put them back on track. In order to do that, we have to now move a subsequent amendment to Bill 18. So wait for it, hon. Government House Leader and Minister of Justice and Attorney General for all of Alberta. I want you to hear this first, and I want you to be absolutely clear what's happening here.

Bill 18 as currently worded refers to that .5 percent flat tax in a section that reads as follows: Section 3.04(1)(b) and 2(d) are amended by striking out "and subsequent taxation years" and substituting "to 2000 taxation years." We would like to see that changed. What all of that means is that this government would continue collecting that tax. We don't want to see Albertans have to pay one more penny of that unfair tax for one extra day, so we would like to see it removed now so that they don't have to pay it starting in the current taxation year. In order to accomplish that, as I said, in spite of the government voting against the required amendment in Bill 19, we can give them one more shot to do the right thing.

So I would like to move that Bill 18, the Alberta Personal Income Tax Act, be amended as follows: that section 89(3) be amended by striking out "to 2000 taxation years" and substituting "to 1999 taxation years." That's my amendment. I understand it's being distributed right now. Should I continue or should I pause, Madam Chairman? I'm seeking your direction.

THE DEPUTY CHAIRMAN: We will deem this amendment A2.

MR. SAPERS: Well, I think it's actually A1, but I know for the record we have to call it A2, so that would be okay. We can call this amendment A2. So number two and trying harder.

Madam Chairman, it was very difficult for me to explain what it was that the Government House Leader was on about. You know, I had the opportunity earlier tonight to do some campaigning in the Edmonton-Highlands area. We're in the middle of this by-election. You know, people want to talk about lots of things during this by-election. They want to talk about the government's dismal record when it comes to health care, of course. They want to talk about the mismanagement of our public institutions, whether it be public education or other public institutions.

They are also very alive to this government's plans for their tax dollars and how the government plans to extract those tax dollars. I kind of test drove the government's position with a few voters up in Edmonton-Highlands earlier today. I said: so how do you feel about continuing to pay that .5 percent flat tax, that surcharge that you get hit with? They said: well, I'm not sure what you mean; could you explain a little bit? I said: you know when you fill out your Alberta tax payable calculation, when you fill out that form and right at the end of it you have to multiply whatever it is you owe to

the Provincial Treasurer by .5 percent. They said: yeah. I said: well, you know, that was supposed to be a temporary tax, a surcharge. They said: yeah. I said: it was brought in in 1987 by then Premier Getty. They said: yeah, and we had a big deficit then. I said: right, but we don't have a deficit now. And they seemed to know what the Minister of Government Services doesn't know. They answered by saying: well, that's right; we have a big surplus now.

11:30

I said: that's right; we have a big surplus, so how do you feel about paying that tax? They said: okay; now we understand the question. We, of course, don't feel very good about paying that tax. We think it's sort of highway robbery. Why would we have to pay this extra tax?

I said: well, I can't answer that question. Do you know that there's another surtax? They said: what's that one all about? I said: well, if you earned taxable income that was a little bit higher, you'd have to pay an 8 percent tax on top of it all, another surcharge. They said: really? I said: yeah. They said: well, good news that we're not in that income tax bracket. I said: yeah, but you know what? For the people that are in that income tax bracket, the government has decided they're going to remove that special tax. They're going to stop picking their pockets.

They said: well, why would they do that? Why would they do favours for the rich? Why would they do that? Why aren't they going to do me a favour? What has this government done for me? I said: I can't answer that question. I can't explain the government's strategy.

Earlier today in question period we had some puffball question asked to the Acting Provincial Treasurer allowing him an opportunity to stand up once again and try to sell the government's flat tax plan. He talked again about how this government wants to bring real relief to low- and middle-income Albertans, and I'm scratching my head because there's such a gap between words and deeds. We have the Acting Provincial Treasurer saying we want to do something for low- and middle-income Albertans, but we have the government voting against amendments that would remove this unjustifiable, this unsupportable so-called deficit elimination tax.

