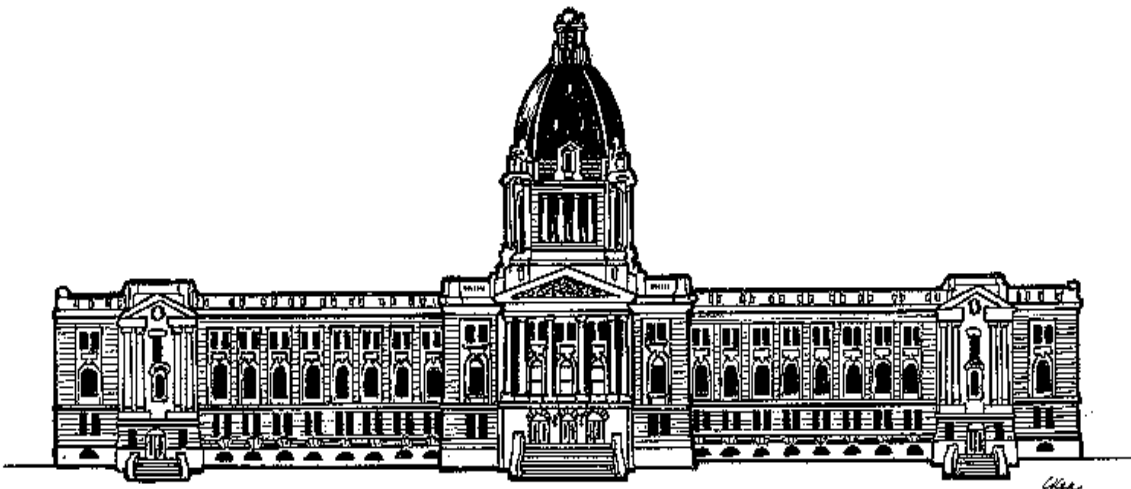




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Weyburn-Big Muddy

Mr. Kim Trew, Deputy Chair
Regina Coronation Park

Hon. Nancy Heppner
Martensville

Mr. Tim McMillan
Lloydminster

Mr. Jim Reiter
Rosetown-Elrose

Mr. Randy Weekes
Biggar

Mr. Kevin Yates
Regina Dewdney

[The committee met at 16:00.]

The Chair: — Good afternoon, committee members. We have a few items under consideration for this afternoon. We will begin with consideration of Bill No. 58, *The Income Tax Amendment Act, 2008* — the short title, clause 1.

Bill No. 58 — *The Income Tax Amendment Act, 2008* (No. 2)

Clause 1

The Chair: — At this time I would welcome the minister and his officials, and if he wants to introduce his officials and if he has an opening statement he can make it at this time. Minister.

Hon. Mr. Gantefoer: — Thank you very much, Mr. Chair. It's a pleasure to be here with the committee this afternoon. With me today is Mr. Doug Matthies, the deputy minister. To my right is Arun Srinivas, the senior tax policy analyst with the Ministry of Finance. Behind me, the Provincial Comptroller, Terry Paton; and at the back, Dick Carter, my chief of staff; and Krista Baker from my ministerial office.

I don't have a formal kind of opening statement, but I would like to state the objectives that we are achieving in this legislation and these amendments.

The Bill was intended to increase the basic personal exemption, the dependant spouse exemption and the spousal equivalent exemption and the dependent child exemption amounts, and replace the Saskatchewan sales tax credit with a new, enhanced Saskatchewan low-income tax credit.

In the consultations we undertook with the people of Saskatchewan over the course of the summer and the fall, one of the overwhelming consensuses that were realized is that people were saying that we should embark on some form of tax relief that fell into two categories generally — educational property tax relief and personal tax relief in some form.

