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AN OUTLINE

—OF—

Provincial and Municipal Taxation

—IN—

British Columbia, Alberta and Saskatchewan

BY

A. B. CLARK, M.A., F.S.S.

Professor of Political Economy in the University of Manitoba

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NOTE

The following Outline is a reprint, with certain additions, of a Report on Provincial and Municipal Taxation in British Columbia, Alberta and Saskatchewan, prepared after a visit to these Provinces in the autumn of 1918 on behalf of the Manitoba Assessment and Taxation Commission, and originally published in the Appendices to the Report of that Commission (1919).

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University of Manitoba,
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CHAPTER I.

TAXATION IN BRITISH COLUMBIA

I.—PROVINCIAL TAXATION

Any study of the Provincial and Municipal Tax System at present in operation in Western Canada must inevitably take account of the terms of the British North America Act of 1867, for by that enactment the extent of the field available for exploitation is definitely determined, only its intensive development being left to the discretion of the Provincial Legislatures and their delegates the Municipal Councils.

Now, since the Act of 1867 reserved for the Dominion Parliament the exclusive right of levying and collecting customs and excise duties, it was necessary to make provision otherwise for the financial needs of the Provincial Governments. This was done in two ways. Firstly, there is the Dominion Subsidy consisting of (a) the debt allowance, i.e. the agreement to relieve the Province of a certain amount of debt or pay interest to it on a certain assumed indebtedness; (b) the grant of eighty cents per head on population; (c) a specific allowance for Government and Legislature; and, in the case of the three Prairie Provinces, (d) an allowance in lieu of public lands. Secondly, by Art. 92 of the British North America Act, the Provincial Legislatures are given exclusive authority in respect of certain branches of taxation.

(a)—Direct Taxation within the Province in order to the raising of a revenue for Provincial purposes.

(b)—Shop, Saloon, Tavern, Auctioneer, and other Licenses, in order to the raising of a revenue for Provincial, Local, or Municipal purposes.

It is to be noted that this does not prohibit the Dominion Parliament from levying direct taxes or licenses for Dominion purposes, since by Art. 91 it is given the right of raising money "by any mode or system of taxation."

But while the Provinces were granted the right of direct taxation, it appears to have been the prevailing opinion at the time that the various subsidies above enumerated, supplemented by the revenue from public domain where the Provinces possessed it, would almost suffice to meet their financial requirements. The actual experience however was far otherwise. For, under the Act of Confedera-

tion, the Provinces had been assigned certain important functions of government, the costliness of which tends to increase rapidly with the growth of the community and with the progress of science and its applications in the service of man. These functions included not only the administration of justice, and the establishment and maintenance of prisons, asylums, and hospitals, but education in all its branches, and the provision of municipal institutions, of roads, bridges, etc. Some of the above, it may be noted, are obviously functions which ought to have been undertaken by the Dominion Government.

The prejudice, however, which long prevailed in Canada against direct taxation led the Provincial Governments to shun the odium of imposing it, and to seek relief from financial pressure by, on the one hand, uniting, as they have repeatedly done, in demands for increased subsidies from the Dominion, and, on the other, by handing on to the municipalities certain expensive functions which properly pertain to the Province. But within the last quarter of a century the growth in number and expensiveness of the public services for which they are responsible has driven the Provincial Governments more and more to make use of their privilege of direct taxation. In Western Canada, British Columbia has been the path-breaker in this respect. There the Provincial Tax on Wild Land dates from 1873, and that on Real Estate from 1876.

Two of the most distinctive features of the provincial revenue system of British Columbia, features which have hitherto differentiated it most clearly from the systems of the Prairie Provinces are (1) the large proportion of its revenue which has been derived from the development of the immense natural resources of the province—its public lands, timber limits, mines and fisheries, and (2) the increasingly important contributions to that revenue made within recent years by the Provincial Income Tax.

Just as the Colonies which united as Provinces to form the Dominion in 1867 were allowed to retain in the hands of their own governments all the Crown lands, including timber lands, mines, minerals, or royalties, which had been transferred by the British Government to the several Colonies long prior to Confederation, so British Columbia on its admission in 1871 was accorded a like privilege. But in the case of the three Prairie Provinces, created since Confederation out of the territory acquired by purchase for the Dominion from the Hudson's Bay Company, the title to the public or ungranted lands has up to the present time been retained by the Government of Canada, for the benefit of the whole Dominion.

The merits of this policy do not call for discussion here. It is sufficient for our present purpose to note that it has given to British Columbia a much more elastic and more complex revenue system than that of her sister provinces of the Canadian West.

The only Dominion grant in lieu of lands received by British Columbia is $100,000 against lands in the railway belt, and the whole Dominion Subsidy is absolutely smaller, and relatively to the total Provincial revenue very much smaller, than in the case of the Prairie Provinces. Taking the estimates for the current year, it amounts to only 6.3 per cent of the revenue of British Columbia, as against approximately 23.4 per cent in Alberta and Saskatchewan, if we exclude telephone receipts.

Elasticity is certainly a desirable characteristic of a good revenue system. "A good system of taxation", says Nicholson, "ought to provide for a self-acting increase in the revenue in proportion as wealth and population and the consequent demands of governmental expenditure increase."* And, from this standpoint, the income tax is a most convenient constituent of any system of taxation. But an elastic revenue system, and in particular one that grows by leaps and bounds in times of prosperity through the exploitation of the public domain, may not be an unmixed blessing in the absence of sound principles of public expenditure. And if there is one lesson to be learned from the history of provincial and municipal finance in Western Canada it is the eternal truth of Gladstone's dictum: "Good finance consists more in the spending than the collecting of revenue."†

All over the west are to be seen striking examples of the hasty and ill-considered expenditure of public funds, generally in the way of provision for the needs of a remote and uncertain future. Public utilities have been constructed, and improvements carried out, on such a scale that their mere upkeep is now felt to be a burden. To discount the future at low rate is the characteristic mark of the provident individual or community. But it is clearly possible for public bodies—and it is remarkable how prone they are when dealing with the funds of the taxpayers—to discount the future at a rate altogether too low.

It must be admitted, however, that in British Columbia the situation of the Provincial Government is difficult and the demands on its discretion in the matter of expenditure peculiarly great. The Government is itself directly responsible for the administration of the immense unorganized territory, including all but a very small fraction of the area of the province. The public lands, timber, mines, and now also the fisheries, are under its direct control. In a province so vast and mountainous, with widely scattered settlements and mining camps, it is clear that the finance of administration is a serious problem. To provide the most rudimentary means of communication and transport alone involves immense outlay; and the Provincial Government has already built and maintains some 20,000 miles of road, and that in a country where road making is notoriously ex-

* "Principles of Political Economy," Vol. III, p. 288.
† Sir Algernon West's "Recollections," p. 474 (Nelson's edit.).

pensive. If then it has great resources at its disposal, it has also heavy financial responsibilities. In general it may be said that the need of expenditure grows more rapidly than the available revenue.

As will be seen from the table given below, during the years 1903 to 1913 the annual net revenue of the Province expanded from $2,044,630 to $12,510,215 and the expenditure from $3,393,182 to $15,412,332; and though during seven of these years there was a substantial excess of revenue, much more than the accumulated surplus was swallowed up in the huge expenditure on road building and public works which took place between 1911 and 1914. The outlay on public works is normally the heaviest item of expenditure. In 1913 it amounted to $7,644,468; and even in this time of financial stringency it is still ahead of all the branches of expenditure, at the estimate of $1,794,940, which is slightly more than the estimate for education.

Revenue and Expenditure of the Province of British Columbia for the fiscal years 1902—3 to 1918—19.

Year	Revenue	Expenditure
*1902—3	$ 2,044,630.35	$ 3,393,182.25
*1903—4	2,638,200.68	2,862,794.09
*1904—5	2,920,461.71	2,302,416.84
*1905—6	3,044,442.49	2,328,126.27
*1906—7	4,444,593.81	2,849,479.97
*1907—8	5,979,054.96	3,686,708.76
§1908—9	4,664,500.99	3,741,143.44
†1909--10	8,874,741.94	6,382,963.27
1910--11	10,492,892.27	8,194,802.95
1911--12	10,745,708.82	11,189,024.35
1912--13	12,510,215.08	15,412,322.02
1913--14	10,479,258,74	15,762,912.48
1914--15	7,974,496.46	11,942,667.00
1915--16	6,291,693.60	9,880,662.37
1916--17	6,906,783.63	9,079,317,70
1917--18 (estimates)	9,868,325.13	10,800,804.67
1918--19 (estimates)	9,900,055.13	11,611,694.08

In 1911 the financial prosperity of the Province was such that a reduction in taxation was contemplated, and as a preliminary to this a Royal Commission on taxation was appointed to enquire into and report on the operation of the "Assessment Act" and its practical bearing on the revenues of the Province. After a careful investigation the commission made certain recommendations of which the most important were: (a) the abolition of the Revenue (or Poll) Tax; (b) the abolition of the Personal Property Tax; (c) the revi-

(*) 1902-3 to 1907-8—1st July to 31st June. (§) 1908-9—1st July to 31st March (9 months). (†) 1909-10 to 1918-19—1st April to 31st March.

sion of the Income Tax, so as to reduce taxation on the possessors of small incomes and readjust its incidence on those enjoying the larger incomes; (d) the exemption of improvements from the Real Estate Tax.

The Provincial Government accepted the recommendations, and in 1913 proceeded to abolish the Poll Tax at a loss of $360,000 to the revenue. The Minister of Finance in his budget speech of that year further intimated that it was proposed in two years' time to exempt improvements from taxation, and in four years' time to abolish the tax on personal property and readjust the incidence of the Income Tax as recommended by the Commission. "Our aim" he said, "is as soon as possible, by easy stages, to reach a point where direct taxation will be eliminated and our revenues will be obtained from the natural resources of the Province".

But alas! already while the Finance Minister spoke the golden age of surpluses had gone and that of deficits and growing indebtedness had succeeded. The Personal Property Tax with all its defects is still retained. The old general Revenue Tax of $3 per head was succeeded after a four years' interval by a Poll Tax of $5, but, contrary to the view expressed by the Royal Commission, levied only on those who do not pay its equivalent in Provincial or Municipal taxes. Improvements are not exempt from the Provincial Real Estate Tax, save in the case of land used for agricultural or pastoral purposes when there is an exemption up to $1,500. Otherwise, they are assessed and taxed at the same rate as land.

No statesman in British Columbia would now, with the lesson of the last five years before him, propose to raise the revenue of the province solely from its natural resources, or yet from the taxation of the unimproved value of land.

The absolute as well as the relative importance of the revenue from natural resources has declined very considerably since the close of the period of inflation and speculative activity. Timber royalties and licenses, for example, yielded in the fiscal year 1912-13 $2,457,129, while the estimate for this year is $1,760,000. Again, Land Sales which yielded $2,344,596 in 1912-13 are in this year's estimate credited with only $50,000. Thus, notwithstanding substantial reductions in expenditure, it has been necessary to rely to an increasing extent on the revenue from taxation; and the fiscal screw has accordingly been applied with vigour. By amendments to the Taxation Act in 1917 and 1918 the taxes levied on different classes of property and income have been substantially increased and the result is seen in a greatly increased yield. Thus the real property and wild lands, personal property and income taxes, which together contributed $1,483,749 to the revenue of 1912-13, are estimated to yield $4,515,000 in the fiscal year 1918-19. The Revenue from taxation in the strict sense has increased from $2,457,472 in 1916-17 to $5,620,000 in the estimate for 1918-19.

The net revenue of the Province for the fiscal year 1918-19 is estimated at $9,900,055, and of this aggregate the income from different forms of taxation accounts for $5,620,00, or 56.8 per cent. Licenses and fees, hich are often in reality taxes, together amount to $624,085, or 6.3 per cent. The balance is made up of the Dominion Subsidy, $623,135; incomes from the Departments of Lands and Mines, $2,315,150 (of which Timber Licenses, Leases, Royalties and Sales are credited with 85 per cent.); and miscellaneous receipts, $707,685.

REVENUE OF BRITISH COLUMBIA FOR THE YEARS 1910, 1913, 1917 to 1919*

	1910	1913	1917	1918 (estimated)	1919 (estimated)
Dominion of Canada:					
Grants	$ 522,076	$ 732,489	$ 723,135	$ 623,135	$ 623,135
Land sales	2,618,189	2,344,596	218,453	350,000	50,000
Land revenues	175,778	301,184	79,919	75,000	75,000
Timber sales	.....	.....	85,357	154,000	125,000
Timber royalties and licenses	2,234,099	2,475,129	1,759,469	2,068,000	1,760,000
Succession duties	108,495	193,524	277,702	400,000	300,000
Land registry fees	408,226	712,258	196,663	180,000	150,000
Real property tax	335,744	459,570	532,106	1,330,000	1,000,000
Personal property tax	161,691	197,790	291,412	700,000	600,000
Poll tax or Revenue tax	260,000	360,000	.....	150,000	300,000
Wild land, coal and timber lands tax	250,904	546,087	521,325	915,000	700,000
Income tax	190,984	280,302	296,801	1,090,000	2,215,000
Mineral tax	102,609	155,163	287,257	300,000	85,000
Coal and coke tax	222,723	302,225	194,536	120,000	160,000
Tax on unworked Crown-granted mineral claims	39,870	42,733	37,904	50,000	40,000
Chinese Restriction Act	356,200	1,723,990	.....	.....	.....
Insurance Co. licenses taxes and fees	.....	36,609	76,581	.....	63,225
Motor traffic fees	.....	.....	134,361	120,000	150,000
Amusements tickets tax	.....	.....	18,429	100,000	200,000
Interest, general	157,493	276,522	75,803	50,000	75,000
Interest on Sinking Fund investments	56,145	74,187	106,285	90,000	190,000
Miscellaneous receipts	45,632	290,457	136,826	100,000	29,690
Other receipts, viz.: Survey fees, water revenue rents, free miners' certificates, mining receipts, licenses, fines and fees, law stamps, etc.	627,283	1,023,400	855,920	903,190	980,005
	$8,874,742	$12,510,215	$6,906,784	$9,868,325	$9,900.055

*British Columbia Public Accounts and Estimates; and Vancouver Board of Trade Bulletin, No. 2, 1918, by F. W. Rounsfell.

The following are the different sources of Provincial Tax Revenue and the rates at present in force.

Land Taxes—(a) Real Property (other than Wild Land, Coal and Timber Lands). The taxation Act requires that real and persona l property shall be assessed at their actual cash value in money, i.e., not the price for which the property would sell at auction or at a forced sale, but the price which the Assessor believes it to be fairly worth at the time of the assessment—the price at which the property would generally be taken in payment of a just debt from a solvent debtor.

Land and improvements are separately assessed, but improvements are not exempt from taxation, save in the case of farm land, i.e., land used for agricultural or pastoral purposes, on which there is an exemption of improvements up to the value of $1,500.