The government can't argue that they can't afford it. This amendment would in essence accelerate their tax plan by about six months. It might mean a loss of \$100 million to \$150 million to the provincial Treasury, but that pales in comparison to the fact that oil is still so much higher and gas is still so much higher than what we had predicted it to be. For every dollar of increase in oil, we're up \$130 million or \$140 million in the provincial Treasury, so we've already taken care of the offset. It certainly would be affordable to remove this deficit elimination tax now, and it is indefensible to say that we're going to remove the one for the wealthiest Albertans first and leave the one that the rest of us have to pay.

I hope the Minister of Justice and Attorney General is now crystal clear what the intent of the Official Opposition is. It is Alberta Liberals who want to bring some tax relief to low- and middle-income Albertans. It is Alberta Liberals who would like to hold the government accountable for their 1996 election pledge and their 1996 budget promise. It is Alberta Liberals who are actually trying to keep the government's feet to the fire on their pledges to do something meaningful when it comes to the pocketbook and the bank account of those Albertans who, quite frankly, struggle between paycheques and sometimes find themselves with a little bit of month left over when the paycheque has run out.

It may not sound like a lot of money to this government that likes to talk in terms of lots of zeros and billions and millions and all their

wealthy friends in the boardrooms. It may not seem like a lot of money, but from my perspective I think of the voters I met tonight in Edmonton-Highlands; I think of the men and women I spoke to on the picket lines around a couple of health care institutions. I can say to them: "Would you rather save a few dollars? Would you rather have that money back, or would you rather put that money in the pockets of the Acting Provincial Treasurer?" And they look at me in disbelief that I don't know the answer to that question. Of course they would like to have that money back in their own pockets. They would like to be able to use that money to help feed their family and to help pay for their mortgage or their rent. They'd like to have that money back so maybe they could even enjoy a little bit of recreation or leisure, and they don't think they have to give that money to the Provincial Treasurer.

I am asking my colleagues in this Assembly to take a good look at this amendment to clearly understand what it will accomplish, and for those of you who are my Conservative colleagues I would say this. Your government has made the pledge. Your government has taken this pledge to deliver some relief to low- and middle-income Albertans. They've said they were going to do it. They've said they were going to do it in this House. They've said they were going to do it in their budget documents. They've said they were going to do it in speeches. They've said they were going to do it in press releases. This will give you an opportunity to tell the government, to tell the cabinet that you would like them to keep that pledge, that you'd like them to keep that promise.

So I would ask for some nonpartisan consideration of this amendment. It is clear what it tries to do. It does not fundamentally alter the intent or the principles behind Bill 18. We still have lots of arguments in terms of the flat tax. We still have lots of arguments in terms of how this government has confused tax reform with tax relief. We still have lots of other issues with government tax policy, but on this one little narrow issue we can certainly join together and bring some needed relief to low- and middle-income Albertans.

Madam Chairman, I need to ask your advice about something. My amendment is on the floor. It's a motion that's on the floor. I'm anticipating that even though my arguments have been as persuasive and as powerful as I know how to make them, they may not carry the day. We may be faced with having to have a recorded vote. Standing Orders of course provide for a recorded vote requiring a 10-minute division, 10-minute bells. We could, by unanimous consent, reduce that time. Is it possible to ask for unanimous consent prior to calling the question on my amendment?

THE DEPUTY CHAIRMAN: Certainly.

MR. SAPERS: Well, I would make this request then. If there's not clearly unanimous support to bring this kind of tax relief to Albertans, if there's a necessity to go to a recorded vote, I would ask unanimous consent that the time between bells be reduced to one minute.

[Unanimous consent granted]

MR. SAPERS: Thank you very much. I'm hoping we won't have to go there. I appreciate the co-operation, but just in case.

THE DEPUTY CHAIRMAN: One clarification, hon. member, that the chair should ask. Will that be division bells all the way through?

MR. SAPERS: Well, just on this. We may have to seek unanimous consent again.

THE DEPUTY CHAIRMAN: You were just speaking about the amendment?

MR. SAPERS: Just on this amendment.

THE DEPUTY CHAIRMAN: Okay. I should clarify that. That was on the amendment.

MR. SAPERS: Thank you. Thanks for that clarification.

Madam Chairman, I don't have a lot to add. I think the amendment speaks for itself, the intent speaks for itself. I don't want to repeat myself. I don't appreciate redundancy in the Chamber. There may be other speakers on this amendment; we'll see. But I'll let those comments stand, and I look forward to the vote.