In making the choice of the amendments that we have chosen, it was our intent to positively affect the majority of people of the province, as many people as we possibly could. And for those people that were not able to benefit from the changes to the basic personal exemptions, the idea of an enhanced child . . . Saskatchewan low-income tax credit was to help those people who, while they were below the level where they were paying tax, were filing a tax return and were eligible for this assistance on a quarterly basis. So I look forward to the questions that I may have from the committee.

The Chair: — Thank you, Minister. Mr. Van Mulligen.

Mr. Van Mulligen: — Thank you very much, Mr. Chair, and I want to welcome the minister and his officials here today. I'd like to ask a question about the low-income tax credit. As I understand it, people automatically qualify if they file any kind of tax return. Then there's a calculation made by the federal government to determine whether or not you qualify for their GST [goods and services tax] credit, and now in this case, the low-income tax credit. Is that correct?

Hon. Mr. Gantefoer: — Yes, that's correct. It is automatic upon meeting the qualifications under the legislation. If you're below those income thresholds, it'll be automatically calculated by the federal government and paid on a quarterly basis, I believe.

Mr. Van Mulligen: — So the question that raises for me, if it's based on people filing a tax return, and that is now people of low incomes, what kind of analysis have we been able to do to determine to what extent low-income people actually do file, even though they haven't got the income? And I would suggest that you should file an income tax return. Have we ever done any work in terms of trying to determine to what extent, what percentage of low-income people who might be eligible for the low-income tax credit or previously the sales tax credit, are in fact filing to receive or to take advantage of this credit?

Hon. Mr. Gantefoer: — Well this is automatically coupled on with the GST rebates that are made available by the federal government. And while our ministry in Saskatchewan, I'm told, have not done a particular study as to the number of low-income people that actually file as compared to those that would be eligible to, I am told that Revenue Canada estimates that there's a high degree of participation in order to qualify for the federal GST rebate, and our program would automatically dovetail with that.

Mr. Van Mulligen: — Are they able to break down those numbers for Saskatchewan, I guess, by provinces?

Hon. Mr. Gantefoer: — I'm advised by the ministry that this benefit will go to about 300,000 Saskatchewan families or individuals. And we believe that's a very high percentage, but there hasn't been a study done specifically putting to the exact percentage what the precise number may be. But we think it's a very high uptake.

Mr. Van Mulligen: — Well I'll leave it at that at this point, other than to encourage people who don't file income tax forms because they feel they don't make enough income to in fact be paying taxes. There's every incentive here in terms of a GST rebate, and now the low-income tax credit, to in fact file an income tax return because they will be eligible to receive these rebates and credits. So I would do that.

I'd just like to deal with the question of affordability. When the income tax changes were announced, I believe the cost that was calculated for this fiscal year was \$344 million and that ongoing costs were calculated at about \$300 million a year. Am I correct in that?

Hon. Mr. Gantefoer: — The first-year costs, because there's more than 12 months involved, is \$334 million and the ongoing is 302.

Mr. Van Mulligen: — So 334 and 302. Okay. I stand corrected on that.

The question that I would raise, seeing as how your predictions or your calculations are based on certain revenues flowing to Saskatchewan, notably here from non-renewable resource revenues, given what is taking place in the commodities market

and given especially what is taking place with respect to oil, are you still certain that the predictions that you've made about this income tax change, this income tax reduction, in fact being affordable as we go down the road — is in fact still the case?

Hon. Mr. Gantefoer: — We certainly are in fine shape for this current fiscal year because a lot of . . . The price of oil in mid-July was at \$147 a barrel and now certainly it's under \$50 a barrel, so there's been that huge volatility, price swings over the course of this fiscal year to date.

Looking forward we certainly have every reason to believe that while Saskatchewan is not immune from the forces that are swirling around us, we certainly are better positioned than virtually any province in Canada, which in turn seems to be better positioned than any country in the G7 at least, and maybe the G20, to withstand these uncertainties.

We are in the process of beginning the detailed work in the next year's budget. When we looked at the affordability of this and its sustainability, we felt very confident — and still feel very confident — that this is sustainable, and it's appropriate in terms of ensuring that the majority of our citizens benefit to some extent and are insulated to some extent from the forces that occur in a growing economy.