The Provincial real estate tax dates from 1876. Unlike the personal property tax and the income tax, it is not levied within the boundaries of the municipalities. The tax rate has frequently been varied and is at present 1 per cent on the assessed value.

(b) Wild Land—The term Wild Land includes all land, other than coal and timber land, which has not on it improvements amounting to $2.50 per acre when west of the Cascade Mountains, and $1.25 per acre when east of the Cascades. The Wild Land Tax in British Columbia was first imposed in 1873 but had been repeatedly modified. It is not applicable to land within the municipal boundaries. Up till 1903, Wild Land included also timber and coal land, but since then they have been separately assessed and taxed.

The obvious purpose of the Wild Land Tax is to discriminate against the owner of unimproved land and thus stimulate improvement. There is, however, no convincing evidence that the tax has had any appreciable influence in this direction. The present tax rate on wild land is 5 per cent. on the assessed value.

Coal Land—This is divided into two classes:

Class A.—Includes land from which coal is being mined. On this the tax rate is 1 per cent. of the assessed value.

Class B.—Includes all other coal land. Here the rate is 4 per cent. of the assessed value.

Timber Land Tax—This is at present 3 per cent. of the assessed value.

Personal Property—This, like real estate, is assessed at its actual cash value, and the tax is at the same rate as the real property tax, i.e., 1 per cent. on the assessed value. Its productiveness, however, is seriously diminished, as everywhere else, by practical difficulties of administration resulting in evasion.

The abolition of the tax was strongly recommended in the report of the Royal Commission in 1912 on the ground that its incidence is inequitable as between different classes of the community. It is impossible, they held, to obtain a just measure of assessment for all trades or to reach more than a small fraction of personal property. It gives a distinct inducement to dishonesty, and it involves the danger of double taxation, as in the case of debts when both borrower and lender may be taxed. So far as income-yielding personalty is concerned, this tax is merely an alternative to the income tax, being payable only if it amounts to more than the tax on income. Further, there are numerous and important exemptions from the personal property tax, such as: farm produce, live stock, agricultural implements, machinery ,and vehicles to the value of $1,000; household effects, unsecured book debts, moneys deposited in a bank in the Province, and duly registered mortgages upon land or personal property in the Province.

Income Tax—British Columbia has the distinction of being the only province in Canada save Prince Edward Island that levies an income tax for Provincial revenue purposes. It was first imposed in 1897 as a tax on all persons with incomes over $1,000, and the rate varied from 1½ per cent. to 4 per cent. There have been repeated modifications since then, both in the classification of incomes and the rates imposed. But the tax has proved eminently successful from the standpoint of productiveness, and is now the largest individual item in the Provincial Revenue. The Royal Commission in its report in 1912, after an exhaustive survey of the evidence, stated that the Income Tax is generally regarded as the fairest tax, and recommended its substitution for the personal property tax. The desirability of this change has been admitted by the Government, and the alteration will doubtless be made when opportunity offers. The present tax is as follows:

The income of every person up to and including $1,500 is exempt. The "taxable income" (or excess over $1,500) of every person is taxed on a graduated scale varying from 1 per cent. on Class A, in which the "taxable income" does not exceed $2,000, to 10 per cent. on Class G, in which the "taxable income" exceeds $20,000.

Poll Tax—This is a tax on males over 18 years of age, of $5 per annum. The following are exempt: Any person who during the year ending 31st December immediately preceding has paid provincial or municipal taxes or license fees, in the Province, to the amount of $5; men over 60 years of age whose incomes do not exceed $700, members of the active militia and the active naval and military services, and returned disabled veterans of the present war.

Employers must furnish the Collector with a list of their employees, pay the tax, and deduct it from wages.

Up to 1913 there was a Poll Tax under the name of Revenue Tax, but it was then abolished in accordance with the recommendation of the Royal Commission. The present Poll Tax dates from 1917.

Amusement Tickets Tax—This is a graduated tax varying from 1 cent when the price of admission is not more than 5 cents, to 50 cents when it is more than $2.50.

The exemptions include: religious and semi-religious entertainments, agricultural fairs and exhibitions, exhibitions of paintings and charitable exhibitions and entertainments.

Mineral Tax—Mines and minerals are under the Taxation Act treated as a separate class of property. Mines other than coal or gold mines, are assessed and taxed on the *income* arising therefrom or on the *output*, whichever happens to be the greater. The tax on output, assessed and collected quarterly, is 2 per cent. on the value of ore removed. Where the yield amounts to less than certain sums in any one year the tax is partly or wholly refunded.

These taxes take the place of all taxes upon the land, so long as it is not used for other than mining purposes, and of all taxes on the personal property used in the working of the mines.

Gold mines are assessed and taxed on the income arising therefrom. On iron ore removed there is an *additional* tax of 37½ cents per ton of 2,000 lbs., save where the iron ore is used in the Province as a flux in the smelting of ores of other metals.

Unworked Crown-granted Mineral Claims—These are taxed 25 cents per acre; whether within or without the boundaries of any municipality.

Coal and Coke Taxes—On coal there is a tax of 10 cents per ton of output except when shipped to coke ovens in the Province, and on coke the tax is 15 cents per ton save when produced from coal taxed as above.

Salmon Canneries or Fisheries Taxes—In addition to being assessed and taxed on their real property, salmon canneries are assessed and taxed on income, or on the pack, whichever tax is the greater. The tax on the pack is at the rate of 4 cents a case (48 lbs.) of salmon packed, 75 cents a tierce (750 lbs. or under) of mild cured salmon, 15 cents a barrel (200 lbs.) of cured and pickled salmon, and 5 cents per hundredweight of dry salted

salmon. Where the tax on income proves to be the greater, payments collected on the pack are taken as part payment of the former tax.

Whale-oil manufacturers, in addition to paying the tax on real property, are assessed and taxed on their income or on the product, whichever is the greater. The tax on product is 10 cents per barrel of whale-oil, and 20 cents per ton of fertiliser, whale-bone and bone-meal.

These cannery and fishery taxes are in substitution for all taxes on personal property used in the business.

Taxes on Corporations—Under the Taxation Act, all corporations not specially provided for are subject to the provincial taxes on personal property and income, and on real estate situated outside the municipal boundaries.

Certain corporations, however, namely: insurance companies; guarantee loan and trust companies; telegraph, telephone and express companies; gas and waterworks companies; electric light, electric power and street railway companies—are specifically mentioned as exempt from the tax on income and personal property, and subject, in addition to the tax on their real estate, to a tax of 2 per cent. on gross revenue arising from business transacted in the Province. In the case of fire insurance companies, the gross revenue from premiums taxed under the "Fire Insurance Act" is exempt.

Banks are assessed and taxed on their real property and non-revenue-bearing personal property within the assessment district in which such property is situated. Further, every bank doing business in the Province pays, in lieu of a tax on its income arising from such business, $3,000 where it has only one office; and where it has more than one office $3,000 for one and $500 for each of the others.

Railway Taxation—Railway Companies pay 2 per cent of the assessed value of their right of way, railway, personal property and income therefrom—assessed and taxed as a whole as real property, the assessed value being taken as $10,000 per mile of the track of the main line and branches, and $3,000 per mile of sidings, spurs, and switches.

This does not apply to electric trams within municipalities, nor to railways used exclusively for transporting logs or coal, or for the free carriage of workmen employed in connection therewith; nor does it apply to the real property of a railway company situated within the limits of any municipality.

Railway subsidy lands, sold, agreed to be sold, pre-empted

or leased, are, unless specially exempted, subject to taxation.

Buildings used for other than railway purposes are assessed and taxed as real property, wild land, coal land or timber land as the case may be.

Succession Duties—The rates are graduated according not only to the total value of the property passing, and the degree of relationship, but also to the amount passing to one person. They vary from 1½ per cent when an amount exceeding $25,000 but not exceeding $100,000 is passing to relatives in the direct line (with an extra rate of 1 per cent. when more than $50,000 is passing to any one person) to 20 per cent. where an amount exceeding $600,000 is passing to strangers.

Probate Duty—There is also a probate duty payable on Personal Property, except when it passes to the wife, children, or grandchildren. The rate when the property passes to the husband, father, mother, brother, or sister is 1 per cent, and in the case of all others 5 per cent.

Permanent Board of Taxation

The need of a careful study of the problem of taxation in all its bearings has been definitely recognized by the Government of British Columbia. At the 1917 session of the Legislature an act was passed creating a permanent Board of Taxation as a branch of the Treasury Department. The Board is to consist of three members and their duty is simply to study and advise the Minister of Finance in all matters relating to taxation—to investigate systems of taxation, re-distribution of assessment districts, etc. They may make any recommendations bearing on the revision of the tax laws with a view to bringing the system of British Columbia up to the best standard. To any one investigating the tax system of British Columbia the assistance to be obtained from the experts of the Board of Taxation is simply invaluable.

II.—MUNICIPAL TAXATION

Municipal Government in British Columbia dates from 1860 when New Westminster was incorporated by special charter, followed by Victoria in 1862. But the physical environment in British Columbia has not been conducive to the rapid development of municipal institutions, and even in 1892 there were only eleven municipalities—three on Vancouver Island and eight on the mainland—all of which had been incorporated by letters patent or special charter. In 1896 all these municipalities were brought under the provisions of the Municipal Clauses Act of that year, in so far as their charters were not inconsistent therewith. And all municipalities incorporated since 1892 come wholly within the jurisdiction of that act. The legislation respecting municipalities is now embraced in the Municipal Act, 1914, and later amendments. Municipalities have increased in number considerably in recent years, especially during the period of rapid industrial development from 1902 to 1913.

But the organized municipal areas even yet cover only a relatively small part—about four-fifths of one per cent—of the whole Province; and over the immense unorganized territory the Provincial Government itself levies and collects all taxes and disposes of the revenues accruing therefrom.

The municipalities at present number sixty-three and are divided into two groups known as "cities" and "districts" respectively. The first of these groups contains thirty-five municipalities and the second twenty-eight. The basis of the classification, however, is no longer apparent. It appears to be in the main a matter of tradition. The Municipal Incorporation Act of 1896 required for a city municipality an area of not more than two thousand acres and a population of not less than one hundred male British subjects of full age, while for a township or district municipality there must be at least thirty such residents within the area proposed to be included. But this has little relation to the facts of today. The district municipalities cover in general a much larger area than the cities, but many have a fairly large and some a very large population, while many of the cities have a very small one. Thus South Vancouver, Point Grey, and Burnaby are district municipalities with populations of 25,000, 13,000, and 12,000 respectively, while there are cities—Alberni, Sandon, and Slocan, to wit—with only 500, 425, and 100 inhabitants respectively.

A different classification of the municipalities has, however, been suggested by Mr. F. A. McDiarmid, Solicitor for the British

Columbia Union of Municipalities, in his "Memorandum" relating to the draft of a new Municipal Act, recently prepared at the request of the Provincial Government. It is there proposed to divide the Municipalities into four classes. The first class will include only the cities of Victoria and New Westminster; for Vancouver City, having a special charter does not come within the provisions of the Municipal Act. In the second class are placed seventeen of the more important cities and six of the more developed district municipalities. The third class includes the balance of the present cities, and the fourth the balance of the district municipalities. Provision will be made for changing, where it is deemed necessary, the classification of any municipality, and also for a possible fifth class of municipality to be created for the purpose of carrying on specified work within the municipal area, such as irrigation, drainage, or dyking. A Municipality of this class may for all other purposes be wholly or partly within the area of another municipality. It "may be incorporated under the provisions for the sole purpose of police protection within a definite area, or fire-protection, or lighting or water service, so that a particular area, which may be called a village area inside a rural municipality, may have corporation conveniences at their own expense, and without interfering at all with the general obligations of the rural municipality or the distribution of their general taxes. In such case, of course, provision will have to be made that the lands should be assessed not at their actual value as part of the village property, but at their value as if they were lands of the highest class of agricultural lands in the rural municipalities surrounding, and of which they form a part."

Some acquaintance with this scheme for re-classifying the municipalities is essential to an understanding of the proposed reforms in taxation to be dealt with later.

Within the municipal areas the Provincial Government has handed over the taxation of real estate to the Municipal Councils. At the same time, it continues itself to levy and collect, within as without the municipal boundaries, other taxes such as the income tax, the personal property tax, the poll tax, the amusement tickets tax and succession duties. A certain proportion, however, of the money so raised is returned to the municipalities in the form of school and hospital grants.

The following is a brief account of the existing municipal taxes:

Real Estate Tax—This is the great source of municipal revenue. For the purpose of taxation there is an annual assessment, and land and improvements are separately assessed. Land is estimated at its actual cash value, i.e. the value at which the property would generally be taken in payment of a just debt from a solvent debtor; and improvements are assessed for the amount of the dif-

ference between the actual value of the whole property and the unimproved value of the land. The minimum real property tax is two dollars. The poles, cables, and wires of telegraph, telephone, electric light or electric power companies, within municipalities, are assessed as land, the rate per mile being $200 in Victoria and New Westminster, $100 in other city municipalities, and $75 in district municipalites.

But while these are the principles of assessment prescribed by the Municipal Act, there can be no question that they have within recent years been more honoured in the breach than the observance. The municipal assessment of land has admittedly been greatly in excess of its actual value, and is only now being gradually brought into accordance with it. In the matter of improvements the practice seems to differ in different municipalities. The City of Kamloops, for example, assesses improvements at about 80 per cent. of their value and taxes them on 25 per cent. of that assessment.

Formerly in British Columbia it was the custom for the municipalities to apply to the real estate men for valuation of the land. But now it is recognized that the resulting assessments were much too high. Experience seems to show that the real estate owner conceives his interest to lie in keeping the general assessment high, with an exception in the case of his own property which he as a rule considers over-assessed.

The rates levied have to be fixed by by-law annually, and differ in different municipalities. For general purposes the rate may not exceed one-and-a-half cents on the dollar. In only a few cases did it reach that level in 1917. For Board of Health and hospital purposes it is limited to a maximum of 1 mill. on the dollar. The rate for school purposes was formerly limited to not more than seven mills. But that restriction was repealed in 1915, and in 1917 the school rates levied in different municipalities varied all the way from one mill in Pitt Meadows to 15 mills in Kaslo. For sinking funds and interest on debt, the rate to be levied is of course limited only by the needs of the case and the discretion of the council, the former of which are frequentlygreat and the latter not always apparent. In 1917 there were debt rates as high as 25, 30, and even 42 mills.

Land is taxed on its full value. But the rate on improvements may not be levied on more than 50 per cent of their assessed value, and may at the discretion of the Council be levied on less, or improvements may be altogether exempted from taxation. Such has been the law ever since 1892.

