MEDIA SCAN: HYDRO RATE REDUCTION PLAN

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Toronto Sun: PC tax plan too much like Liberals'; A15; 2017.12.06

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PC tax plan too much like Liberals'

Unfortunately, the Progressive Conservative Party of Ontario's recently released election platform implicitly calls for continuing many of the most economically damaging Liberal government policies.

Let's start with taxes. On personal income tax (PIT), Ontario is hopelessly uncompetitive.

The province maintains a 53.5% top combined federal and provincial marginal tax rate.

Of all the provinces and states in Canada and the U.S., only Nova Scotia's top rate is higher.

Not only does Ontario's high top rate create a disincentive for highly productive Ontarians to work hard and succeed, it makes it harder for the province to attract and retain mobile high-income earners, including engineers, entrepreneurs and other highly-skilled professionals.

Given that people face a host of other taxes - including a 13% HST on almost everything they buy with their after-tax dollars - it's not hard to see how such a high top marginal rate distorts economic decisions and makes Ontario a less-attractive destination for highly mobile, skilled and educated workers.

Major tax reform

Ontario's lack of tax competitiveness looms as an even more serious problem when you consider developments in the U.S., where the passage of major tax reform seems increasingly likely.

In recent years, Ontario (and all Canadian provinces) have benefitted from a substantial tax advantage when it comes to corporate income tax (CIT) because of a high federal rate in the U.S.

But U.S. tax reform could soon change this script, eroding or completely erasing Ontario's advantage relative to American states with whom we compete.

And again, the gap between Ontario's PIT and that of the American states would only widen with U.S. tax reform.

Unfortunately, the PC platform took no meaningful action in either area.

It proposes some modest changes to the PIT, but would apparently leave the 53.5% top rate in place.

The platform is also silent on lowering the general corporate income tax rate.

So Ontarians cannot reasonably expect meaningful action on tax competitiveness, no matter if the Liberals or Conservatives win the election.

Also, it's not just on tax reform where the PC platform prescribes the policy status quo (or something very much like it).

On the minimum wage, for example, the PCs promise to follow through on the Wynne government's commitment to raise the wage floor to $15 per hour, albeit less quickly than the Wynne government.

Nevertheless, Ontario will be on track to implement a minimum wage out of line with many competing jurisdictions.

The consequence of this decision will almost certainly be fewer jobs created for young and less-skilled workers.

On hydro policy, the PCs were ferociously critical when the Liberals announced their "Fair Hydro Plan," which reduces hydro bills in the short term by passing the costs on to taxpayers and future ratepayers in the form of more debt and, therefore, higher future payments.

Yet the PC platform says nothing about removing the Fair Hydro Plan, promising only to reduce hydro payments further.

In short, the policy the PCs criticized so aggressively seems to be the baseline for their own plans.

Ontario desperately needs a new approach to economic policy, including increased tax competitiveness, repairing provincial finances and removing unnecessary regulatory barriers.

Unfortunately, the PC platform fails in each area.

Eisen is director of the Fraser Institute's Ontario Prosperity Initiative

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Ottawa Sun: PC tax plan too much like Liberals'; A19; 2017.12.06

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