We recognize there are realities for people like increasing rents or housing costs in general, utility costs, and those sorts of items. And so in arriving at our decision to do a broad-based income tax relief program, we felt that this combination was the most effective to get benefits to the vast majority of our citizens.

Mr. Van Mulligen: — The next question I have relates to economic impact. What impact would a tax change of this magnitude have on Saskatchewan's GDP [gross domestic product]?

Hon. Mr. Gantefoer: — Okay. Thank you, member. I'm advised that we didn't break down this specific tax measure per se, but looking at all of the factors that we put into place, including the infrastructure and the paying down of the debt, would be that the real GDP would be increased by .9 per cent, and the nominal GDP would be increased by 1.3 per cent; and for 2009, by .4 per cent for the real GDP, and 1 per cent for the nominal GDP.

Mr. Van Mulligen: — So given the investments in infrastructure and given other spending, this particular change, income tax, is it possible to assign some value to that in term of impact in GDP? You know, I'm not going to hold you to a specific figure, but wonder if there's some range that one might be able to project.

Because the notion is that as people have more money in their own pockets, and they're able to spend that — assuming they spend it — there will be some stimulative impact on Saskatchewan's economy, and therefore one should be able to measure something of this magnitude, which in this case you're saying that the impact on an ongoing basis is \$302 million a year, and so I wonder what that impact might be.

Hon. Mr. Gantefoer: — We do it in aggregate, to the member.

We don't break this down in each specific component of the revenue, if you like. We do it in aggregate. The package of measures are estimated to add 19,000 new jobs in 2009 and more than 10,000 new jobs in 2010. And I think that the concern about that is the limitation of the labour market availability, and certainly all of these things have a positive effect.

I think last week the Potash Corporation of Saskatchewan indicated that for their infrastructure expansions that they were looking, I believe, at 32,000 new jobs in the construction phase. So all of these things have very positive effects, but there may be some concern about availability of people to meet those jobs. So that may have some dampening effect, but certainly there is a positive effect by putting this much capacity or cash into people's hands. It's going to tend to be spent in this province unless they are going to use the benefit to take a warm vacation in the middle of winter. That might not work out quite as well.

Mr. Van Mulligen: — The last time there was a major income tax reduction of this nature, I was interested to see almost immediately there being feedback from at least one professional organization involved with chartered accountants where they were able to point to, anecdotally, to specific instances of where people were prepared to change their residence, the province in which they claim residence. I gather there've been a number of individuals, high incomes who, although most of their work was being done in Saskatchewan, in fact claimed residence in Alberta to be able to take advantage of much lower tax rates there. They said that the tax changes then were having a desirable impact of encouraging individuals to in fact claim their residence in Saskatchewan.

Are you able to point to any anecdotal or other evidence that the tax change will have a desirable impact in terms of people's decisions about living in Saskatchewan versus other jurisdictions?

[16:15]

Hon. Mr. Gantefoer: — Thank you. One of the great pleasures of this job, as the member would know, is sometimes you get information overload in the best possible way.

An interesting number of statistics from a set of charts that has been provided to me. In 2003, 1.9 per cent of the filers paid 3.1 per cent of the tax — 18 per cent of the tax; 3.1 per cent were taxpayers. That's been shifting. So in 2006, 3.4 per cent of the filers paid 28 per cent — 27.7 per cent — of the tax. So what we're seeing is that we are having the level of taxpayer is actually increasing so that there are more well-to-do taxpayers in Saskatchewan now than there were three years ago. So it kind of substantiates the comment that you're making.

The other thing is the reality of the job market is changing. Many of the new jobs that are being offered are very well-paid jobs and put the filers of those revenues into a higher tax bracket. They're sort of not the level entry, you know, hospitality industry type of jobs that are part-time. They're very well-paid, very quality jobs, and that's the reason why people are coming back to the province in large measure. So all of these things are very, very positive.