Of this privilege of local option in taxation full advantage has been taken by many of the municipal councils. The City of Nanaimo, under a special charter granted in 1874, was permitted to

exempt improvements entirely, and has continued to do so ever since. Nanaimo has this year (1918) a tax rate on land values of 42.15 mills, of which 18.67 mills is levy against debenture debt. But it was only in 1891 that this privilege of local option was extended to the municipalities generally, and of it they gradually took advantage to an increasing extent, till in 1914 of sixty-one municipalities, thirty-nine wholly exempted improvements, four taxed them on values varying from 10 per cent. to 33⅓ per cent. of their assessed value, and only seventeen on the legal maximum of 50 per cent. But since then the so called "single-tax" policy has decidedly lost ground. In 1917, of the sixty-three municipalities, twenty-three—including about half the "cities"—taxed improvements on the legal maximum of 50 per cent of the assessed value, one on forty per cent., one on 33⅓ per cent., one on 25 per cent, one on 10 per cent. and one on 5 per cent., while the remaining thirty-five—including three-fourths of the district municipalities—wholly exempted improvements from taxation.

While the figures for 1918 are not yet available, there are further defections from the "single tax" standard. South Vancouver, for example, which formerly exempted improvements, now under the constraining hand of Mr. F. J. Gillespie, the Commissioner appointed by the Provincial Government, taxes them on one third of their assessed value. In several other municipalities where the policy of whole or partial exemption continues it is no longer supported with the old robust faith.

This policy of concentrating municipal taxation on the unimproved value of land has been in operation in British Columbia long enough to afford a fairly reliable basis of judgment as to its merits and defects. It is generally defended by its adherents on the ground that it removes the burden from the shoulders of the improving citizen, and so tends to attract capital and stimulate building and development generally, while at the same time it gets at the "unearned increment" of the absentee speculative owner who is supposed to be holding the land out of use. But while reasoning of this character seems to have been behind the movement to some extent in its earlier stages, the extensive adoption of the policy in the municipalities of British Columbia was undoubtedly due, in great part, to the fact that during the golden age of real estate inflation the tax on land values came to yield all, or almost all, the revenue required for municipal purposes. The speculative owner, too, paid without a murmur so long as the annual increment in land value made even heavy taxes seem a trifle.

But light come light go. A revenue so easily obtained was as readily squandered in expensive undertakings, entered on in many cases at the instigation of those—sometimes members of the municipal councils—who desired a further inflation of real estate values in order to enable them to unload at a profit. These ven-

tures in turn entailed extensive borrowings based on the absurdly inflated assessments. Then came the chilling frost of monetary stringency and with it the collapse of real estate values. Municipal councils were suddenly and rudely, if reluctantly, awakened to the fact that their too heedless pursuit of the single-tax will-o'-the-wisp, had landed them in a very deep financial bog. For real estate values, at once the source of municipal revenues and the security for municipal loans, now shrank with alarming rapidity, and seemed in many cases, like the creations of Prospero's magic art, to melt "into air, into thin air," and "leave not a rack behind."

Real estate, formerly an appreciating asset, now became to its owner an increasingly burdensome liability. And the outbreak of war, which relieved in some respects the economic situation in Western Canada, only served to aggravate the revenue difficulties of the municipalities. Taxes, based on extravagantly inflated assessments, ceased to be met. Many of those liable for taxes were protected against action by enlistment in the over-seas forces. Many more were either unable or unwilling to pay heavy taxes on land which for the time at least had little or no market value. Others again, and they appear to be a fairly numerous class, simply declined to pay so long as they felt they could rely on the forbearance of the municipal councils.

This forbearance has, unfortunately, too often taken the form of culpable weakness in the face of demands for the postponement of tax sales.

Tax Sales—While by statute the collector has a right of action for recovery of unpaid taxes, he may, if he deems it advisable, levy such delinquent taxes by sale of the lands. Resort to this weapon may to some extent have been checked by the fact that the method of obtaining titles to land bought at tax sales is admittedly much in need of simplification. Indeed, it is expected that a measure to this end will be passed at next session of the Provincial Legislature. But this is certainly not the chief cause of the very marked and regrettable tendency on the part of the municipalities of British Columbia to postpone tax sales. That tendency is sufficiently accounted for by the fact that by statute it is in the discretion of the council to extend by by-law the time for the levy of taxes by sale of the lands to the year following that in which they are due. Thus the delinquent tax vote becomes a powerful factor making for delay, through its influence on the election of councils and the intimidation of councillors; for at the intervening council election that vote is invariably cast for candidates—not infrequently themselves tax delinquents—who favour postponing tax sales to next year, or, for that matter, to the Greek Kalends. The subordination of municipal finance to municipal politics has in this as in other respects been productive of the most serious evils.

The inevitable outcome has been an enormous accumulation of arrears of taxes. The aggregate amount of such arrears in the municipalities of British Columbia has increased from less than six million dollars in 1914 to almost fourteen millions at the close of 1917. This growth of arrears has been accompanied by heavy borrowing, in order to meet current expenses of adminsitration, and to finance extravagant undertakings handed on in many cases as a legacy from the period of feverish development.

A notorious case is that of South Vancouver, a district municipality, and the largest in British Columbia, with a population of 25,000, which has today arrears of taxes amounting to over $800,000 and a debt of $7,000,000 or $280 per head. So glaring had become the financial mismanagement in this municipality that the sinking funds had been impaired to the extent of $267,000, and the deficit for 1917 alone was over $300,000. The Provincial Government was thus compelled to intervene, and took the extreme step of appointing a Commissioner to administer the affairs of the municipality and set it again on its financial feet. This task Mr. F. J. Gillespie, the Commissioner, estimates as possible of accomplishment in five years. In the meantime, heedless of excited demands for his resignation, and protests by a noisy section against the "gross injustice" of the "disfranchisement of the people assessed" and "taxation without representation", Mr. Gillespie has taken a long step towards the goal he has in view by re-introducing the tax on improvements. These had been exempt from taxation, in South Vancouver, for six or seven years. This year they are being taxed on 33⅓ per cent. of their assessed value. The tax rate on real estate has been continued at the 1917 level of 41.4 mills on the dollar, and so also with the wild lands tax of 50 mills on the dollar. Tax sales, which have been in abeyance, will be resumed in 1919 "as soon as the British Columbia Legislature has amended the tax sale act simplifying the method of obtaining titles."

Mr. Gillespie's views on the taxation of improvements and on assessment are well worthy of emphasis:

"Personally I believe that improvements should be taxed. In this municipality sixty per cent. of the lands are held by non-residents who never take any interest in the elections; hence the other forty per cent. who reside in the municipality are the people who pass all money by-laws, and who are really responsible for the $7,000,000 of indebtedness that exists at the present time. If they had always been paying taxes on improvements I doubt if they would have voted those large sums of money, and if they did so vote, they would at least see to it that they got value

"My experience over a good many years in the East convinces me, that an improvement tax should always be kept to the front. It is the one tax that brings home to the house-holder the pro-

sperity or otherwise of his or her municipality. I might mention, too, that the office of Assessor is a very important one. Values should be kept down to at least the supposed cash price of the property. In this particular Municipality the assessment was up to $46,000,000. It is today about $19,000,000. It never should have been more."

But South Vancouver is not an isolated instance. It merely affords a striking and notorious example of a malady which afflicts to a greater or less extent British Columbia municipal finance as a whole, the natural result of a vicious system of taxation which seeks to throw the burden of municipal government wholly on a section of the citizens, combined with the reckless expenditure which is itself in no small degree the result of that system.

The gravity of the financial situation is sufficiently shown by the official figures given by Mr. R. Baird, Inspector of Municipalities in his address to the Convention of British Columbia Municipalities at Penticton on September 19th, 1918. Mr. Baird stated that in 1917 the municipalities of the Province in the aggregate secured a revenue of $10,700,000, out of which they had to set aside more than $9,000,000, to meet uncontrollable expenditures such as sinking funds, bond interest, etc., thus leaving about a million and a half for the ordinary expenses of municipal administration. Yet in the year they spent $3,744,000 on these ordinary expenses—an over-expenditure of more than two millions.

Need of Central Control—A Local Government Board

This situation has led at last to a very general recognition of the truth that a greater degree of central control than has hitherto existed is essential if sound principles are to govern local financial administration. Accordingly, in Mr. McDiarmid's "Memorandum" relating to the draft of a new Municipal Act, to which we have already had occasion to refer, we find that the most important change suggested is the provision for this central control by the constitution of a Local Government Board. The duties and powers to be entrusted to the Board, which is to consist of three persons appointed by the Lieutenant-Governor-in-Council, are very comprehensive, and many of them are identical with those of a Public Utilities Commission. But the point which concerns us here is that the first and most important function of the proposed Board is "the oversight and control of all municipalities in all matters affecting the finances thereof".

Rebates and Percentage Additions—The tax levy on real estate is at present subject to a system of rebates for prompt payment, the maximum rebate being one-sixth of the amount of the tax. But this system renders uncertain the yield of the tax, and in the draft of the new Municipal Act it is proposed to substitute for these abatements, a system of percentage additions on delayed pay-

ments,—10 per cent. to be added on the 1st day of July in each year, and a further 5 per cent. on the 1st day of October.

Wild Land Tax—The definition of Wild Land, or Unimproved Land given in the "Municipal Act" is different from that in the Provincial "Taxation Act." For municipal purposes it means, "land claimed by any person on which there shall not be existing improvements to the value when assessed of ten dollars per acre." On such land, the municipalities are authorized to levy a special rate not exceeding five per cent. of its assessed value. Only a small minority however have elected to do so. The reason for this was clearly explained by the late Mr. John B. McKilligan who long held the office of "Surveyor of Taxes and Inspector of Revenue." It appears that where vacant land in municipalities—"wild land"—has been subdivided into small lots, it is assessed and taxed as real property, i.e. on the same basis as the unimproved value of the land already built on. Its assessment as real property or building land is higher than it would be as wild or agricultural land, while the tax rate for real property is lower than the "wild land" rate. This method is on the whole more productive from the standpoint of municipal revenue, while a higher assessment and a lower tax rate is perhaps, in good times at least, more grateful to the property owner. In any case, in Mr. McDiarmid's "Memorandum" it is proposed that in the new Municipal Act "there shall be no wild land tax."

In addition to their revenue from the Real Estate Tax and the Wild Land Tax, the Municipalities also raise small amounts by means of the Road Tax or the Statute Labour Tax, the Dog Tax and Licenses.

Road Tax—This is a tax of not more than $2 per head per annum, levied on persons between the ages of twenty-one and sixty who have been resident within the municipality for thirty days. Its imposition is optional with the municipalities, and it does not apply to persons paying other taxes such as the Real Estate Tax. It is thus the municipal equivalent of the Provincial Poll Tax.

Statute Labour Tax—This tax is levied only in District Municipalities where there is no Road Tax, (1) on males between the ages of twenty-one and sixty who have resided thirty days in the municipality, the tax not exceeding two days labour in any one year which may be commuted at the rate of $2 per day; (2) on every person assessed for land at not more than $500, at the rate of one day's labour, and an additional day's labour for every $500 or part thereof. But the rate of this tax on landowners may be reduced by the council. It may also be commuted at a rate not exceeding one half of one per cent. on the valuation. The Municipal Council has power to reduce or abolish Statute Labour. It is everywhere admitted to be a wasteful tax, and ought to be abolished.

Dog Tax—This is a tax not exceeding $5 per annum upon all dogs over the age of six months, or $10 for a kennel of five or more.

Licenses—There is in the Municipal Act provision for the usual system of licenses on trades and occupations. But the rules still governing the system of municipal licenses date from 1872; and, while there have been occasional slight changes in detail, the system has never been remodelled and is now admitted to be very much in need of a thorough revision.

While it is true that the municipalities obtain small sums by means of the Road Tax or the Statute Labour Tax, the Dog Tax, and Licenses, there is none the less serious ground for Mr. McDiarmid's plea for a wider basis of municipal taxation: "This is the only Province of the Dominion in which the municipality has practically nothing to tax in relief of the land tax ..... It is impossible, in my opinion to put the case for some substantial widening of the taxing power of the municipality too strongly, but any one of a dozen courses are open to the Minister in applying a remedy."

The plan suggested for the British Columbia Municipalities, re-classified in the manner already explained, is as follows: In Municipalities of the first three classes it is proposed that a rates by-law shall be passed annually on or before 1st February, and in those of the fourth class, at such time as the Council may deem fit, by which land and improvements will be taxed according to their separate assessed value. The rates are to be sufficient to provide for (a) interest and sinking funds for debts; (b) all amounts necessary for schools; (c) all lawful purposes of the community of a rate not to exceed 15 mills on the dollar. The amount expected to be raised by the taxation of land and improvements is not to exceed 60 per cent. of the total revenue in municipalities of the first class, 75 per cent. in those of the second, and 85 per cent. in those of the third class. No municipal wild land tax is to be levied. But the balance of the municipal income is to be raised by means of licenses, personal property tax, business tax and income tax.

Such is the scheme outlined in the Memorandum. But it is clear that the utilization of the personal property and income taxes for municipal purposes would, if adopted, represent a material modification of the existing relations between the Provincial and Municipal revenue systems of British Columbia. The personal property tax, it may be suggested, is hardly likely to prove more successful as a municipal tax than it has been as a provincial tax. Whatever be the outcome, the force of the argument for widening the basis of municipal taxation is beyond question. There seems no good reason why the municipalities should be prohibited, as they have been since 1892, from taxing improvements on more than 50 per cent. of their assessed value.

VICTORIA CITY

The City of Victoria while governed under the general Municipal Act deserves special consideration, not only because it is the capital city of British Columbia but because its recent financial history provides an interesting commentary on the policy of exempting improvements from taxation. Victoria is a city with an area of 4,637 acres, the present population of which is estimated at 45,000, with over 20,000 more in the suburban municipalities of Oak Bay, Saanich, and Esquimalt. In common with other cities of Western Canada, Victoria has suffered a considerable decline in population within the last five years. Its attractions as a residential city, however, ensure it a greater element of stability than is possessed by others less favored by nature and dependent for their attractiveness entirely on local industrial conditions. Recently, the prosperity of the farming population of the Prairie Provinces has contributed to increase Victoria's population during the winter months, and it is now also benefiting from railway development, and from the revival of shipbuilding. It is possible, however, to overestimate the durability of this advantage.

Like the other municipalities of British Columbia, Victoria has always depended for its revenue mainly on the taxation of real estate. Prior to 1892, improvements, like land, were assessed and taxed on their full value, but the rate levied on improvements was only 7.5 mills as against 15 mills on land. Between 1892 and 1896 improvements were assessed sometimes at 50 and sometimes at 25 per cent. of their value and taxed on the full assessment, but at rates distinctly lower than those on land. In 1897, improvements were, as was now required by law, assessed on their full value but on to 1910 they were taxed only on 50 per cent. of their value. In 1911, after an election had been held on that issue, they were wholly exempted from taxation, and have continued so ever since. It is admitted however that in Victoria as in Vancouver the transition to the "Single Tax" was not the result of a deliberate and well thought out policy, but largely of the nature of an accident due to the fact that the sudden rise in the land value assessment was yielding an abundant revenue without taxing improvements. As the following table shows, the land value assessment in 1911 was more than 8½ million dollars in excess of the combined assessment for 1910, and nearly 14½ millions in excess of the taxable assessment of that year.