THE DEPUTY CHAIRMAN: The hon. Member for Calgary-Egmont.

MR. HERARD: Well, thank you, Madam Chairman. I don't intend to speak very long on this, but I would like to know if in fact I can get some clarification on this amendment, because one of the issues that had to be dealt with was the fact that many of the tax changes that were being proposed were being done in the time frame they were being done because the federal government required up to a year to program the changes in their computer. So to me the obvious question with respect to this amendment is: is it even possible to do this with respect to what may be possible to do on the federal side with respect to the year that it takes to do this? It's just really a question of clarification more than anything.

11:40

THE DEPUTY CHAIRMAN: Edmonton-Glenora.

MR. SAPERS: Thanks. I appreciate the opportunity to just clarify that.

Well, you know, I understand there are several agreements. There's the master TCA, the tax collection agreement, and there are the ongoing negotiations in terms of delinking and the printing of the new forms and all that. But to the hon. member who just asked the question, it's a legitimate concern. However, it's easily addressed. You see, the government of Alberta has already moved to accelerate parts of their tax plan. They've already moved to accelerate the part that removes the 8 percent surtax that the higher income earners pay. Certainly if they could move to do that, it would be a simple matter of just putting in one more line of code or one more calculation in the cell of the spreadsheet to also make a similar amendment in any of the computer programs for the .5 percent flat tax as well. If they could accelerate one without incurring those technical difficulties, it is beyond a doubt a fact that they could accelerate the other and bypass the same technical difficulties. So I'm certain it doesn't really pose much of a serious problem for all the good minds that work in the federal and provincial revenue departments.

[The voice vote indicated that the motion on amendment A2 lost]

[Several members rose calling for a division. The division bell was rung at 11:41 p.m.]

[One minute having elapsed, the committee divided]

[Mrs. Gordon in the chair]

For the motion:

Blakeman	Leibovici	Sloan
Dickson	Massey	White
Gibbons	Sapers	

Against the motion:

Boutilier	Hancock	Marz
Broda	Herard	McFarland
Cardinal	Hlady	Nelson
Clegg	Johnson	Pham
Coutts	Jonson	Renner
Dunford	Klapstein	Severtson
Evans	Langevin	Smith
Fischer	Lougheed	Stelmach
Fritz	Mar	Tarchuk
Graham		

Totals:	For – 8	Against – 28
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[Motion on amendment A2 lost]

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

MR. HLADY: Thank you, Madam Chairman. I really appreciate that. Now, we're back just talking on the bill; right? There is nothing else on here? There are no amendments? Thank you.

Madam Chairman, I did want to talk a fair bit about seniors this evening. Our deputy whips know how important it is that seniors are benefitting from Bill 18 as well.

AN HON. MEMBER: They built this country.

MR. HLADY: They built this country and they built this province, hon. member.

Before I get into that, I just want to mention a little history in regards to the Leader of the Official Opposition and some comments that have been mentioned. It was a few years ago. There were some comments made in regard to the need to reduce taxes. I'm quoting from the *Edmonton Journal*. She mentioned: if we are going to reduce taxes, we have to reduce spending first. That was the comment the Leader of the Official Opposition had made a few years ago. When she made those comments, that was fair.

Today where would we be looking at doing those cuts from our spending? Where would she suggest we cut today? Would she suggest that we cut in the area of health or education? Why would you possibly want to see us doing that? Madam Chairman, over the last number of years we've gone through a process. We've got our spending under control, and now we're getting our taxes under control by reducing taxes and making it a much more friendly environment for all people to enjoy a health tax environment.

Getting back to seniors, Madam Chairman, we've been hearing a great deal in this Assembly about all the different groups of Albertans who see changes under Bill 18 – the high-income earners, the low-income Albertans, those who are single, those families where one parent stays at home or both work – but I really think it's important to address how these changes will affect the seniors that we were just speaking about. The seniors did build this province. They made it what we have today, and we should be respecting them by allowing them to have more free income to make things happen for themselves.