The other thing that I would like to mention is that these changes for a family, a dual-income family with two children, put the level at where that family would start paying tax in Saskatchewan. Under the old regime, it was at \$28,000. Under the new regime it'll be at \$41,300, which is the highest level of income before you start paying tax in Canada. So that puts us in a pretty good, pretty competitive position.

Mr. Van Mulligen: — I agree with you. My sense is competitiveness is an important factor of making tax changes. Affordability is one, and we dealt with that. Competitive is one. Fairness — we dealt with the question of low-income tax credit. And I agree that this particular tax change, like previous tax changes, certainly hits the marks on all those items, so I appreciate your comments.

Can I just clarify something with respect to our tax system. If a person has a business and pays property tax both municipal and educational, are they able to factor that in as an expense of doing business?

Hon. Mr. Gantefer: — Going back to my experience and doing exactly that, indeed, educational property tax and municipal property tax were both expensible against income.

Mr. Van Mulligen: — So that would then also hold for agricultural producers where that's an expense of theirs and they're allowed to deduct that then as a so-called business expense from . . . Okay. I just wanted to clarify that.

And I think that's about all the questions I have with respect to this Bill.

No, there's one more. Just a comment that when you made the second reading speech, in describing the tax changes you indicated that, I guess, sort of extraneous comments that on October 21 the government responded to consultations about the government's priorities by announcing the largest investment in infrastructure in Saskatchewan history, and then said, the largest amount of debt reduction in Saskatchewan history.

So am I to assume from that, if it's the largest amount of debt reduction in Saskatchewan history, there were then previous debt reductions in Saskatchewan history?

Hon. Mr. Gantefer: — I am sure there were. Can I identify them at this point? I don't think I can. With my officials, I'm glancing at them. But certainly there have been changes in the debt of the province of Saskatchewan over time. And this was a very substantial amount. We've reduced the debt — the General Revenue Fund debt — by 40 per cent and that is the largest application of money towards debt in our history.

Mr. Van Mulligen: — I have a chart from the Provincial Auditor's report. It talks about net debt as a percentage of GDP, and it certainly would seem to indicate that the province's debt, that is the taxpayer-supported debt has gone down as a percentage of the GDP. That's the percentage of the economy. But I assume then that . . . Oh yes, here we are, graph 3. The actual debt has also gone down.

And the reason I ask this, because you state that this is the

largest amount of debt reduction in Saskatchewan history. And I don't doubt that inasmuch as we have, I think, historically high surpluses from the non-renewable resource sector to put towards government purpose, including debt reduction.

But I was a bit confused because, driving over here, I heard an advertisement by your party, the Saskatchewan Party, on the radio which indicated in part talking about debt reduction that would be welcome for a change. The advertisement indicated that we're having a debt reduction this year and so we are. And then the advertisement says it would be welcome for a change.

Well the inference from that is that there has never been a debt reduction before. So I'm just clearly trying to establish here what is the case, and trying to establish for people of Saskatchewan who might be confused about this radio ad, just what is the truth of the matter here.

Hon. Mr. Gantefer: — Thank you, member. I'm given the statistics from 1988-89 up until 2004-05 and up to '08-09. So for example, in '88-89, it was \$4.46 billion. I'm just picking numbers here. In 1991-92, it was 8.158 billion. It probably peaked in '93-94 at 9.250 billion. In '95-96 it was 9.126. In 1998-99, it was 8,000,029,000. I'm just sort of going randomly across the page here. 2004-05 was 7.6 billion. In 2006-07, 7.278 billion and in 2007-08, 6.848 billion. And 2008-09, 4.192. That's the forecast for this year which would actually bring it lower than what it was in 1988-89.

I skipped some years in between there, but I think it illustrates the fact that from a high in . . . 1993 was the high point and it has gone down relatively steadily since then.

