

Peripheral Issues Relating to Local Tax Policy

Introduction

In 2017, Saskatoon City Council passed a resolution seeking more information about issues related to property taxation in cities to help develop and establish metrics to evaluate the impacts of tax policy. The resolutions suggested further exploration of six primary topics:

- The impacts of tax policy on fixed and low-income property owners.
- The impact on business investment decisions.
- A comparison of impacts on businesses of various size.
- An evaluation of how equity can be best evaluated in terms of benefits, horizontal equity, and tax share.
- The change over time of revenues received by residential and non-residential property classes and impact on the provision of civic services.
- Provide further information, as available, on the rate of local ownership within the property tax classes on other jurisdictions.

Unfortunately, the lack of reliable and quality data limits the ability to address these issues. To address many of these points in any level of detail requires empirical analysis including qualitative surveys and quantitative modelling. Nonetheless, the objective of this document is to provide some preliminary data and analysis with respect to the following:

- The impacts of tax policy on fixed and low-income property owners.
- The change over time of revenues received by residential and non-residential property classes and impact on the provision of civic services.
- The business mix in five western Canadian cities (Calgary, Edmonton, Saskatoon, Regina, and Winnipeg). Unfortunately, there is no reliable data on the rate of local ownership, but the analysis should provide additional context about the mix of different businesses in each city.

Measuring the Effects of Tax Policy on Low-Income Households

Measuring local tax policy effects on low-income households is difficult due to the lack of reliable data. However, some analysis can be conducted by using Statistics Canada's Survey of Household Expenditures.¹ Table 1 shows a short time series analysis of total property taxes as a share of average household expenditures by income quintile. Income quintiles divide the population into five incomes groups, from lowest to highest, so that 20% of the population is in each group.

¹ For more details, please consult: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110022301>

As the table shows, municipal and education property taxes for the lowest quintile accounts for two percent of total average household expenditures. Although the data shows fluctuations over the years, this has been consistent and is largely equivalent to the all quintile average.

Table 1: Municipal Property and Education Property Taxes as Share of Total Average Household Expenditures in Saskatchewan
Source: Statistics Canada Table 11-10-0223-01

Income Quintile	2010	2011	2012	2013	2014	2015	2016	2017	2019	9 Yr Average
All	2.12	1.89	2.10	1.86	1.88	1.98	1.97	2.14	1.95	1.99
Lowest	2.75	1.71	2.20	1.72	1.58	2.05	1.85	2.15	2.02	2.00
Second	2.12	2.42	2.47	2.23	1.95	2.25	2.33	2.46	2.18	2.27
Third	2.28	2.11	1.98	1.93	1.99	2.17	2.31	2.40	2.28	2.16
Fourth	2.05	1.82	2.02	1.81	1.86	2.01	2.05	2.19	1.96	1.97
Highest	1.96	1.71	2.07	1.77	1.89	1.78	1.69	1.88	1.71	1.83

There are some key data assumptions and limitations to note here. First, the data does not disaggregate by ownership, so it does include renters. Second, the data is for Saskatchewan and not simply Saskatoon. However, given Saskatoon's size and role in the province, the sample data provides a close proxy to the conditions in Saskatoon. A further analysis for Saskatoon can be conducted once the 2021 Census is released. Third, data is from a survey and there have been some methodological changes over the years. The survey underwent revisions in 2018, so no data is reported for that year. Finally, while this is not a measure of income, but rather household consumption, the analysis assumes that consumption equals income for lower income households.

The Change in Property Tax Revenue by Property Class Over Time

Table 2 shows the municipal property tax mix in Saskatoon for the residential and non-residential aggregate property classes.

Table 2: City of Saskatoon Municipal and Library Property Tax Revenue Share by Property Class
Source: City of Saskatoon

Property Class	2015	2016	2017	2018	2019	2020
Residential	71.0%	70.7%	69.3%	69.3%	69.7%	69.7%
Non-Residential	29.0%	29.3%	30.7%	30.7%	30.3%	30.3%

The table illustrates that the share of non-residential tax revenues has grown slightly over the period, but the residential, non-residential property tax mix has remained consistent at about 70/30 over the time period. There is no evidence to suggest that this distribution of tax revenues has any impact on the provision of local public services.

