

## Employment fee could be giant step toward tax fairness

*Re: "City 'way overcharging' for building permits: councillors" (obj.ca, Nov. 24): I do not accept the thesis that the city is "way overcharging" for building permits, since the fees seem quite reasonable under the circumstances.*

Where Ottawa does have a serious municipal tax fairness problem, I believe, is the long-standing failure of the city's mayors and councillors to deal with the problem of people who commute to Ottawa to work and use municipal infrastructure but who do not pay property taxes to the City of Ottawa. These people are adding to the costs of providing infrastructure without paying a fair share to support its building and servicing, which is funded in whole or in part by property taxes.

In an article published about eight years ago, I proposed that an Employment Requisite Fee be considered as a means to address the municipal tax fairness problem. The ERF concept and its variations have gotten traction elsewhere but, to my knowledge, not in Ottawa.

However, it may be timely to revisit the ERF concept, since it appears that

at least a few councillors are aware of a harsh financial reality. That is, the federal and provincial governments are severely constrained financially, so if council does not wish to cut programs and service levels and does not wish to increase the property tax burden above current levels, then it needs to find an alternative revenue stream when it comes to infrastructure financing.

The case for applying an ERF in the interests of municipal tax fairness may be summarized as follows. I use light rail/transit as the infrastructure component of interest for illustrative purposes.

In brief, there are thousands of people who already commute to work in Ottawa, and it is highly likely that a regional light rail/transit plan that extends to Ottawa's outer reaches would increase that number. This situation bears directly on the city's ability to cover the capital and operating expenses needed to build the system and keep it running. The following comments might assist the mayor and councillors to better connect and reconcile Ottawa's light rail/transit and financial challenges.

In general, people who live and pay property taxes elsewhere do not pay property taxes to the City of Ottawa. Consequently, Ottawa taxpayers are burdened with the capital and operating costs of all the types of infrastructure (light rail/transit, as well as roads, sidewalks, traffic lights, water and sewer, garbage disposal, police, fire, utilities, etc., and their servicing), even though that same infrastructure is also used on a daily basis throughout much of the year by work commuters who pay no municipal taxes to the City of Ottawa to build and maintain those types of infrastructure.

The City of Ottawa is struggling to maintain current infrastructure facilities and services, much less add to them, the senior levels of government are in no position to provide more than token financial assistance and there is a limit to drawing down reserves.

What to do, which is effective, efficient, easy to implement and totally fair?

I propose that one way to bring the City of Ottawa's financial shortfall down a point or two, and perhaps address sprawl and other municipal issues at the same time, lies in applying a charge to those who work here and partake of infrastructure facilities and services but do not pay City of Ottawa property taxes. Adopting this initiative will

not totally balance the books or fully sort out light rail/transit thinking, but it is a step in the right direction.

In terms of how to proceed, Google searches using terms such as levy, head tax, commuter tax and commuter fee yield thousands of references that are pertinent to this topic.

As for operationalizing the procedure, the fee would be collected by employers for all employees who earn more than, let's say, \$4,000 per month, and do not pay property taxes to the City of Ottawa. A flat rate or a variable fee rate would be set by council, and employers would remit the collected fees on a monthly basis.

The work commuter issue was one of my research assignments in the early 1970s while I was at the University of Kansas and consulted for the Kansas City planning department. Then and in my subsequent experience, such a fee has been found a fair, reasonable, highly appropriate and easily implemented municipal finance instrument.

I suggest that the City of Ottawa adopt the ERF idea as a municipal tax fairness initiative at the earliest moment.

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