Victoria Assessments 1908—1917

	Land	Improvements	Total
1908	$15,386,360	$ 9,264,490	$ 24,650,850
1909	17,961,060	10,365,060	28,326,120
1910	26,288,892	11,602,130	37,890,000
1911	46,516,205	13,491,780	60,007,985
1912	71,670,770	17,071,360	88,742,130
1913	89,130,150	23,152,540	112,282,690
1914	89,151,990	26,803,940	115,955,930
1915	80,751,035	28,191,545	108,942,580
1916	62,641,219	25,302,431	87,943,650
1917	53,694,922	25,196,630	78,891,552

It will be seen that the assessment of Victoria for land and improvements combined, rapidly increased from $24,650,850 in 1908 to $88,742,130 in 1912 and $115,955,930 in 1914. Since then there has been a rapid reduction to the 1917 level of $78,891,552. A further substantial reduction is being made this year and it is intimated* that the land assessment will be approximately 45 million dollars, or little more than half that of 1914. It was admitted that the assessments had become very inequitable as between different classes of property, and at last session of the British Columbia Legislature, provision was made in the "Victoria City Relief Act 1918 (No. 2)" for the appointment of two Commissions, each consisting of three members. The one was to revise the assessment roll and as far as possible equalize assessments "by rectifying the classification, or reducing or increasing the assessed value of any land, on the same street, in the same vicinity or of the same or a similar class." The aggregate assessed value of the rateable land of the City was not, however, to be reduced below forty-five million dollars. The Commissioners it was reported in September had prepared the new roll by which some of the heavy burden on semi-business property had been removed, and the assessment raised on high class residential sites, while the aggregate land assessment had been reduced almost to the $45,000,000 set as the limit by the Relief Act. The assessment is without appeal and binding also on the Council.

The other Commission was to re-adjust the local improvement charges, and instruct the council as to the relief to be given at the expense of the corporation. Provision was made in the Relief Act for the payment of the commissioners; but in both cases public spirited citizens gave their services free of charge.

Like other cities of Western Canada that have unduly restricted the basis of taxation by adopting the policy of exempting improvements, Victoria has experienced the difficulties arising from

*"Victoria Daily Times", 18th September, 1918.

the growing tax delinquency since the collapse of the real estate boom. At the close of 1917 the arrears of general taxes amounted to $1,803,604 and those of local improvement taxes to $1,254,016, making a total of $8,633,055 of unpaid taxes accumulated since 1913. As a natural consequence, there was outstanding on Dec. 31st, 1917, a bank overdraft on general revenue account of $210,000 and another on local improvement account of $359,909.82, or $569,909.82 in all. $3,057,620

Meanwhile the debenture debt of the city has been growing apace, as will be seen from the following table.

Debenture Debt

	General Purposes	Local Improvements	Total
1909	$ 3,728,772	$ 505,245	$ 4,234,017
1913	9,220,310	4,925,974	14,146,284
1917	10,450,069	8,526,786	18,976,855

The debenture debt of the city for general purposes at December 31st, 1917, was constituted as follows:

Schools	$ 1,500,888.69
Streets and Bridges	175,000.00
Waterworks	4,227,260.59
Sewers	2,356,866.67
Surface Drainage	275,000,00
Fire Protection	139,026.68
Electric Lighting	130,000,00
Miscellaneous	1.646,026.67
	$10,450,069.30

The financial difficulties of the City, consequent on the accumulation of arrears of taxes and the monetary stringency, had become so acute that the Provincial Legislature had at its last session to pass an Act, "The Victoria Relief Act", by which the City of Victoria was granted greater powers than it possessed under the general Municipal Act in respect of the renewal or extension of time for payment of treasury certificates and treasury bills falling due on 1st February 1919.

By the same enactment, provision was made for the payment of arrears of taxes on a plan which might be expected to stimulate such payment and so relieve the financial difficulties of the City. By this plan, those with arrears of taxes up to 31st December, 1917, might either (a) receive a full discharge by paying on or before 15th September, 1918, 90 per cent. of General Taxes, the full amount of Local Improvement Taxes, and half the interest due on the whole; or (b) spread the payment over 10 years by pay-

ing on or before 15th September, 1918, and subsequent years, one tenth of 90 per cent. of the General Taxes, the whole of the Local Improvement Taxes, 90 per cent. of the interest on General Taxes to 1st January, 1918, and the whole of the interest on Local Improvement Taxes to the same date, together with interest at 7 per cent. on the capital sum from 1st January to 15th September of the first year, and 7 per cent. per annum for subsequent years on the unpaid balance.

Under the scheme large payments of arrears were being made when the writer was in Victoria, and it was estimated that between one-and-a-half and two million dollars had been paid up by 15th September. This brings much land once more into the taxpaying category and so far tends to improve the financial position of the City.

For those tax delinquents who fail to take advantage of one or other of the above methods of payment, there remains the argument of the Tax Sale. There have been no tax sales in Victoria since 1915, when one was held for the arrears of 1912 and 1913. But under the Victoria Relief Act a sale must be held this year. Arrears of taxes are diminishing and the City is now in a better financial position than for some time back.

But while the City continues for this year to exempt improvements from taxation, that policy is by no means popular. It is felt, however, that any change towards taxation of improvements can only be gradual. Several large blocks have been erected under the exemption system, and on the assumption that it was a settled policy. This, it is said, constitutes an argument against a sudden change. It may be so, but surely the argument from vested interest should have been equally valid as a protection to the landowner in 1911. In any case, it is now generally admitted that exemption of improvements is not a settled policy in Victoria.

The tax revenue of the City for the year 1917 was derived from the following sources:

General Taxes	$711,918.33
Special Rates (Water Frontage, Boulevard, Cluster Light, Sewers)	62,398.79
Dog Tax ($2.00 per annum)	4,505.00
Licenses (Liquor and Trades)	50,244.40
Road Tax ($2.00 if no property taxes paid. Originally a commuted Labour Tax)	6,370.00
	$835,436.52

The tax levy for 1917 was 23.14 mills, of which 10.35 was for the service of the City's debt, 9 for general municipal purposes, 2.95 for schools and .84 for health.

From the real estate tax there are the usual exemptions prescribed by the Municipal Act. Church land, it must be noted, is not now exempted. That was settled for the Province generally after debate in the Legislature last session.

VANCOUVER CITY

The City of Vancouver was incorporated by special charter in 1886, and, unlike Victoria, has not elected to operate under the provisions of the general Municipal Act. The Vancouver Charter has been often-times amended, and was revised and consolidated in 1900, but, owing to numerous amendments since then, is again much in need of consolidation.

The problem of taxation in Vancouver is somewhat different from that of the cities of the Prairie Provinces. As a rule, these cities contain within their boundaries all, and often more than all, the territory their population is likely to occupy within any future that need be considered. Vancouver, on the other hand, with an area of 10,784 acres, and a population estimated at present at 105,000, is from the fiscal standpoint at a disadvantage, in that an exceptionally large proportion of those whose incomes are earned within the city reside beyond its limits. The suburban municipalities: North Vancouver, Burnaby, South Vancouver and Point Grey, are in reality the residential quarters of Greater Vancouver, but are beyond the tax jurisdiction of the City Council. In the absence of amalgamation, too, this difficulty will naturally become accentuated with the lapse of time, as the suburbs grow and the city tends more and more to become a mere business quarter. This is a situation that must not be overlooked by those who would understand the problem of municipal taxation as it presents itself in Vancouver.

The Real Estate Tax

From the first, the bulk of the city's revenue has been derived from the taxation of real estate; and in 1917, out of the total income on general revenue account of $4,799,088, the general levy and local improvement taxes together amounted to $4,116,334, or 85.7 per cent.

The principle laid down in the city charter for the assessment of real estate is the same as that prescribed by the Municipal Act. All rateable property is to be estimated "at its actual cash value as it would be appraised in payment of a just debt from a solvent debtor," the value of the improvements being estimated separately from the value of the land. The exemptions from taxation allowed by the charter are very limited, and church property is not amongst them.

Exemption of Improvements from Taxation

As early as 1891 the Vancouver City Council had authority under the charter for the partial or complete exemption by by-law

of improvements from taxation. The power, however, at first ramained in abeyance, and it was not till 1895 that the first step was taken in this direction. The City Council in that year exempted 50 per cent. of the assessment of buildings and improvements. And, as this was just at a time when what was to prove a decade of stagnation had not long begun—when land values were actually falling and the value of improvements at the best increasing but slowly—the result was a contraction of the combined assessment on which the real estate tax was levied. The tax rate, however, was left as before at 16 mills, and there was thus a shrinkage in the amount of the tax levy. Indeed, the level of 1894 was not again reached till 1903, when the period of rapid industrial development and speculative activtiy, which was to characterise the next ten years, was just beginning.

In 1905 a proposal to tax buildings on only 40 per cent. of the assessment was heavily defeated in the Council. But next year, 1906, the land value assessment having suddenly leapt from $16,739,640 to $25,101,760, it was resolved to tax buildings on only 25 per cent. of their assessed value. This still left the combined taxable assessment of land and buildings nearly $5,982,000 in excess of that of the previous year. The tax rate, which since 1901 had stood at 18 mills, was now, apparently as a precautionary measure, raised to 20 mills, but resulted in a large surplus.

Again, in 1910, when it was decided to remove the tax from the remaining 25 per cent. of the improvements assessment, and thus entirely exempt buildings from taxaton, the land value assessment had risen in one year from $48,281,000 to $76,882,000. This gave a taxable assessment of land values alone, greater by nearly $22,500,000 than the taxed assessment ($54,383,000) of land and buildings combined in the previous year.

The whole movement from its inception seems to have aroused very little interest among the great body of the citizens; and from this brief survey of the facts it would appear that whatever influence, if any, the specious reasoning of the "single taxers" may have had in bringing about the initial reduction of the taxed assessment of improvements in 1895, there is no need to look for any such influence to account for the steps of 1906 and 1910, by which the complete exemption of buildings from taxation was reached. The familiar arguments touching the virtue of taxing the absentee landowner who thrives by the industry of others, and encouraging the good citizen by untaxing industry, which fell on deaf ears in 1905, were not needed in 1906 and 1910 when land values were bounding upwards. The phenomenally rapid increase in land values was undoubtedly the chief factor in bringing about the change. It at once furnished the opportunity and stifled opposition.

The Vancouver City Council simply accepted in practice the conception of taxation held by Colbert, the great minister of Louis XIV, who defined it as "the art of plucking the goose so as to get the maximum amount of feathers with the least possible squealing." To tax land values only was, under the existing conditions, to follow the path of least resistance. The tax, possessing for the time the primary requisite of productiveness, was eminently satisfactory from the standpoint of the city exchequer. In vain was it pointed out that such a wanton disregard of Adam Smith's canon of equality would ere long endanger the health of the real estate goose. As a matter of fact, the bird soon languished, and its contribution to the annual levy of feathers speedily fell into arrears.

COMPARATIVE STATEMENT SHOWING ASSESSMENT, RATE, TAXES, GROSS INCOME AND EXPENDITURE, FROM DATE OF INCORPORATION OF CITY IN 1886 TO CLOSE OF FISCAL YEAR ENDING DECEMER 31st, 1917

Year	VALUATION AT BEGINNING OF YEAR: Real Property	Improvements	Total Assessable Property	Rate of Taxation Mills on $ Nett	Gross Amount of All Taxes Levied Each Year	Total of All Tax Arrears at Close of Each Year	Gross Revenue Each Year	Total Expenditure from Revenue including City Improvements Interest and Sinking Fund	Population at Close of Year
1886.....	.....	.....	.....	.....	.....	.....	$ 16,935.71	$ 14,708.65	1,000
1887.....$	2,456,842.00	$ 182,235.00	$ 2,639,077.00	.....	$ 32,998.46	$ 3,510.82	47,337.97	41,798.53	5,000
1888.....	2,786,509.00	677,096.00	3,463,605.00	12½ Mills	43,295.06	4,984.60	67,196.23	67,274.82	8,500
1889.....	5,275,596.00	730,027.00	6,005,623.00	12½ "	75,070.28	7,532.82	98,663.27	97,263.57	10,500
1890.....	8,077,505.00	1,326,940.00	9,404,445.00	12½ "	117,555.56	13,340.27	144,561.70	128,746.59	12,000
1891.....	10,477,420.00	1,501,665.00	11,979,085.00	12½ "	239,581.70	27,799.88	231,656.54	238,326.58	*13,685
1892.....	14,061,311.00	2,586,401.00	16,647,712.00	16 "	208,096.40	38,019.01	214,851.80	258,451.62	15,000
1893.....	16,032,744.00	2,832,960.00	18,865,704.00	16 "	377,314.08	87,402.51	325,298.98	314,413.92	16,000
1894.....	15,513,604.00	2,787,480.00	18,301,084.00	16 "	366,021.68	143,521.67	336,386.14	308,954.84	17,000
1895.....	13,829,724.00	4,317,660.00	18,147,384.00	16 "	323,771.18	190,192.03	318,018.49	294,176.85	17,862
1896.....	13,109,394.00	4,278,680.00	17,388,074.00	16 "	304,974.68	204,377.08	372,901.51	335,686.78	19,000
1897.....	13,000.869.00	4,441,490.00	17,442,359.00	16 "	304,432.28	221,090.85	389,481.11	361,343.91	20,000
1898.....	12,672,649.00	4,551,740.00	17,224,389.00	16 "	298,970.38	196,024.83	450,730.78	427,683.60	22,000
1899.....	12,705,099.00	5,011,190.00	17,716,289.00	16 "	304,213.88	166,404.50	474,971.98	482,016.63	24,000
1900.....	12,826,905.00	6,726,740.00	19,553,645.00	16 "	323,805.50	178,161.89	485,366.36	540,481.13	24,750
1901.....	12,792,530.00	7,440,600.00	20,233,130.00	18 "	330,256.60	133,593.49	610,894.00	639,886.88	*26,133
1902.....	12,842,150.00	8,223,220.00	21,065,370.00	18 "	339,095.20	142,149.49	536,259.04	648,569.11	29,640
1903.....	13,845,565.00	9,091,270.00	22,936,835.00	18 "	367,824.00	121,705.97	625,395.70	584,853.87	34,480
1904.....	14,440,935.00	10,247,920.00	24,688,855.00	18 "	391,297.90	97,700.62	645,719.45	679,363.77	38,414
1905.....	16,739,640.00	11,804,250.00	28,543,890.00	18 "	475,299.58	79,480.45	696,333.17	683,317.97	45,000
1906.....	25,101,760.00	14,087,640.00	39,189,400.00	20 "	670,776.17	74,705.10	916,148.71	809,230.75	52,000
1907.....	38,346,335.00	16,381,475.00	54,727,810.00	20 "	985,119.80	126,975.22	1,280,646.24	1,231,121.16	60,100
1908.....	41,641,870.00	20,127,035.00	61,768,905.00	20 "	1,089,316.83	163,121.12	1,447,173.45	1,388,669.04	66,500
1909.....	48,281,330.00	24,405,210.00	72,686,540.00	20 "	1,258,769.39	150,231.20	1,695,705.62	1,643,617.56	78,900
1910.....	76,881,820.00	29,572,445.00	106,454,265.00	20 "	1,773,535.83	179,296.74	2,366,518.71	2,204,242.01	93,700
1911.....	98,720,345.00	37,858,660.00	136,579,005.00	20 "	2,304,483.02	265,019.90	3,013,930.30	2,876,990.49	111,240
1912.....	138,557,595.00	53,515,295.00	192,072,890.00	20 "	3,183,572.93	510,136.12	4,008,762.30	3,843,033.79	122,100
1913.....	144,974,525.00	68,010,654.00	212,985,179.00	20 "	3,403,152.55	728,695.22	4,386,526.27	4,610,482.93	114,220
1914.....	150,456,000.00	76,199,743.00	226,656,403.00	22 "	4,182,532.53	1,863,985.08	5,234,110.02	5,251,694.04	106,110
1915.....	145,198,630.00	79,004,253.00	224,202,883.00	22 "	4,233,648.16	3,137,423.73	4,933,296.00	4,989,395.40	97,995
1916.....	139,463,435.00	74,895,475.00	214,358,910.00	22 "	4,049,226.53	4,219,211.33	4,899,271.85	4,769,593.65	95,922
1917.....	139,922,600.00	75,942,580.00	215,865,180.00	24 "	4,348,037.69	5,043,110.92	5,229,572.64	5,114,757.64	102,550
1918.....	132,910,135.00	75,716,910.00	208,627,045.00	24* "	4,660,000.00	.....	.....	.....	105,000

From 1895 to 1905 improvements were taxed on fifty per cent. of value; from 1906 to 1909 on twenty-five per cent. From 1910 all improvements were exempt from taxation, till 1918, when they were again taxed on twenty-five per cent. of their value.