Mr. Van Mulligen: — So what you're saying then in effect that debt of the province, this is taxpayer-supported debt, has gone down from 9.25 billion at its height in 1993 to a year or so ago had been reduced to \$6.848 billion, a reduction of roughly — what? — two and a half billion dollars over that period of time?

Hon. Mr. Gantefer: — Yes, that's right.

Mr. Van Mulligen: — So that's good to establish. So that when I listen to that radio ad, when it says a debt reduction having been done this year and someone says in this advertisement that this is welcome for a change, that this is then over-the-top, exaggerated rhetoric, to put it mildly.

Hon. Mr. Gantefer: — Well I don't know if I'd characterize it exactly that. It certainly is the biggest single-year debt reduction in the history of the province for sure. And I think that's clear.

The other point that has to be made that going into 1993-94, it also increased rather significantly. So the downward trend is welcome, has been welcome, is important that we continue and even more aggressively apply money as it is available in this current year.

And in our growth and financial security legislation, as the member is undoubtedly aware, 50 per cent of surpluses is to be applied to debt. So we're very committed to continue to bring that debt down aggressively.

Mr. Van Mulligen: — No, and I appreciate that. I guess I'm just a stickler in these days where people want to hear less rhetoric and a greater concentration on what the actual facts are.

Then I appreciate your comments and giving us the facts in this matter. And I have no further comments on this Bill, Mr. Chair. And if the committee wants to vote it off, it would be fine with me.

The Chair: — Seeing no further questions, we'll go to short title, clause 1, *The Income Tax Amendment Act, 2008 (No. 2)*, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 9 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Income Tax Amendment Act, 2008 (No. 2)*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried. And I would ask that a member of the committee move that the Bill be reported without amendment. It's been moved by Mr. Weekes. Is that agreed? And that's carried.

Bill No. 48 — *The Financial Administration Amendment Act, 2008*

Clause 1

The Chair: — Committee members, we'll move on to Bill No. 48, *An Act to Amend the Financial Administration Act, 1993* with Minister Gantefoer. I don't know if there's been officials that have changed or if you'd like to make an opening statement. The short title is clause 1 and an opening statement, Minister?

Hon. Mr. Gantefoer: — Yes, thank you very much, Mr. Chair, and we just moved an official or two around. We haven't replaced anybody. The intent of this Act is, as members will be aware, automatically with the consideration of the budget, that one-twelfth of the interim supply is automatically provided for the use of the House. And that was a change that was initiated in order to provide for the fact that there would be operating funds for one month after the budget is tabled in the House in order to allow ministries to conduct the work of the House.

And subsequent to that, there was interim supply Bills that would come forward on a monthly basis, perhaps two-monthly basis, and that was ended to have continued supply, especially in the days when the House sat on an indefinite calendar. And indeed in my experience, not going back all that far, but I can remember a sitting into the month of July and so there was not a determined sort of end to the session. And as such then, it was indeed quite appropriate to vote on a month-by-month basis for the continued supplies that were necessary for the ministries to carry out their functions of providing services to the people of

Saskatchewan.

As members will be aware, we've moved to a fixed calendar type of a program that basically states, as long as the budget is tabled before an appropriate date in the beginning of the session, that the completion date for the session is the Thursday before the May long weekend. And so we have the reality of the very high degree of likelihood that the session will end and the appropriation Bills and the Bills related to the budget will be voted before the end of May, and that will then provide for the supplies for the conduct of the government affairs for the remainder of the year.

So it seemed logical, and in discussion with members that the idea of providing an automatic two-twelfths in terms of an interim supply with the tabling of the budget would be appropriate, because that would cover the period of time from when the budget is tabled — normally in the month of March for the month of April and the month of May. And so therefore supplies would automatically continue for that period of time. Those are the thrust of the changes in this legislation, and I stand ready for questions.

[16:30]

The Chair: — Thank you, Minister. Mr. Van Mulligen.

