City Financing: things that should be considered

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Linking revenues to spending

Background:
- Hamilton has 2 main revenue sources of locally generated revenue – user fees & property taxes.
- Hamilton has a wide range of spending responsibilities.

► Should revenues be linked to spending?
► When should a user fee be the revenue tool?
► When should the property tax be the revenue tool?
User Fees

- For what services?
- How should they be structured?
- Are they fair?
- Are they efficient?
- Are they accountable?
- Should they be discounted for seniors?
The Property Tax - A bit of background

Property tax ratios in Hamilton 2017

37 property tax sub-categories (reported in FIRs):

- Tax ratios (ratio by which property tax rate exceeds rate for residential):
  - Muli-residential – 2.47
  - Commercial – 1.98
  - Industrial – 3.09
  - Large industrial – 3.62
Issues in Property Taxation

- Why is it such a maligned tax?
- Is it a good tax for cities?
- Is it fair, efficient and accountable?
- Should residential properties be undertaxed vis-à-vis;
  - multi-residential properties?
  - commercial/industrial properties?
- Does the property tax affect business development and location?
- Should we have progressive property tax rates?
- Is the property tax sufficient for financing city services?
Should Hamilton have access to new taxes?

▶ YES!

Why?

▶ would give the city more flexibility in how it wishes to finance its vast range of services;

▶ would permit the city to capture revenue from visitors and commuters who use local services but do not pay for them under the property tax;

▶ could reduce the dependence on the property tax which would, in turn;

   ▶ provide relief to residential property owners who are asset rich but income poor;

▶ lower the tax rate on businesses that are currently overtaxed when related to the benefits received from local public services.
Which Tax or Taxes?

► For funding specific services like roads and public transit:
  ► road pricing charges (tolls or congestion charges)
  ► dynamic parking levies that vary by time of day and level of congestion
  ► a dedicated fuel tax
  ► motor vehicle registration fees

► For financing services that provide collective benefits:
  ► personal income tax
  ► motel and hotel occupancy tax – recently permitted by prov.
Critical Issues for New Taxes

- City council should set the local tax rate - not a form of revenue sharing which is what local officials generally prefer.
- Wherever possible, the tax should be piggybacked onto a provincial tax to minimize administration costs.
- Should cover a geographical area that is large enough to minimize cross border impacts.
- Earmarking, where possible, leads to higher public acceptability for new taxes.