* Dominion Government census.

*The net rate quoted for Vancouver allows for the 10 per cent discount on payments before 15 September. In other cities the gross rate is usually quoted, and in Vancouver in 1917 that was 26.66 mills.

Arrears of Taxes and the Shirking of Tax Sales

The arrears of taxes as will be seen from the table given above, have accumulated rapidly since 1906, when they stood at $74,705, and with startling rapidity since 1913 when they amounted to $732,695, till at the close of 1917 they had risen to $5,043,111, of which $4,123,086 were general taxes and $920,025 local improvement taxes If to this we add the accrued interest on delinquent taxes, amounting to $356,230, we have a grand total of $5,399,340 owing to the city by the owners of land within its boundaries.

This accumulation of tax arrears has become a serious menace to the financial position of the city. On December 31st, 1917, for example, there was a debt on treasury notes amounting to $3,020,000 borrowed on the security of specific tax arrears. Against this there were reserve funds for redemption to the amount of $521,782, leaving a balance of $2,498,218 secured by nothing save tax arrears the payment of which the city apparently dare not enforce. There has been no tax sale since 1909. Time and again the proposal had been shelved on the plea that the time was inopportune, and that a tax sale would cause unnecessary hardships. This reluctance to bring the matter to an issue has admittedly been productive of gross abuses. Many certainly cannot pay, but others will not so long as tax sales are held in abeyance. The treatment of the most recent proposal for a tax sale may be cited in illustration of the attitude of the Vancouver City Council.

On October 20th, 1918, at a meeting of the Council, it was stated by the chairman of the Finance Committee that the total of tax arrears then stood at $5,750,000, which included some $750,000 of this year's levy, while the city had heavy payments to meet in December and more especially in June next. He, therefore, brought in a by-law to authorize a tax sale this year covering all lands on which taxes were in arrears up to 1915. This was opposed by the Mayor and defeated by his casting vote. Mayor Gale stated that there were 6,950 owners of property in arrears and a tax sale would bring distress to at least fifty per cent of these.

In fine, it comes to this: that having adopted the heroic policy of concentrating the taxation necessary to meet the expenses of city government wholly on the landowner, the Council has for years confessed itself impotent to enforce payment. A policy that culminates in such an *impasse* stands in need of no further condemnation.

It seems probable that a solution of the difficulty will have to be sought in a compromise arrangement similar to that in operation in Victoria. By the Act amending the City Charter passed at last session of the Legislature, the City Council obtained power to pass a by-law capitalizing arrears of taxes up to the end of 1918, together with accrued interest thereon, and giving delinquents an

opportunity to clear off their arrears in ten annual payments, interest being charged at the rate of 8 per cent. per annum from 1st January, 1919. If this arrangement is adopted, tax sales become compulsory; for the statute requires that the Council shall in each of the years 1919-1928 pass a by-law authorizing the sale of any land on which the owner has not paid by 15th Sept. one-tenth of the capital sum in arrears, with interest.

This however, can provide but a temporary palliative, which leaves altogether untouched the root of the evil—the narrow and unreliable basis of civic revenue.

Meanwhile, as will be seen from the general revenue account for 1917, given below, out of a total expenditure of $4,716,573.07, the provision in the form of interest and sinking funds for the service of the city's debt accounted for $2,356,580.54, or almost 50 per cent. If to his we add the $245,010.94 required for the service of the waterworks debt, we have a grand total to be provided annually of $2,601,591.48 for interest and sinking funds, absorbing almost half the total revenue of the city on both general and waterworks accounts.

CITY OF VANCOUVER

Revenue Account for the Year Ended December 31st, 1917

INCOME

General Revenue Account (see below)	$4,799,088.10	
Waterworks Revenue Account	430,484.54	
		$5,229,572.64

EXPENDITURE

General Revenue Account (see below)	$4,716,573.07	
Water Works Revenue Account	398,184.57	
		$5,114,757.64
Surplus, General Revenue	$ 82,515.03	
Surplus, Water Works Revenue	32,299.97	
		114,815.00
		$5,229,572.64

General Revenue Account for the Year Ended 31st December, 1917

INCOME

General Taxes, 1917, fross levy	$3,723,315.78		
Less Rebates		231,703.44	
Net			*$3,491,612.34
Local Improvement Taxes, 1917—			
Paving	$	406,078.73	
Cement Walks	$	406,078.73	
Sewers		6,445.27	
Street Widening		82,264.81	
Ornamental Lighting		13,330.26	
			616,273.76
Street Sprinkling Taxes, 1917			8,448.15
			$4,116,334.25
Sundry Licenses	$	133,902.20	
Sundry Rentals		16,452.32	
Sundry Fees and Receipts		147,309.38	
			297,663.90
Government Grant for Schools			185,997.45
Interest on Commutations			162.25
Interest Accrued on Delinquent Taxes			194,449.50
Adjustment of Unexpired Insurance			4,480.75
*Collected	$2,117,229.32		
Outstanding	1,374,383.02		
	$3,491,612.34		$4,799,088.10

EXPENDITURE

General Expenditure—			
Finance Committee	$	471,685.91	
Fire and Light Committee		336,525.59	
Police Committee		300,640.37	
Health Committee		40,352.07	
Parks Committee		48,336.72	
Library Board		27,997.31	
Works Committee		360,677.58	
Market Committee		,1,142.62	
Industrial Committee		,5,606.17	
Relief Committee		60,481.83	
		$1,653,446.17	
School Trustees, Operating and Maintenance	$706,546.36		
School Trustees, Sinking Fund and Interest on School Debentures	213,432.52		
		919,978.88	
			$2,573,425.05

Interest and Sinking Fund Provision for Debentures other than those for Water Works and School Purposes		1,915,662.91
Interest and Expense on Treasury Notes	$190,710.00	
Interest on Bank advances, etc. (net)	36,775.11	
		227,485.11
		$4,716,573.07
Balance (surplus) carried to Revenue Surplus Account		82,515.03
		$4,799,088.10

The following estimate of public expenditure in the building up and maintenance of Vancouver City, supplied by the Chairman of the Finance Committee, gives some idea of the extent to which the owners of land have been over-taxed under the system which exempts improvements:—

CITY OF VANCOUVER

Capital Expenditure on Construction

Streets	$ 4,414,100.00	
Bridges	2,828,500.00	
Sewers	4,440,000.00	
Water	4,749,351.20	
	$26,165,352.22	
Fixed Charges on Outlay, approximately	$ 1,800,000.00	=78% of whole fixed charges
Maintenance and Upkeep	200,000.00	
	$2,000,000.00	

Capital Expenditure on Improvements

Fire, Police, Parks, Schools, Hospitals, etc	$ 9,311,200.00	
Local Improvements (Lighting)	107,881.93	
	$ 9,419,081.93	
Fixed Charges on Outlay, approximately	$ 500,000.00	=22% of whole fixed charges
Maintenance and Operating	1,500,000.00	
	$ 2,000,000.00	
Land Assessment	$140,000,000.00	
Improvements, approximately	70,000,000.00	
	$210,000,000.00	

According to above analysis an equal amount should be raised from land and from improvements ($2,000,000.00 from each, i.e., 50% each). As the assessment of land is double that of improvements (a proportion of 2 to 1), the relative position would be as follows, according to basis of taxation:—

	Propn. borne by Land	Propn. borne by Improvements	Excess against land above 50%
If improvements are taxed 100%.....	66 2-3	33 1-3	16 2-3
" " " " 50%.....	83 1-3	16 2-3	33 1-3
" " " " 25%.....	91 2-3	8 1-3	41 2-3
" " " " Nil.....	100	.....	50=Double Taxation

The Return to a Broader Basis of Taxation

Already, however, there are not wanting evidences that Vancouver is awakening to the dangers inherent in her present fiscal system, and to the need of returning to a safer practice based on a sounder theory of taxation. *Tempora mutantur, nos et mutamur in illis.* Just as rising land values and surplus revenues led to the exemption of improvements from taxation, so the contraction of land values, the accumulation of arrears of taxes, and growing debts have already brought about the first step in the reversal of that policy. Vancouver, unlike the cities of Alberta and Saskatchewan, has power to exempt or to tax improvements without appealing to the Provincial Legislature, and this year it has exercised that power by taxing improvements on 25 per cent. of their assessed value.

Moreover, the bill amending the Vancouver Incorporation Act, promoted by the city council at last session of the Legislature, contained a clause validating a by-law for the imposition of a business tax; and the rejection of the clause by the Legislature was entirely owing to the organised opposition of the Retail Merchants' Association.

This scheme for a business tax is interesting as a combination of the Winnipeg and Ontario systems. In Ontario the assessed *capital value* of the *real estate* occupied is taken as the basis, and for the purpose of the business tax the different businesses and professions are classified, and taxed at a uniform rate but on different percentages of the assessed value of the *real estate.* In Winnipeg the assessed *annual rental* value of the *premises* occupied is taken as the basis, and the business tax is a uniform percentage (6⅔ per cent.) of this annual value on all classes of business. The Vancouver City Council's scheme would take the annual rental value of the *land* occupied, classify the different businesses and professions, and levy a uniform rate on different percentages of this annual land value, e.g., on 100 per cent. in the case of distilleries, 60 per cent. for wholesale merchants, 50 per cent. for retail merchants, and so on. But when the taxable assessment so ob-

tained for any person would be less than $200 he would be assessed at $200.

To meet the objection taken that net income is the fairest test of tax-paying capacity, and that this scheme does not take sufficient account of differences in the income obtained even within the same class of business or profession, the chairman of the Finance Committee of the Council has prepared a scheme for a *business surtax*. For this purpose it is proposed that income returns as submitted to the Provincial Government by persons, companies, corporations, etc., doing business in Vancouver, be available for use by the city in connection with the business tax assessment; and that when the net income of any business shown on such returns exceeds the assessed rental value of the business on the city's assessment roll, capitalised on a 20 per cent. basis, then any such excess income (less the amount of provincial income tax payable) shall be subject to a surtax at a rate bearing the same proportion to the business tax rate as the assessed annual rental bears to the capitalised sum. But no surtax is to be chargeable unless the net income shown exceeds $1,500.

The following table supplied by Alderman Kirk, chairman of the Finance Committee, illustrates the combined application of the proposed business tax and surtax:—

BUSINESS TAX PAYABLE ON INCOME OF $6,000.00

					Example showing Exemption
Class	50 p.c.	50 p.c.	50 p.c.	75 p.c.	50 p.c.
Rent per annum	$1,200.00	$2,400.00	$1,800.00	$1,200.00	$300.00
Assessment	600.00	1,200.00	900.00	900.00	200.00 (Min.)
Tax, 10 per cent.	60.00	120.00	90.00	90.00	20.00 (Min.)
Surtax calculation) Provincial Tax) omitted)	3,000.00 $6,000.00	6,000.00 $6,000.00	4,500.00 $6,000.00	4,500.00 $6,000.00	Exmptn 1,500.00 Income $1,500.00
	3,000.00	.....	1,500.00	1,500.00	.....
	2 p.c.		2 p.c.	2 p.c.	
Surtax	$ 60.00	Nil.	$ 30.00	$ 30.00	Nil
Gross Tax	120.00	120.00	120.00	120.00	$20.00

TORONTO

Rent	$1,200.00
Capital value, 10% depreciation	12,000.00
Assessed	3,000.00
Tax, 2½%	$ 75.00
Surtax, 2½%	75.00
	$150.00

WINNIPEG

Rent	$1,200.00
Tax, 6% of rent	80.00

The argument for a city business tax is peculiarly strong in the case of Vancouver, owing to the large proportion of its business

people who reside ,as we have seen, in the suburban municipalities. But if it is desired to levy a business tax on the basis of the net income derived from business, then the Dominion and Provincial income tax returns would seem to afford a more reliable means of ascertaining business incomes than any outward signs such as rental values, however carefully the businesses may be classified.

City Bank Tax—There has been for the past two years what is sometimes described as a business tax on banks, at the rate of $800 for a head office and $150 each for branches. In its present form this is essentially a license, and the yield, amounting in 1917 to $16,550, is rightly included amongst the revenue from licenses.

Licenses

It is possible, indeed, that in view of the adverse vote in the Legislature last session, the general business tax proposal may be abandoned for the time, and an attempt made to secure the necessary revenue, and at the same time tax business profits, by means of a general license system.

In the city charter a number of specific licenses are designated, those on certain businesses running up to between two and three hundred dollars per annum. Moreover, by recent Amendment Acts the city has been given the right to license any business, profession, or calling it was not already empowered to license. At present, however, only about 25 per cent. of the businesses in Vancouver really pay licenses. In fact ,it may be said that in Vancouver, hitherto, licenses have only been issued in the case of businesses and amusements for regulation purposes and the protection of the public. But in September last, when the writer visited the city, a by-law was in preparation by which a general license fee of $20 per annum is provided for, with higher rates in certain cases. In this way, every person or company conducting a business, and every individual practising a profession, will be made to contribute towards the revenue of the city. The by-law will also put into operation the power granted at the last session of the Legislature for licensing all persons or corporations using vehicles of any sort for the prupose of their business, for classifying such vehicles and differentiating in the fees to be imposed on the different classes. In this connection it should be noted that automobiles are licensed by the city as well as by the Province. In 1917 the city licenses of automobiles and taxi-cabs, and automobile drivers, yielded $13,756.50 out of a total revenue from licenses and transfers during the year of $66,493.15. The transfer fee is 20 per cent. of the original license, and only one transfer is allowed.