The Business Mix in Western Canadian Cities

Local tax policy should as much as possible consider the business composition in that community. Some businesses are more sensitive to tax policy than others, so a good understanding of the mix is important. Although there is no reliable data on the location of business ownership in Saskatoon, we can assume that Saskatoon's business composition is primarily locally owned smaller enterprises.²

To compare Saskatoon's business composition profile with that of other Canadian cities, we consulted Statistics Canada's Business Counts data series.³ It provides comparable data about businesses with employees at various geographic levels, including the Census Subdivision (CSD), which means the incorporated municipality (e.g., the City of Saskatoon). As a result, the analysis compares the business mix in five western Canadian cities in a variety of ways.

Table 3 shows the percent distribution of businesses with at least one employee by both industry classification and CSD.

Table 3: Percent Distribution of Businesses with at Least one Employee by Census Subdivision
Source: Author Calculations from Statistics Canada Table 33-10-0306-01

North American Industry Classification System (NAICS)	Winnipeg	Regina	Saskatoon	Calgary	Edmonton
Agriculture, forestry, fishing and hunting	0.3	1.0	1.5	0.3	0.3
Mining, quarrying, and oil and gas extraction	0.1	0.3	0.6	1.7	0.5
Utilities	0.0	0.1	0.1	0.2	0.1
Construction	7.8	10.2	11.6	10.2	10.6
Manufacturing	3.3	2.3	3.4	2.7	3.4
Wholesale trade	4.8	5.9	6.1	4.3	4.7
Retail trade	11.6	11.9	12.7	9.0	10.8
Transportation and warehousing	8.2	4.5	4.3	4.3	5.7
Information and cultural industries	1.4	1.3	1.2	1.1	1.1
Finance and insurance	4.3	3.9	3.6	3.5	3.1
Real estate and rental and leasing	4.1	4.1	4.4	4.2	3.9
Professional, scientific and technical services	9.1	9.7	9.5	20.5	13.2
Management of companies and enterprises	0.8	0.7	0.7	0.8	0.7
Administrative and support, waste management and remediation services	3.9	4.3	4.0	4.5	4.3
Educational services	1.2	1.5	1.4	1.3	1.0
Health care and social assistance	13.3	11.7	11.4	9.6	12.8
Arts, entertainment and recreation	1.4	1.3	1.5	1.0	1.0
Accommodation and food services	6.8	7.8	7.3	5.9	6.6
Other services (except public administration)	10.1	9.9	9.8	7.6	9.3
Public administration	1.2	3.5	0.3	0.1	0.7
Unclassified	6.2	4.2	4.4	7.2	6.4
Total, all industries	100	100	100	100	100

The table shows the mix of businesses and the concentration of them by industry. The bolded values indicate those industries that have the highest concentration in each city.

² For details on Saskatoon's business profile see: https://www.saskatoon.ca/sites/default/files/documents/community-services/planning-development/business-license-mapping-research/business-license/business-profiles/business_profile_annual_report_2019.pdf

³ <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310026701>

In Saskatoon and Regina, the retail trade industry has the highest concentration of businesses with at least one employee at 12.7 and 11.9 percent respectively. In Calgary and Edmonton, the professional, scientific, and technical services industry has the highest concentration of businesses with at least one employee at 20.5 and 13.2 percent respectively.

Moreover, Chart 1 shows the relative importance of business size in the city. The chart shows the percent share of the businesses with at least 50 employees or more. Most comparators use firms with 50 employees or less to indicate small business status. In other words, about 95 percent of the businesses in Calgary, Saskatoon, and Regina would be considered small businesses.