More than any other group of Albertans, I'd say seniors have a unique perspective on this province and the way it's run. They've

helped Alberta grow into the vibrant province we enjoy today. They've seen its challenges and changes over the years, and they've seen how the various policies, various governments have created and affected things. That includes the high taxes we've been subject to. I'm sure seniors would agree that it is time they tasted some of the rewards for their hard work over the many years. Bill 18 and the new single-rate tax will do this for them.

11:50

You know, Madam Chairman, seniors, too, have paid a lot of taxes over the years. No one can deny that they've contributed, so there is no reason why they shouldn't see a break now. They should have some of their hard-earned cash back in their pockets today. Seniors will no longer be penalized by bracket creep. They will benefit from indexing the basic and spousal exemptions to the Alberta consumer price index like other Albertans, but they will also benefit from indexing the age amount and the pension amount. This means that seniors won't see their taxes increase over time simply because their fixed incomes increase by the amount of inflation.

Under Bill 18, with the new amendment that will move the single rate to 10 and a half percent, Madam Chairman, and raise the basic and spousal exemption to \$12,900, seniors are going to save in all income brackets just as all Albertans will save under this plan. For example, a single senior making \$20,000 will see a 62 percent tax cut. A senior couple earning \$40,000 will see a 57 percent tax cut. These are just a couple of examples, but you can see that we're not talking about small numbers here. We're not talking about pennies. These people are going to save some pretty significant amounts of money.

This is especially important for most seniors, many of whom are on fixed incomes. Any amount of money they can save is money they need for their priorities in their lives today, whether it's fixing up their homes they've lived in for many, many years or whether it's being able to buy more food, fixing up their car. They may want to go on a trip somewhere. Whatever they need, Madam Chairman, this allows them to have more flexibility to take that money.

I'd say that most of the people in this Assembly today still have their parents and grandparents around and have a chance to experience the wonderful thing it is to have that family. Family is a very, very important part of life in Alberta. Giving our family members, our friends, and our friends' family members a chance to have more and do more is the thing that we should be doing. It's the right thing to do, Madam Chairman.

You know, last year the United Nations declared the year as the International Year of Older Persons. The theme they chose was Towards a Society for All Ages. Of course, 1999 is now over, but I think this theme is something we should really continue to try and foster in this province. We should work towards a society that benefits all ages and all age groups, just as we should work towards a tax system that benefits all age groups and income levels.

You know, as a government we are well aware of the contributions our seniors have made, and we have really done some great things in terms of seniors' programs, especially lower income seniors. We've done what we can to make sure seniors have a comfortable life, and it especially applies to seniors who need the extra help. We introduced the Alberta seniors' benefit, with increased benefits for low-income seniors, and the special needs assistance programs for times of extreme need. In Budget 2000 we added a 10 percent cost of living adjustment for seniors' benefits. This is something that we heard when we were out talking to the seniors. We knew what they were looking for, they needed some more, and therefore we increased the benefit.

Now, Madam Chairman, we've recreated our tax system through Bill 18 so that all Albertans will benefit, including seniors. For a

long time there has been talk about what more we can do for seniors, especially considering our aging population. I really think this is going to be a great benefit for seniors because it puts more money back into the pockets of Albertans, including each and every senior citizen.

Governments around the country have been receiving the call for lower taxes. We're doing something about it here, Madam Chairman. We know the pressures that we're seeing happening as we see a wonderful leadership race happening across this country. It's going to be exciting because I think we're seeing the pressure put on the federal government in Ottawa that there is a demand from Canadians across this country to see lower taxes.

This pressure will only continue over time, and as we see the changing economy happening and things moving along, I think that by the fall, with the predictions of a potential federal election, there's going to be a real race, a race between the federal Liberals and the future parties that are chasing this. It will be an economic picture, pushing for lower taxes across this country.

AN HON. MEMBER: Is this relevant?

MR. HLADY: Sure it is. This is relevant, Madam Chairman, and the reason it is relevant is because we're talking about lowering taxes, lowering taxes in this province and lowering taxes in this country. Taxes need to be lowered in this country because in this bill the most we can affect is about a third of the tax position for Albertans. The federal government controls two-thirds of that. Hopefully Ottawa is listening to the debate that's going on here in Alberta and realizing the importance of lower taxes to be fair to the rest of Canadians across the country. We're doing the best we can for Albertans here.