It is estimated that with its enlarged powers Vancouver City should now be able to obtain an additional revenue of about $100,000 from licenses.

A system of low licenses is a convenient and legitimate source of local revenue. But no system of licenses can be other than a very imperfect substitute for a business tax. On this head one cannot but agree with the opinion expressed in a recent report of a committee of the National Tax Association:—

"It is evident that a tax of fixed amount, such as is often imposed by license taxes, even though the amount may vary for different trades and occupations, cannot, on account of its inequality, be recommended as an adequate method of taxing business. In connection with licenses imposed upon certain occupations chiefly for the purpose of police regulation, a charge of fixed amount may be entirely wise and unobjectionable. But the case is very different with a tax levied with a view of obtaining revenue."*

In Vancouver, it should be added, there is at present close and effective co-operation between the police and license departments of the city.

Local Improvement Taxes—Local improvement taxes, in the shape of frontage taxes and special assessments, are levied to cover the cost of pavements, cement walks, sewer construction and street widening, and ornamental lighting. There is also a special assessment for street sprinkling. On pavements and sidewalks all the cost, except that of street intersections and 15 per cent. of the flankage of corner lots, is paid by the property owner. The payments extend over from five to twenty years, according to the character of the pavement. It has for some years been admitted that the burden of local improvements on the property owner is both excessive and unequally distributed. They are called on to pay for improvements on streets and roads which are carried out not so much, if at all, in their interest as in that of the city at large. By the latest amendment to its charter the city now has power to relieve the private owner up to the extent of 50 per cent. of the cost of such improvements. In the case of corner lots, Alderman Kirk, chairman of the Finance Committee, holds that 40 per cent. rather than 85 per cent. should be the owner's share of the cost of flankage.

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* "Preliminary Report of the Committee of The National Tax Association to prepare a Plan of a Model System of State and Local Taxation," 1918, p. 28.

CHAPTER II.

TAXATION IN ALBERTA

I—PROVINCIAL TAXATION

On September 1, 1905, the Province of Alberta was created, in terms of the Alberta Act of that year, out of what had hitherto formed part of the North-West Territories. The area of the province is 255,285 square miles, and the population at the census of 1916 was 496,595.

Like Manitoba and Saskatchewan, Alberta did not on becoming a Province obtain the title to the public domain within its boundaries, but in lieu thereof was granted a certain annual sum as part of the subsidy from the Government of Canada. In 1917 this grant in lieu of public lands amounted to $562,500.

In Alberta, the leading source of provincial revenue is still the Dominion Subsidy of $1,589,075. Of the estimated revenue for 1918, exclusive of telephone receipts, that subsidy accounts for approximately 23.4 per cent; and of the actual general revenue, with the same exception, for the year 1917 amounting to $5,069,304, the subsidy constituted 31.3 per cent. Indeed the total receipts from the Government of Canada for the year 1917, including the subsidy, the income from school lands, and the grant to provincial seed fairs, amounted to $1,920,132 or 37,9 per cent of the provincial revenue. Taxes in the literal sense of the term contributed $1,347,369 or 26.6 per cent. Licenses and fees yielded $929,120 or 18.3 per cent. and miscellaneous items, including sales of dairy produce, made up the balance of $872,683 or 17.2 per cent.

The Telephone Department showed a net balance of income over expenditure amounting to $150,943 on the year's working, after paying all interest and maintenance charges.

The income yielded by the leading taxes in 1917 was as follows:

Wild Lands Tax	$598,669.58
Corporations Taxation	209,427.69
Succession Duties	142,607.69
Railway Tax	110,900.00
Educational Tax	134,109.95
Theatre-Goers' Tax	77,043.64
Unearned Increment Tax	62,902.85
Timber Areas Tax	11,707.86

Three new taxes, described below, have been added during the present year, namely the Supplementary Revenue Tax, the Coal Mine Owners' Tax, and the Amusement Tax. This last however is a substitute for the Theatre Goers' Tax.

It has already been observed that "Licenses" and "Fees" together contribute nearly 20 per cent. of the Provincial revenue. But, a license is simply a special form of tax; and fees, in so far as the charge made exceeds the cost, including ordinary profit, are in reality taxes arising from the exercise of the sovereign power. There can be no question that the great bulk of the revenue derived by the Canadian Provinces from "licenses" and "fees" is essentially tax revenue. This is obviously true for example of such items in Alberta's provincial revenue as the following:

Motor Vehicle Act Licenses and Fees	$269,786.90
Land Titles, General Fees	220,837.78
Court Fees	100,797.11
Insurance Act Fees	60,594.18
Companies Incorporation and Registration Fees	29,910.41
Theatres Act Licenses	19,620.49
Auctioneers', Pedlers' and Marriage Licenses	16,206.00

But even after making every allowance for taxation in the guise of fees and licenses, it remains true that taxation in the widest sense yields too small a proportion of the provincial revenue. That revenue, as in the case of the other Prairie Provinces, in consequence lacks something of the elasticity which is one of the essential characteristics of a good revenue system. This weakness is aggravated by the fact that at least one of the most important items at present—the revenue from the Wild Lands Tax— must continuously diminish with the growth of settlement and the cultivation of the land. No doubt that will tend to increase the yield of other taxes, but it will also mean increased demands on Governmental expenditure.

The following are the different sources of Provincial Tax Revenue and the rates at present in force:

Wild Lands Tax—The Act imposing special taxation for provincial purposes on Wild Lands was passed in 1914, and came into operation in the following year. The tax is at the rate of 1 per cent. of the assessed value, and is levied on all land within the province not specially exempted.

The exemptions however are numerous and important, including: Land for which homestead entry has been made and for which patent has not been issued; land held under grazing lease from the

Government of Canada and actually used for grazing; all land belonging to any city, town, village, or rural municipality and used for the purposes thereof; land within the boundaries of an incorporated city, town or village; land, up to 640 acres, used by a *bona fide* farmer resident thereon; enclosed land used for pasture by the owner to the extent of having one horse or head of cattle or three sheep for every 10 acres during six months of the previous year; the land of any owner, where each section or portion has one-fourth of its area under cultivation.

This Act is administered by the Department of Municipal Affairs, the proceeds being paid over to the Provincial Treasurer.

	Acreage Assessed	Assessed Value	Taxes Levied
1915	8,110,955	$69,973,934	$699,824
1916	8,090,034	68,123,322	681,402
1917	7,485,356	63,569,202	635,692

There is here shown a continuous decline in the acreage subject to the Wild Lands Tax as the land is brought into use. But to ascribe this to the tax is to be guilty of the elementary fallacy: *post hoc ergo propter hoc.* The tax may have operated in this direction. But the high price of wheat would appear to have been a much more important factor. The rapid decline in the acreage assessed between 1916 and 1917 is *prima facie* evidence of this.

Unearned Increment Tax—In the taxation of the unearned increment in land values, Alberta has been the pioneer in Canada. This tax dates from 1913 and seems to have been suggested by the British Increment Value Tax of 1910, which in turn had its prototype in the German *Wertzuwachsteuer* or Increment Value Tax. The Alberta tax is one of five per cent. on the increase in the unimproved value of the land over its last preceding value for the purposes of the Act. On the first transfer after the passing of the Act the basal or last preceding value from which the increment is reckoned is taken, in the absence of evidence to the contrary, to be $15. per acre in the case of land not within any incorporated city, town or village, at the date of the passing of the Act; and the value in the 1913 assessment roll in the case of land within a city, town or village.

No tax is payable in respect to the first transfer of farm land, i.e. "unsubdivided land of which at least ten per cent. was actually and *bona fide* used by the transferor for agricultural purposes during the twelve months preceding the transaction which results in the making of the transfer." But the tax is payable on "the excess area of land beyond 640 acres in which the transferor was beneficially interested immediately before such transaction, only on the excess unimproved value of the land beyond $50 per acre." No exemption is to be granted except as to the last 640 acres retained

by the transferor, or, where he retains less, an acreage which together with the acres retained would amount to 640 acres. The apparent aim of this is the discouragement of large holdings.

The secretary-treasurer of each city, town or village is required to send a certified copy of the 1913 assessment roll to the registrar of land titles for the district, by whom the assessed value of the land is noted upon the certificate of title, and no transfer of land is registered until the unearned increment tax is paid. No tax is payable upon the registration of any grant from the crown, or of any transmission of the land of a deceased person or upon transfer from his executors to the heirs.

Timber Areas Tax—This is a tax on timber lands held under a timber berth from the Government of Canada. It is administered by the Department of Municipal Affairs, the proceeds being paid over to the Provincial Treasury. The rate is 2½ cents per acre, subject to a rebate not exceeding 1½ cents per acre.

Corporations Taxation—*Banks* are taxed $1,200 on their head offices, and in addition $200 for each branch or agency. Private banks pay $200 (save in villages where the tax is $100) and in addition $25 for each branch office or agency, but this latter tax is not levied on more than one branch in any one city, town or village.

Insurance Companies pay one per cent. on the gross premiums received from business transacted in the province during the preceding year; but in the case of mutual fire insurance companies receiving premiums in cash, the tax is calculated on the gross premiums received in cash, after deducting any portion of the premium returned to the insurer by way of refund. Where an insurance company lends or invests money on security in the province to an amount exceeding $50,000 there is, in addition to the one per cent. of gross premiums, a further tax of ¼ of 1 per cent. on the gross income of the company from its investments in the province.

Loan Companies pay a tax of ½ of 1 per cent. on the gross income of the Company during the year from its investments in the province, with a minimum tax of $25 when the paid up capital of the company is less than $50,000, and $50 when such capital is $50,000 or over, but less than $100,000, and $100 when paid up capital is $100,000 or over.

Land Companies pay 40 cents for every $1,000 of money invested in the province, with a minimum tax varying from $25 when the paid up capital of the company is less than $50,000 to $100 when the paid up capital is $100,000 or over.

Trust Companies are taxed ½ of one per cent. on the gross income of the company from its investments in the province with a minimum tax of $100 when the paid up capital of the company does

not exceed $100,000, and $175 when the paid up capital is in excess of that sum.

Street Railway Companies are taxed $200 annually when the line of track does not exceed twenty miles, and $10 for each additional mile in excess of twenty.

Telegraph Companies doing a general commercial telegraph business, pay a tax of 1% of gross revenue from business transacted in the province.

Telephone Companies, operating telephone systems in the province for gain, pay, in cities of 10,000 population or over, 50 cents per instrument, and 25 cents per telephone instrument in cities with less than 10,000 population and in towns and villages.

Gas Companies—other than municipal corporations—supplying gas for illuminating or other purposes for gain, in any city of the province, pay a tax of $500.

Electric Lighting Companies supplying electricity for illuminating or other purposes for gain—other than municipalities—pay $500 in cities with a population of 10,000 or over; $100 in cities with under 10,000; and $25 in incorporated towns and villages.

Express Companies pay $45 for each incorporated town or city with a population of less than 5,000, i nwhich there is an office, branch, or agency; $160 for each city with a population of 5,000 or over, save the cities of Edmonton and Calgary for each of which the tax is $250.

Natural Gas Companies, other than municipal corporations, pay ¼ of a cent for every 1,000 cubic feet of gas produced, save when oil in paying quantities and natural gas are found in the same well and it is worked mainly for oil.

Motive Power Companies—Every Company, the main object of which is the supply of motive power, and which carries on business partly or wholly in a city or town with a population exceeding 15,000, is taxed $1,000.

Companies, other than municipal corporations, whose authorised capital exceeds $20,000, and which transact business in Alberta and are not otherwise taxed under the Corporations Tax Act, pay an annual tax of twenty cents for every $1,000 authorised capital. But the total annual tax payable by any Company is limited to $500.

Railway Tax—Alberta taxes railways on a mileage valuation of $10,000 per mile, the tax rate being one per cent. The productiveness of railway taxation, however, in Alberta as in the other Prairie Provinces is considerably restricted owing to the special privilege enjoyed by the Canadian Pacific Railway Company. By

the terms of its charter granted in 1881 the property of that company is expressly exempted from all taxation, Dominion, Provincial, or Local, throughout the territory, then under the jurisdiction of the Dominion Government. In the Alberta Act of 1905 accordingly the property and capital stock of the company are declared exempt from taxation; and the Province is thus deprived of what would otherwise have been an important source of revenue. This exemption, however, only applies to the main line and branches then built under the company's charter, and not to other lines now operated by the company within the limits of the Province. Other lines the securities of which are guaranteed by the Province are exempt for a period of fifteen years, and new lines are not taxable for seven years after completion. Notwithstanding these limitations Alberta's revenue from the railway tax has shown a fair measure of elasticity having increased from $68,491 in 1911 to $110,900 in 1917.

Succession Duties—In Alberta the following are exempt from Succession Duty: (a) Property not exceeding $5,000 passing to any person whatsoever; (b) Property not exceeding 10,000 (or $25,000 for the property of a deceased soldier) passing to relatives in the direct line who are resident in the province; (c) Property, not exceeding $25,000, of a deceased soldier, passing to a brother or sister or their descendants, if wholly dependent on the deceased; (d) Property bequeathed for religious, charitable, or educational purposes to be carried out in Alberta, and not exceeding $2,000 for any one purpose.

The rates, as revised by an Amendment Act passed at last session of the Legislature, are graduated according to the net value of the property passing, and vary also with the place of residence of the beneficiary and his or her degree of kinship to the deceased. Thus, on property passing to relatives in the direct line, the duty varies from ½ of 1 per cent. when the amount is over $10,000 but not over $15,000 to 10 per cent. when it exceeds $2,000,000. Where such relations are not residents of the province the duty is slightly higher. Where the property passes to more distant relatives the duty begins at 5 per cent. when the amount exceeds $5,000, but does not exceed $10,000, and rises to 14 per cent. when it exceeds $2,000,000. In the case of property passing to others than relatives the rate for corresponding amounts varies from 10 to 20 per cent.

On individual shares exceeding $50,000 in the case of relatives in the direct line, and $25,000 in the case of more distant relatives, there is an additional duty varying from 1 per cent to 5 or 6 per cent. according to the value of the property passing and the degree of relationship of the beneficiary to the deceased.

There is great need of some inter-provincial agreement which will secure uniformity throughout the Dominion in the rules

governing the succession duties and in the rates levied. The existing diversity involves needless difficulties and worries for those responsible for the administration of the laws. Moreover, the preferences in favour of resident beneficiaries, and the exemption of charitable and similar legacies only when they are to be used within the province, are scarcely defensible survivals of the parochial spirit as between different sections of the same nation, however justifiable similar rules may be as between different nations. There is the further disavantage—and one that may make a more intimate appeal to provincial treasurers—that differential taxation of this character tends to check the inflow of capital from outside for investment in the province till the remuneration offered has been at least correspondingly raised. Thus the provincial treasury is likely to lose more, indirectly through the diminished yield of other taxes, than it gains directly from the higher succession duties on non-resident heirs.