Mr. Van Mulligen: — Thank you very much, Mr. Chair. I'm just trying to understand. In terms of the calendar that we do have, if a budget isn't presented by a certain time, it's still theoretically possible that we could find ourselves at some future time in the month of May or June — June I suppose — coming back for interim supply.

Hon. Mr. Gantefoer: — Yes that's correct. And in essence . . . Now I probably shouldn't say this because it'll likely be wrong, but I believe there has to be 25 clear days between the time that we come to the vote on completion date on the budget and the tabling of the budget. So if the budget is delayed, there has the provision that the House needs to be provided with those 25 days. So if the budget was presented into the month of April, for example, it is entirely possible that that would delay the final budget vote. And if we then went beyond the month of May before final consideration of the budget, then we could still be into an interim supply. But as I stated, I think that with a fixed calendar that would be a very rare event.

Mr. Van Mulligen: — I don't have any questions as such, Mr. Chair, but just offer the viewpoint that it's not often that we as members of Legislative Assembly give up a principle, if you like. And in this case the principle is that the government shouldn't expend any funds without the explicit approval of the Legislative Assembly, which is what we're doing here with this particular change.

But having watched this now for many years and how the legislature has ended up over the course of the last 10 years or so, dealing with this particular issue, the Legislative Assembly has always given approval for the interim supply. I can't remember the last time . . . There may have been one occasion where, for one reason or another which had nothing to do with interim supply, the Legislative Assembly has held it up for a day, didn't vote it off on the same day that the request came.

But having looked at our recent history on this, you know, for good practical reasons and for the, you know, efficiency of the administration of government, I agree that we can and should make this change.

Although one does never give up a principle, in this case, the important principle very easily, but it's still there on the books, and if for some reason the government is delayed in its budget, and that then might raise concerns about all aspects of the budget, including the timeliness of funds to those organizations and those individuals who receive transfer payments from government to ensure that they're being looked after.

So having said that, I don't have any further questions on this particular Bill.

The Chair: — Seeing no further questions from committee members, clause 1, the short title, *The Financial Administration Amendment Act, 2008*, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 and 3 agreed to.]

The Chair: — Her Majesty by and with the advice and consent of the Legislative Assembly of Saskatchewan enacts as follows, *The Financial Administration Amendment Act, 2008*. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And that is carried. And I would ask a member to move the Bill without amendment.

Mr. McMillan: — I so move.

The Chair: — It's been moved by Mr. McMillan. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Minister, thank you to you and your officials for appearing before the committee. I want to thank the member for his questions, and at this time seeing no further business before the committee . . . Minister Gantefer.

Hon. Mr. Gantefer: — Thank you, Mr. Chair. Before the committee adjourns I'd like to express my appreciation to the officials for being here and supporting the answers that the committee requested today. I'd like to as well thank and congratulate the committee on their questions and their support for this legislation. It's very much appreciated. And to take this opportunity to wish everyone in the committee a very merry and blessed Christmas.

The Chair: — Mr. Van Mulligen.

Mr. Van Mulligen: — Mr. Chair, if I could just start with wishing everyone a Merry Christmas as well, but thank the minister and his officials for being here today and helping us with consideration of these two pieces of legislation. The first

one at least I think will have some impact on the people of Saskatchewan.

I don't know about *The Financial Administration Act*, whether there'll be any noticeable change for anyone in Saskatchewan, but it's an important principle that guides consideration in this House, and we as stewards of the public's purse, I guess, have to be careful in what we do here. But again, it was a good change. So I want to thank the minister and his officials for being here.

The Chair: — Okay. Thank you, Minister, and your officials, and committee members. And at this time seeing no further business before the committee, I'd ask a member of the committee to move a motion of adjournment.

Mr. Reiter: — I so move.

The Chair: — It's been moved by Mr. Reiter. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — And that is carried. This committee stands adjourned. Thank you.

[The committee adjourned at 16:35.]