MR. SAPERS: But, Mark, you don't want to be fair with the flat tax, and you don't want to be fair with the surcharge.

MR. HLADY: The flat tax is the fairest form of tax, Madam Chairman, and it's a wonderful thing. It's the best thing we could possibly have out there. The opposition continues to come at it and say that it's not fair. It's the fairest form of tax because the harder you work and the more money you make, the more taxes you pay, but you aren't penalized incrementally for working harder and making it not worthwhile.

In the examples I used yesterday when I spoke to this, Madam Chairman, were nurses working inside our hospitals today. They're putting time in and overtime in. What they're doing is making more money, but they're not making more money because they get moved up into higher tax brackets. That's the wrong thing to be doing. It's no reason to take their money. What they end up doing is having to take time off because it doesn't make sense to take the money and use it for their families. It's the wrong way to be doing things. The flat tax makes it fair. It allows them to keep more money, decide what they want to do, and have more money in their pockets at the end of the day. That's why this is the way to go.

Madam Chairman, governments around the country have been receiving the call for the lower taxes, as I was just explaining. Here in Alberta we've not only heard this call; we've taken decisive action to do something about it. We've created a new tax plan that the rest of the country has definitely taken notice of. When Ottawa followed our lead – partially; we'd like to see them go a lot further – we re-examined that plan to make sure every single Albertan is still receiving the benefits.

We had originally set our flat tax plan at 11 percent, but when Ottawa came out with their new budget, and they had looked at it and had changed their tax plan, it was important that we brought our tax plan down a little lower so that it would be fairer for all Alber-

tans. We didn't want to see anyone not receiving a good benefit from the changes.

Madam Chairman, again coming back to some comments that I hear around the room, I think in the race between certain parties out there federally we're going to see more pressure coming and pushing down the level of taxes at a federal level. That will benefit not only Albertans but all Canadians. Speaking for Albertans, that will only allow this economy to be stimulated more. We'll see more jobs created here. We'll see more wonderful things happening in every sector of the economy.

The technology sector is very acutely aware of the need to have lower taxes. We see the brain drain happening. We see people going down to the U.S. We know that they'd be moving this way if we saw the lower tax rates, making it more advantageous for these workers to be here. To continue on in regards to that, I know that the Minister of Innovation and Science has been working very hard on creating a technology sector that would be very willing to see the lower tax rates, because they know that we can see this part of the economy be what it can be. In the past year we've seen \$135 million invested in technology in this province. That's a very, very small number as an industry. The industry needs to be looking at a billion dollars a year in this province, and that's something we've been working towards. With the lower tax rates we're going to be able to see this sector grow, and we're going to see people attracted from all over North America.

Madam Chairman, I'm looking forward to seeing this bill come into effect because I know that all Albertans are going to benefit from it. Even the Liberals are going to benefit from it, so this is a really great thing.

Thank you, Madam Chairman.

12:00

THE DEPUTY CHAIRMAN: It is after midnight, so due notice having been given by the hon. Government House Leader under Standing Order 21 and pursuant to Government Motion 21, agreed to May 24, 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 18, Alberta Personal Income Tax Act, I must now put the following questions to you.

[The clauses of Bill 18 as amended agreed to]

[Title and preamble agreed to]

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

SOME HON. MEMBERS: Agreed.

THE DEPUTY CHAIRMAN: Opposed?

SOME HON. MEMBERS: No.

[Several members rose calling for a division. The division bell was rung at 12:01 a.m.]

[Ten minutes having elapsed, the committee divided]

[Mrs. Gordon in the chair]

For the motion:

Boutilier	Hancock	Marz
Broda	Herard	McFarland
Cardinal	Hlady	Nelson

Clegg	Johnson	Pham
Coutts	Jonson	Renner
Dunford	Klapstein	Severtson
Evans	Langevin	Smith
Fischer	Lougheed	Stelmach
Fritz	Mar	Tarchuk
Graham		
Against the motion:		
Blakeman	Leibovici	Sloan
Dickson	Massey	White
Gibbons	Sapers	
Totals:	For – 28	Against – 8

[Motion carried]

THE DEPUTY CHAIRMAN: The Hon. Government House Leader.

MR. HANCOCK: Madam Chairman, it's my honour and privilege to move that the committee now rise and report Bill 18.