Educational Tax—This is a tax levied on lands outside the boundaries of the organized school districts, and also on lands within such districts when held under grazing lease or permit from the Government of Canada. The general rate is 1¼ cents per acre. The rate on leased land may not exceed 1½ cents per acre. Prior to 1915 it was ½ cent per acre, but since then it has been ¾ cents. The minimum tax on any lot in a subdivision, or fraction of a section, of at least one acre, is 50 cents, and where the lot or fraction of a section is less than one acre, 25 cents. The Minister of Municipalities may compromise for payment of arrears of taxes on lands subdivided under a registered plan.

The Department of Municipal Affairs is responsible for the assessment and for the levy and collection of the tax in the case of all lands outside the rural municipalities. For lands within the rural municipalities this is done by the municipal authorities, who report as to assessment and taxation, and forward the amounts collected to the Minister of Municipal Affairs by whom the net revenue raised under this Act is paid over to the Provincial Treasurer. A commission of 2½ per cent is paid to each rural municipality on the amount collected by it

Supplementary Revenue Tax—The Supplementary Revenue Tax Act passed at the 1918 session of the Legislature is similar in origin and design to the Saskatchewan Public Revenues Act (Inf. P. 75). The rate is one mill on the dollar of the assessed value of rateable land in urban units, and four cents per acre in rural units. On land held under grazing lease from the Dominion Government the tax is one cent per acre.

Coal Mine Owners' Tax—By the Coal Mine Owners' Tax Act of last session there is imposed a tax on the gross revenue of the mine owner. The rate is 5 cents per ton of coal removed from the mine premises, and the tax is payable monthly to the Minister of Public Works.

Amusement Tax—An Act of last session imposes a graduated tax rising from 1 cent, when the price of admission is from 10 to 20 cents inclusive, to 25 cents when the price of admission is more than $2. For a boxing bout or contest the tax is 25 cents.

II.—MUNICIPAL TAXATION

The origins of municipal government and taxation in Alberta, as in Saskatchewan, are to be sought in the Ordinances of the North-West Territories. Here we meet the same forms of local organization as in the sister province, a close resemblance, too, in respect of the leading landmarks in their historical development, and a striking similarity in their attitude towards the policy of exempting improvements from taxation.

The Cities of Alberta at present administer their affairs under the provisions of their own special charters. Recent developments, however, have tended to emphasize the extent of their common interests, the disavantages resulting from the absence of anything approaching uniformity of legislation, and the desirability of a general City Act.

For the regulation of the remaining four types of local government, there are general Acts applicable to Towns, Villages, Municipal Districts and Improvement Districts respectively.

In the history of local government and taxation in Alberta, the year 1912 constitutes a landmark. It saw the creation of the Department of Municipal Affairs, followed by the enactment of the Rural Municipality Act (now the Municipal District Act), a new Town Act, and radical amendments of the Village Act and the Local Improvement Act. These statutes have been administered by the Department, which has also collected local improvement taxes in the unorganized areas known till this year as large local improvement districts, and taxes levied under the Educational Tax Act on lands outside the organized school districts, besides assisting Villages and the now extinct small local improvement districts in the collection of tax arrears. The Department, moreover, administers on behalf of the Provincial Treasury the Wild Lands Tax, the Timber Area Tax, and the Supplementary Revenue Tax.

Rural Municipalities

Prior to the year 1912, where any form af organized local government existed in the rural districts of Alberta, outside the boundaries of the cities, towns and villages, it was the local improvement district. The revenue necessary for the conduct of the affairs of such districts was obtained wholly from the taxation of land, the district council having the power under the Local Improvement Act to levy a tax on the acreage basis at a rate not exceeding 7½ cents per acre.

But in 1912 all these local organizations, numbering two hundred and twenty-seven and covering about one thousand townships, were dissolved in accordance with the provisions of the Rural Municipality Act of that year, and of amendments made at the same time to the Local Improvement Act. The plan of reorganization followed, was identical with that adopted in Saskatchewan three

years earlier. The province was divided into territorial units, a unit being, wherever practicable, nine townships or 324 square miles. It was then left to the resident electors of each unit to request, according to their preference, organization as a rural municipality or as a local improvement district. The latter were known as small or organized local improvement districts, to distinguish them from the larger or unorganized local improvement districts in the outlying portions of the province which were governed directly by the Provincial Government.

The rural municipality, as a permanent corporation, enjoys considerable powers of self-government in matters of local concern, such as the raising of money by debenture for the construction of permanent public works; whereas the small local improvement district was from the first recognized as merely a temporary and transitional organization with powers correspondingly limited. The fact that both had the same area facilitated change when desired from the lower to the more developed form; and, as a matter of fact, though the movement was at first retarded by the fear of increased taxation on the one hand, and the growth of a debenture debt on the other, the rural municipality gradually gained ground to such an extent that the Legislature felt justified in bringing the transitional period to a close.

Accordingly, the Municipal District Act of 1918 provided for the abolition of the remaining small local improvement districts, and every such district existing on 1st. March 1918 became, in terms of the Act, a municipal district. No portion of the province may be organized as a municipality which has not an actual resident population in the proportion of one person to each square mile. The minimun resident population for the normal municipality is thus 324.

Where at the time of organization of a municipality there is within its limits an area of land subdivided on a registered plan into building lots, or as a townsite, this area is to be recognized as a *hamlet* under control of the municipal council. Each year half the estimated tax revenue collected within the hamlet must be spent on public works therein if the majority of its landowners so request.

For revenue, if we except a tax on dogs and a few licenses on auctioneers, hawkers or peddlers and transient traders, pool-rooms, bowling alleys, and exhibitions of various kinds, the rural municipalities were, up till 1918, limited to the taxation of land on the basis of its unimproved value.

Land is assessed for taxation "at its actual cash value as it would be appraised in payment of a just debt from a solvent debtor," exclusive of the value of buildings or other improvements placed upon it by the expenditure of labour and capital.

In fixing a rate sufficient to meet the estimated expenditure of the year, the council is required by the Act to "make due allowance for the non-payment of taxes." While the statutory limit

to the rate for municipal purposes has been, and with the undermentioned qualifications still is, 10 mills on the dollar or 1 per cent. of the assessed value, the average rate within recent years has varied between 4.50 mills in 1914 and 6.62 in 1917.

But under the Municipal District Act of 1918 there is an alternative basis of taxation; for it is there provided that the council, by by-law approved by two-thirds of the electors voting at the next regular municipal election—or the Minister of Municipal Affairs, by order—may require the assessment to be made according to acreage. In the case of municipal districts formed under the provisions of this Act from small local improvement districts existing on 1st March 1918, the assessment is on the acreage basis until changed by by-law of the council as above. Where the tax is levied according to acreage the rate is limited to 10 cents per acre.

These maximum rates—10 mills per dollar of the assessed value or 10 cents per acre—may however be increased where deemed expedient, to meet (1) debenture coupons falling due in the course of the year, (2) any payment which has to be made to the secretary-treasurer of a hail insurance district. Further, taxes imposed under the Local Improvement Act upon lands within the municipality may be collected by the council, and when so collected they form part of its general revenue.

The minimum tax payable for municipal purposes on any lot in a subdivision, or any fraction of a quarter section, is 25 cents; and in the case of land held under grazing lease from the Government of Canada, the maximum tax on a quarter section or portion thereof is $1.20.

School District Taxes—Provision is made in the Municipal District Act for the collection of school rates by the municipality. Where a rural school district is situated wholly or partly within the boundaries of a rural municipality the council must levy on the land of the persons liable to assessment for school purposes in that district such a rate as will enable it to meet the school board's demands, and if the amount raised is insufficient for this purpose the council must make up the deficiency from the general fund. There may thus be several different school rates within the same municipality.

The minimum school rate on any lot in a subdivision or fraction of a quarter section is 25 cents; but land held under grazing lease from the Dominion Government is exempt from taxation for school purposes.

In the case of rural school districts lying wholly or partly outside the boundaries of rural municipalities, the school rate on land outside such boundaries is levied on an acreage basis, and may not exceed 12 cents per acre. The tax is collected by the secretary-treasurer of the school district, and where there are arrears the Department of Municipal Affairs assists in the collection, and for-

wards monthly the amounts received to the school districts to which they belong. In the unorganized areas this tax is replaced by the Educational Tax.

Improvement Districts

While the Municipal District Act transformed, as we have seen, all the small local improvement district existing on 1st March, 1918 into municipal districts, another Act of the same session—the "Act respecting Improvement Districts"—created a new group, This statute, which repeals the Local Improvement Act, is itself a substitute for the provisions of that Act in so far as they dealt with the large or unorganized local improvement districts. These are continued under the designation Improvement Districts, and the Lieutenant Governor in Council is authorized to constitute an improvement district any portion of the province not already organized.

In such districts the assessment of land is to be made by the Department of Municipal Affairs and the tax rate is fixed at 3⅛ cents per acre, except on land held under grazing lease from the Dominion Government on which it is fixed at ¾ of one cent per acre. Where, however, this rate in any district would raise more than is necessary for improvement purposes, it may be reduced by the Minister of Municipal Affairs.

The minimum tax payable on any separately assessable fraction of a section, or lot in a subdivision, of at least one acre, is 50 cents; and where the area is less than one acre, 25 cents.

The minister may compromise for payment of arrears of taxes on subdivided lands, whether the registered plan has been cancelled or not.

Penalties for Non-payment of taxes—Where taxes remain unpaid after the 15th December of the year for which they are levied in the case of municipalities, and on the 1st January of the following year in the case of improvement districts, there is added a penalty of 5 per cent. of such taxes. A similar penalty is added on the 1st July following, and so on for each successive half-year for any taxes remaining unpaid.

The taxes collected in any district, less expenses incidental to assessment, collection and administration, are expended, under the direction of the Minister of Public Works, in making necessary improvements within it, or on roads leading directly to or from and in the interest of the district.

VILLAGES

Under the Village Act at present, an area of not more than 640 acres, containing not less than 25 separate and occupied dwelling houses, may be incorporated as a village.

The "Single Tax" by Local Option—Village history in Alberta

begins with the unincorporated village, governed by the North West Territories Ordinance of 1901. Such a village was required to raise its necessary revenue, with the exception of that obtained from a few licenses, by taxation of the property within its boundaries, not specifically exempted, at a rate not exceeding 10 mills on the dollar. It might, however, by a petition of two-thirds of the ratepayers to the Commisisoner of Public Works, secure the adoption of the system of taxing land values only, at a rate not exceeding 2 per cent. of the assessed value; and it might revert to the original system in the same manner.

Amongst the most important exemptions were: (a) incomes; (b) increase in the value of land arising from its annual cultivation or the cultivation of trees, together with the growing crops; (c) grain, hay, household effects of any kind, books and wearing apparel. In the case of church land, the difficulties experienced in the East were avoided by limiting the exemption to one-half acre.

This system, including the option of exempting personal property and improvements, was continued by the Alberta Legislature when the incorporation of villages was provided for by the Village Act of 1907. Under that Act, on receipt of a resolution of a village council supported by a petition signed by two-thirds of the ratepayers, the Minister of Public Works might order the assessment for taxation purposes in that village to be restricted to the unimproved value of land. Before the close of 1911 about one-third of the villages in Alberta had availed themselves of this option to adopt the so-called "single tax" system, and there had been no case of reversion to the wider basis.

The Compulsory "Single Tax"—With the year 1912 we reach, as has been already remarked, a landmark in the history of local taxation in Alberta. It was then that the Provincial Legislature, having definitely adopted the policy of exempting improvements, personal property and income, and concentrating municipal taxation on the unimproved value of land, proceeded to make it compulsory in the different types of municipalities administered according to general laws under the supervision of the Department of Municipal Affairs. This was the system prescribed for the rural communities which came under the new Rural Munciipality Act; and, from having been optional, it was now made mandatory in both towns and villages. An amendment to the Village Act required that "all village taxes shall be levied equally upon all rateable land in the village according to the assessed value of such land."

This section stands unaltered in the Village Act as codified in 1913. Within three years, however, it had received an important supplement which practically destroys its mandatory character. An amending Act, passed early in 1916, permits villages, if they so desire, to levy by by-law, in addition to the tax on land:—

(*a*) A tax on buildings and improvements, these being assess-

ed at no more—though it may be much less—than 60 per cent. of their actual value;

(*b*) A business tax, at a uniform rate not exceeding 10 per cent. of the assessed rental value of the premises occupied, on all persons carrying on, within the limits of the village, any trade, business or profession not licensed under the Village Act.

The privilege of levying these additional taxes was granted for a period not exceeding four years from 31st December, 1915. The expectation, however, that a temporary concession would suffice, if ever genuinely entertained, has now vanished, and it is admitted that the time limit will have to be removed. This, as we shall see, has already been done in the case of the business tax in towns. By 1917, the movement towards the wider basis of taxation was well under weigh among the villages and towns alike; and in his report for that year Mr. John Perrie, Deputy Minister of Municipal Affairs says: "There appears to be a very decided tendency towards a system of taxation which will cause others besides landowners to pay taxes direct to the municipality." Even in the municipal districts there is now a movement in this direction.

The tax rate in villages, on lands, buildings and improvements, was formerly limited to 20 mills on the dollar; but this limit was removed in 1917, as it had been in the case of the towns in 1913. The law now requires that the levy shall be such a uniform rate on the dollar as is deemed sufficient to meet the estimate of the probable expenditures of the village for the year, including sums required to repay any temporary loan or to meet debenture coupons falling due, allowance being made also for the non-payment of taxes. The minimum tax payable for municipal purposes on any lot or portion of land is 50 cents.

TOWNS

Prior to 1912 a village of over 400 inhabitants could, on complying with certain conditions, become a town; but in that year the Village Act was amended so as to make a population of over 700 necessary to secure incorporation as a town. Experience had shown that the smaller population was sometimes unequal to the liabilities which the greater powers of the town organization induced it too hastily to undertake. In these western communities, moreover, population is essentially fluctuating and unstable; and during the last five years the reductions have in not a few cases been serious, amounting in some towns to as much as 50 or even 75 per cent, while occasionally a village has had to be disorganized owing to the disappearance of the population. In 1917, while there was one town with 2500 inhabitants and two others with 2000 each, nineteen out of a total of forty-nine had populations smaller, in some cases by as much as 50 per cent, than that now required to secure the status of a town.

The following table from the Annual Report of the Department of Municipal Affairs, shows the population, assessment, municipal taxes, and debenture debt of the different towns in Alberta at the end of 1917.