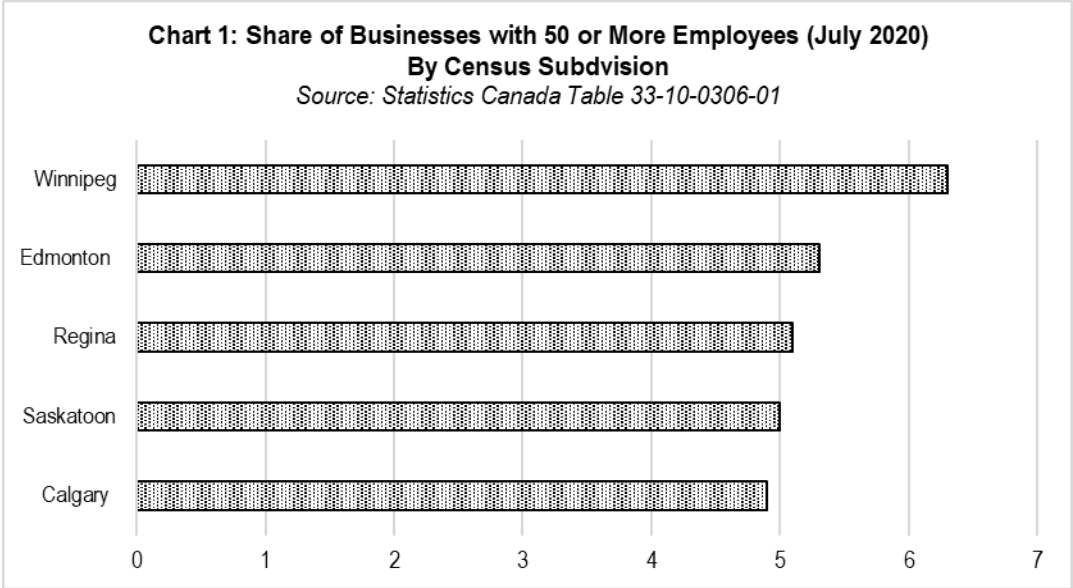
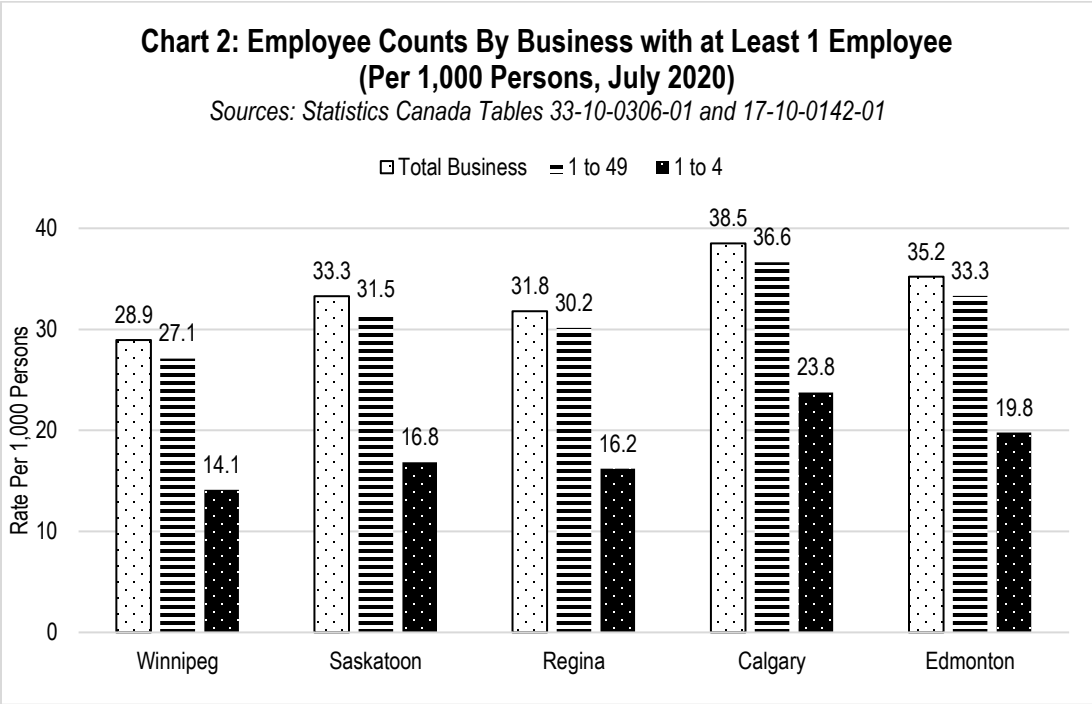


Chart 2 compares businesses by size on a per capita basis. Here, the analysis adjusts businesses counts per 1,000 population and then calculates the rate in three ways: (1) by total business; (2) by businesses with a range of employees from 1 to 49; and (3) by businesses with a range of employees from 1 to 4. This allows for a better comparative analysis.



As illustrated in the chart, Saskatoon sits third among the cities across all measures. For example, Saskatoon has a rate of:

- 33.3 businesses with at least one employee for every 1,000 persons;
- 31.5 businesses with a range of 1 to 49 employees for every 1,000 persons; and
- 16.8 businesses with a range of 1 to 4 employees for every 1,000 persons.

Based on the data in Table 3 and Charts 1 and 2, Saskatoon’s business composition differs slightly from other cities but is mostly aligned with Regina’s, suggesting that the provincial economic structure has the influence on the types of businesses that emerge. Saskatoon does not have a higher concentration of small businesses relative to other cities and in fact, sits behind Calgary and Edmonton for businesses that have a range of one to four employees. This may suggest that higher tax ratios in Calgary and Edmonton relative to Saskatoon have little influence on the size of business in those jurisdictions.