[Motion carried]

[Mrs. Gordon in the chair]

THE ACTING SPEAKER: The hon. Member for Calgary-Egmont.

MR. HERARD: Madam Speaker, the Committee of the Whole has had under consideration a certain bill. The committee reports the following: 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 ACTING SPEAKER: Does the Assembly concur in this report?

SOME HON. MEMBERS: Agreed.

THE ACTING SPEAKER: Opposed?

SOME HON. MEMBERS: No.

THE ACTING SPEAKER: So ordered.

head: Government Bills and Orders  
head: Third Reading

(continued)

### **Bill 18 Alberta Personal Income Tax Act**

THE ACTING SPEAKER: The hon. Government House Leader.

MR. HANCOCK: Thank you, Madam Speaker. It is certainly a privilege to be able to move Bill 18 for third reading on behalf of the Provincial Treasurer.

With this step, with this third reading of the bill and hopefully final passage, perhaps even tonight . . .

THE ACTING SPEAKER: A valiant try.

MR. HANCOCK: Madam Speaker, you're always thinking I'm joking about these things. With the possibility of passing Bill 18 into law very soon, Albertans are taking one step closer to tax freedom, one step closer to being delinked from the insidious federal

tax process, one step closer to really having some tax relief finally in Alberta.

What I would really like to know but I guess I'll never know is whether if this House in committee had supported the amendment brought forward by Edmonton-Glenora, that would have been enough to bring the Liberals onside to supporting true tax reform or after supporting that amendment and adding that amendment to the bill, whether that would have been the lever which would put them over the top and into tax reform and into supporting Albertans' tax freedom, moving up our tax freedom day so that Albertans can keep money in their pockets, so that Albertans can continue to grow with the economy, can continue to improve with the economic growth of this province.

Madam Speaker, as has been said in this House – and I don't want to belabour it, but it bears saying at least one more time – with Bill 18 every person in this province will benefit. Albertans at every income level will pay less income tax because of Bill 18. One hundred and ninety thousand Albertans will be relieved from the burden of paying a provincial tax.

Bill 18 is a long and complex bill, but it boils down to some very important concepts. One hundred and ninety thousand Albertans will no longer pay provincial tax. Why? Because the personal exemption is being raised to \$12,900. As important as that, the spousal exemption is being raised to the same amount as the personal exemption, which is very important for families in this province. It's very high. It's going to take 190,000 Albertans – did I say that already? – off the tax rolls.

So it's hard to believe that the Alberta Liberals would oppose such an important bill. It's hard to believe that the Alberta Liberals would want Albertans to pay more tax. It proves once again that they share the same skin as their federal cousins. The idea is to tax Albertans to death. [interjections] I'm being encouraged to continue.

Madam Speaker, I just wanted to say one more time what an important bill this is. Originally the personal exemption level was to go to \$11,620, but with the amendment passed in committee, \$12,900 is the personal exemption, \$12,900 as a spousal exemption. Can you imagine what that will mean to single-income families in this province, to low-income earners in this province? That is going to mean a huge and immediate tax break.

So in combination with Bill 19, which passed third reading earlier this evening, and now with Bill 18 coming into effect, Albertans at low income, middle income, and high income are going to have the real advantage, the Alberta advantage. They're going to be in the best position of anybody in this country with respect to tax. They are going to maintain that tax advantage. They're going to have the benefits of their hard work. They're going to have the benefits of the economic activity that's happened in this province. The brain drain is in reverse. The brains are going to be coming back, because this is and it's going to be and remain the best province in the best country in the world to live.

So, Madam Speaker, I think every member in this House should support Bill 18. I can't understand why the Liberals would oppose it. They should be onboard with it. They should vote for it tonight, but I know they don't want to vote for it tonight. They want to have one last opportunity to show Albertans they're not in favour of tax cuts. They want to speak on it longer to tell Albertans why they shouldn't get tax breaks and why they shouldn't have the best tax advantage in the world.

So, Madam Speaker, in order to accommodate that, I'm going to move that we adjourn debate on Bill 18.

[Motion to adjourn debate carried]

[At 12:19 a.m. on Thursday the Assembly adjourned to 1:30 p.m.]