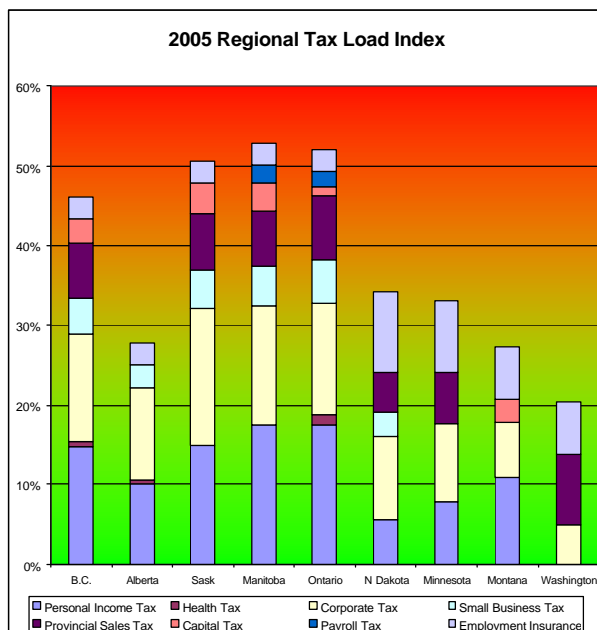


A Year of Zero Tax Reductions - 2005 Tax Load Index

| 2005 Regional Tax Load Index | | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| June 2005 Rates | BC | AB | SK | MB | ON | ND | MN | MT | WA |
| Personal Income Tax | 14.70% | 10.00% | 15.00% | 17.40% | 17.41% | 5.54% | 7.85% | 11.00% | 0.00% |
| Health Tax | 0.70% | 0.57% | n/a | n/a | 1.32% | n/a | n/a | n/a | 0.00% |
| Corporate Income Tax | 13.50% | 11.50% | 17.00% | 15.00% | 14.00% | 10.50% | 9.80% | 6.75% | 0.00% |
| Small Business Tax | 4.50% | 3.00% | 5.00% | 5.00% | 5.50% | 3.00% | 0.00% | 0.00% | 0.00% |
| Provincial Sales Tax | 7.00% | n/a | 7.00% | 7.00% | 8.00% | 5.00% | 6.50% | 0.00% | 0.00% |
| Capital Tax | 3.00% | n/a | 3.85% | 3.50% | 1.20% | 0.00% | 0.00% | 3.00% | 0.00% |
| Payroll Tax | n/a | n/a | n/a | 2.15% | 1.95% | 0.00% | 0.00% | 0.00% | 0.00% |
| Employment Insurance | 2.73% | 2.73% | 2.73% | 2.73% | 2.73% | 10.09% | 9.00% | 6.50% | 0.00% |
| Total | 46.13% | 27.80% | 50.58% | 52.78% | 52.11% | 34.13% | 33.15% | 27.25% | 2.00% |



For the past few years the Frontier Centre has prepared a tax load index for the North. This year, the second year in a row with little change, the index has been improved to better reflect changes in personal income taxes and employment insurance tax rates. The index offers a simple measure of tax competition between western Canada and adjacent jurisdictions, and four American border states, North Dakota, Minnesota, Montana and Washington. It surveys jurisdiction's key tax rates – the top provincial rates (including surcharges) on personal income, healthcare premiums, as well as provincial sales taxes – to present a picture of the total tax burden to benchmark them against our neighbours' index excludes federal taxes, except employment taxes, which are levied at the state level. For minor variations in how tax bases are calculated, since capital taxes are among the most economically damaging types of taxes, they are using the rate imposed on financial institutions' capital tax.

- The index shows little movement since 2004 and no taxes fall in the index.
- With the revised tax load for 2005, Alberta has a strong advantage over jurisdictions in Canada and four U.S. states in this comparison. Relative to other jurisdictions, Alberta's tax load is also lower.
- Washington State and Montana are two jurisdictions in the regional comparison that have lower tax burdens.

Washington state has a very low tax burden, with no personal income taxes, and a modest business tax levied on retail sales (range from 0.11% to 5.03%) while almost 1/3 of all state tax receipts come from sales taxes. It is the runaway lowest tax jurisdiction in the U.S.

- Of the five provinces Saskatchewan and Manitoba don't charge health premiums.
- Manitoba has the dubious distinction of having the highest tax load on the chart at 52.78 per cent. While some of its tax rates compare favourably to other provinces it is not the place for entrepreneurial high income earners – it performs worst on the tax side with the chart's highest personal income tax load. It's also one of the chart's only two provinces with a payroll tax.
- The wide tax gap underlies Manitoba's relative lack of growth and its chronic and increasing dependency on outside equalization. These figures support recent research by the Atlantic Institute for Market Studies that suggest equalization provinces have strong incentives to have high rates on weak tax bases. Lower rates generate higher revenues in a competitive environment. Higher rates generate lower revenues which are balanced off with higher subsidies.

SOURCES: 2005 provincial and state budget documents, Canadian Taxpayers Federation

"Frontier Charticle" is a one page graphical discussion of regional public policy issues. The Frontier Centre for Public Policy is an independent think tank whose mission is to explore options for the future by undertaking research and education that supports economic growth and development. Address: Suite 25 Lombard Concourse, One Lombard Place • Winnipeg, Manitoba CANADA R3B 0X3 • Tel: (204) 957-1567 Fax: (204) 957-1568 • Email: newideas@fcpp.org • Website: www.fcpp.org