STATISTICS RESPECTING TOWNS OF ALBERTA—1917

Name	Total Population	Municipal Assessment	Municipal Taxes Levied	Debenture Debt Municipal	Debenture Debt School
Athabasca	500	$ 818,375.00	$41,877.97	$159,599.61	$.....*
Brooks	350	209,890.00	4,197.90	none	1,909.00
Bassano	1,000	1,186,853.00	30,234.89	243,800.00	.....*
Beverly	800	1,278,295.00	23,498.43	22,500.00	47,000.00
Blairmore	1,300	307,278.00	6,845.06	55,924.28	4,950.00
Bow Island	600	422,235.00	8,470.20	60,926.77	2,140.00
Camrose	1,800	1,648,759.00	50,148.53	230,997.81	35,719.05
Cardston	1,400	1,087,476.00	14,137.18	104,904.35	45,000.00
Carmangay	400	210,686.00	8,724.68	29,261.06	14,860.00
Castor	900	240,463.00	27,975.00	50,289.00	18,200.00
Claresholm	1,100	530,375.00	16,972.00	104,221.56	.....*
Coleman	1,555	181,152.00	6,005.65	1,146.28	.....*
Coronation	600	442,215.00	20,832.12	60,747.45	35,280.00
Daysland	400	174,247.00	5,227.00	5,325.26	1,080.00
Diamond City	350	76,348.00	762.48	4,064.00	26,328.50
Didsbury	800	207,870.00	9,899.34	22,900.00	19,000.00
Drumheller	1,000	362,779.00	12,334.75	10,200.00	7,860.00
Edson	700	1,184,706.00	29,336.52	18,400.00	56,000.00
Fort Saskatchewan	900	450,509.00	20,273.00	56,776.00	.....*
Gleichen	600	342,295.00	10,057.37	53,000.00	15,000.00
Granum	400	137,489.00	3,643.45	3,873.43	12,000.00
Grouard	400	565,035.00	5,650.35	none	7,490.00
Hanna	1,000	560,675.00	19,028.90	8,501.78	21,250.00
Hardisty	400	165,000.00	3,465.00	8,774.77	22,800.00
High River	1,300	750,625.00	28,032.02	125,581.29	19,033.39
Innisfail	835	202,378.00	8,618.03	26,150.00	21,216.54
Irvine	450	175,955.00	9,298.93	6,437.94	.....*
Lacombe	1,100	593,308.00	16,882.50	73,819.50	33,932,98
Leduc	700	188,270.00	4,895.02	13,214,66	.....*
Macleod	2,000	1,898,706.00	66,174.28	570,550.00	49,575.03
Magrath	1,000	159,300.00	6,973.48	25,252.56	none
Morinville	500	211,514.0^	3,799.08	13,991.71	.....*
Nanton	800	428,648.00	81,443.12	18,625.00	.....*
Okotoks	500	202,210.00	7,223.11	8,381.04	21,393.44
Olds	1,000	308,032.00	6,715.78	6,000.00	8,400.00
Ponoka	600	302,529.00	5,369.38	12,746.70	2,600.00
Pincher Creek	1,100	442,568.00	31,160.93	79,963.33	2,310.00
Raymond	1,500	206,288.00	5,157.00	54,018.56	21,500.00
Redcliff	2,500	3,952,825.00	51,836.48	404,800.00	47,950.00
Stavely	400	138,965.00	2,779.30	400.00	.....*
Stettler	1,200	957,195.00	27,812.74	90,187.72	40,000,00
St. Albert	1,000	422,591.00	5,888.51	37,733.91	15,000.00
Stony Plain	500	93,689.00	2,500.00	none	1,800.00
Strathmore	500	123,672.00	4,328.52	24,000.00	.....*
Taber	2,000	596,196.00	25.040.23	149,699.76	60,340.84
Tofield	500	761,437.50	31,949.06	97,552.75	17,240.00
Vegreville	1,600	1,153,758.75	44,920.28	168,334.28	.....*
Vermilion	1,200	1,017,846.00	16,378.00	49,272.86	28,300.00
Wainwright	850	782,537.20	17,215.48	54,729.25	16,790.00

*Debenture debt not reported.

In the great majority of the towns of Alberta up to 1912, taxes were levied on real property, including both land and improvements, and on personal property. There were some, however, in which the taxation of property was confined to land values only. This system of exempting improvements and personal property was, as in the case of the villages, inherited in its optional form from the old régime of the North West Territories, the authority for its adoption by the towns being found in the General Municipal Ordinance of 1897.

Continued by the Alberta Legislature, this optional "single-tax" policy seems to have found little favour amongst the towns. Only a small minority had adopted it when in 1912 a Provincial Government favourable to the system made it mandatory throughout the municipalities of the province, with the exception of the cities. These last, being governed under special charters were left outside the sweep of this compulsory legislation.

Compulsion from above, however, did nothing to reconcile the towns as a whole to a tax system which for many of them was almost at once productive of financial difficulties. It meant the restriction of the basis of taxation to the unimproved value of land just at a time when land values were entering on a period of severe contraction, and in face too of the fact that in several cases heavy liabilities had been undertaken on the security of revenues resting on a wider tax base. The rapid rise in urban land values during the period of expansion and speculative activity, had certainly led to the widespread diffusion of a vague if, vociferous sentiment, in favour of a system which promised to throw the burden of taxation more heavily on the land speculator, and in particular on the absentee owner. But the land boom was now over; and the officials of the towns, in close touch with the realities of the situation, were for the most part far from enthusiastic. The votes of the Union of Alberta Municipalities, in September, 1912, and again in August, 1913, against reverting to taxation of improvements and personal property, are not to be taken as conclusive evidence of the popularity of the "single tax" policy. These votes in all probability meant no more than that the Union would not hastily administer a rebuff to the Provincial Government, but would, though of little faith, give the system a fair trial.

The verdict was not long in doubt. The evidence bearing on the immediate effects of the system was carefully collected, sifted and summarised in 1914-15 by Dr. Murray Haig*. Its introduction was followed in almost every case by an increase, often a con-

*"Exemption of Improvements from Taxation in Canada and the United States" (New York, 1915) pp. 79-80, 129 et seq.

siderable increase, in the tax rate, the rise in several instances being one hundred per cent. or over. It led to very general over-assessment. In many towns it arrested the execution of improvements, created or intensified the difficulty in meeting obligations already assumed, and was accompanied by a depreciation of land values and by the surrender of lands for arrears of taxes. Other causes, it is true, were now at work to increase the financial difficulties of the towns, but that the compulsory restriction of the tax base to the unimproved value of land materially contributed to aggravate their difficulties, is beyond question.

Over-assessment was soon found to afford no way out of the financial quagmire in which many of the towns found themselves entangled. Nor was raising the tax rate far beyond the then legal limit of 20 mills any more effective. Both devices too often resulted in that most familiar form of illegality in Western Canada, tax delinquency, leading to the ultimate surrender of the land.

Very early in the day, the Provincial Government and Legislature, by two significant amendments of the Town Act, tacitly recognized the inherent weakness of their "single tax" policy.

(1) The first amendment, passed in March, 1913, enabled towns that could convince the Minister of Municipal Affairs of the inadequacy of the revenue from the tax on land values, to levy a business tax for a period of three years (1913-15) which, however, could be extended at the discretion of the Minister. This tax was based on the rental value of the premises occupied, and the maximum rate was fixed at 20 per cent. In a short time, more than one-fourth of the towns had satisfied the Minister of their inability to raise sufficient revenue without levying a business tax.

(2) Next, at the second session of the Legislature in 1913, the limitation of the tax rate on land values to 20 mills was repealed. That, to avert the insolvency of the towns, it was thought expedient to leave the unhappy owner of urban land absolutely at the mercy of the municipal council, might seem in itself a sufficient commentary on the policy of restricting the tax base to the unimproved value of land. With the limit to the tax rate on land removed, it had been fondly expected that the Minister would no longer be under the necessity of granting the right to levy business taxes, which would thus entirely disappear in 1915. But, alas for "the best laid schemes o' mice and men!"

The sovereign right of taxation is no doubt, theoretically, absolute, and the province may delegate the exercise of its unlimited right of direct taxation for municipal purposes to the towns. Rights theoretically unlimited, however, are often in practice strictly limited by economic and political forces; and the right of taxation is especially subject in its exercise to economic limitations. In the towns

of Alberta, as in the municipalities of Western Canada generally, the reality of the economic limit to taxation soon became only too apparent, in the rapid disappearance of lots, blocks, and subdivisions from the tax-paying category. The financial needs of the towns proved too urgent for the will of the Legislature. The business tax, far from disappearing, was made more generally available, though with a lower maximum rate. Early in 1916 the same concessions were made to the towns as we have already noticed in the case of the villages. The Town Act was so amended as to permit towns desirous of doing so to levy, for four years from 31st December 1915, (a) a business tax not exceeding ten per cent of the rental value, (b) a tax on buildings and improvements assessed at not more than 60 per cent. of their value. In 1918, the time restriction was removed from the business tax, and it is admitted that the tax on improvements also is certain to be continued. The rate on land values, as we have seen, has been without legal limit in the towns since 1913, and the same rate applies to buildings and improvements.

The minimum tax for municipal purposes, payable on any lot in a subdivision or any fraction of a quarter section, is 50 cents; and for school purposes also the minimum tax is 50 cents.

CITY OF EDMONTON

Edmonton, the capital city of the province of Alberta, obtained its charter of incorporation as a city by North-West Territories Ordinance on October 8th, 1904. The population, which at that time was a little over 7,000, increased rapidly during the following decade, till in 1914 it was about 72,500, the absorption of Strathcona in 1912, having added some 6,000. In 1914 and the years immediately following, however, Edmonton felt the full brunt of the depression consequent on the collapse of the real estate boom and the outbreak of war. Though there has recently been a marked recovery, the population at the close of 1919, is estimated at no more than 60,000.

The history of municipal taxation in Edmonton is especially interesting in view of the prominent part the city has played in what may be termed the "single tax" tragi-comedy in Western Canada.

Under Edmonton's original charter, buildings and improvements were exempt from taxation, it being provided therein that municipal and school taxes should be levied on (1) land; (2) businesses; (3) incomes, and (4) special franchises. There was also a Poll Tax on all males over twenty-one years of age who had been resident in the city for three months, and whose names were not on the assessment roll. But this tax, originally $5, after having been twice altered in amount, first to $2 and then to $3, was finally abolished in 1910.

In the same year the city ceased to levy an income tax. In theory all incomes in excess of $1,000 had been placed on the assessment roll and subjected to the general tax rate. But, in practice, the attempt to tax income in this way was never successful.

Edmonton's original business tax, the principle of which became popular in Western Canada, and is that in use in the cities of Saskatchewan, combined the principle of floor space measurement with classification of businesses. The assessor, having arranged the different businesses in the city in different classes or schedules, fixes a different assessment rate for each schedule. In Edmonton the maximum legal rate was $5 per sqaure foot except in the case of banks for which it was $10. On this plan the business assessment forms part of the tax base on which the general city rate is levied. The defects of the method are discussed later in connection with its application in the Saskatchewan cities. In practice, however, the business tax on this basis seems to have given rise to no serious objection in Edmonton. But, "single tax" theorists being in the saddle, it was gradually reduced, and finally under authority granted by an amendment to the charter, it was abolished in 1911.

During the next six years, the charter, as it then stood, required that municipal and school rates in Edmonton should be

levied upon (1) land, and (2) special franchises within the city. As, however, the city itself owns the different public utilities, this meant in effect the achievement of the single taxer's goal—the taxation of **land values only.**

Licenses had been in use for the purpose of police regulation, and in the case of businesses to which the application of the business tax was not practicable. But after the abolition of the business tax these were gradually reduced till the revenue from that source was negligible.

Land was to be assessed at its fair actual value, exclusive of the value of any buildings thereon; and "in estimating its value regard may be had to its situation and the purpose for which it is used or for which, if sold by the owner, it could, and probably would, be used in the next succeeding twelve months."

It was provided that the general tax rate for municipal purposes, exclusive of debenture, school and local improvement rates, should not exceed 2 cents on the dollar upon the total value of the assessable property within the city. But an additional special rate not exceeding ¾ of 1 mill on the dollar may be levied for the maintenance of public parks.

The adoption by Edmonton in 1904 of the policy of exempting buildings and improvements, and concentrating taxation on land values seems to have been due not to any belief in the Single Tax doctrine, but to that particular form of human frailty which makes the average man welcome any policy that promises to place the burden of taxation on other shoulders than his own. In Edmonton the residents who dominated the council, and owned practically all the improvements, sought to place the tax burden as far as possible on the absentee owners of the large tracts of unimproved land within the city.

In this connection considerable importance has generally been attributed to the existence of the Hudson's Bay Company's large holding of undeveloped land in the heart of the city. This not only provided an incentive to heavy taxation of land, but by compelling the population to spread beyond it, increased the expenditure necessary in construction of public utilities, and so seemed to afford an ethical justification for making its owners pay.

The Single Tax doctrine seems to have had more influence in 1911, when the business tax was abolished. But as we have already seen when tracing the history of the movement in the cities of Victoria and Vancouver, so in Edmonton, the policy of restricting the tax base to land values was greatly facilitated in its operation by the fact that its adoption coincided with the opening of a period in which land values were, at first gradually, but later rapidly expanding. Throughout the Canadian West generally, whatever measure of success the policy of exempting improvements from taxation may have had before the advent of the depression, which began in 1913, was entirely due to the fact that the appreciation in the value of the land was more rapid than the growth of the fiscal needs of the municipalities.

CITY OF EDMONTON

ASSESSMENT AND TAXATION STATISTICS.

Year.	Net Assessment.	Total Taxes Levied.	Municipal.	Debentures.	RATES LEVIED. SCHOOL. Protestant.	RATES LEVIED. SCHOOL. R. Catholic.	Total.
1892	$ 673,694.00	$ 6,200.07	8.00 Mills	.....	Levied by	School District	8.00 Mills
1893	964,005.00	13,877.72	7.50 "	1.33 Mills	2.50 Mills	5.00 Mills	11.33 "
1894	988,950.00	18,982.73	10.50 "	2.05 "	4.00 "	5.20 "	16.05 "
1895	1,131,780.00	18,034.72	6.00 "	2.33 "	4.50 "	5.20 "	12.83 "
1896	914,761.00	14,582.27	5.01 "	3.29 "	6.00 "	5.33 "	14.30 "
1897	768,630.00	15,913.74	3.00 "	5.85 "	7.00 "	7.00 "	15.85 "
1898	1,030,858.00	20,696.27	9.40 "	3.55 "	4.05 "	7.00 "	17.00 "
1899	1,188,249.00	21,588.84	6.60 "	3.33 "	5.60 "	7.70 "	15.50 "
1900	1,244,731.00	28,216.19	9.00 "	5.25 "	5.25 "	10.75 "	19.50 "
1901	1,395,912.00	33,389.11	9.50 "	4.50 "	7.50 "	8.50 "	21.50 "
1902	1,724,420.00	37,252.58	8.00 "	4.00 "	7.50 "	8.50 "	19.50 "
1903	3,208,100.00	54,824.70	8.00 "	2.00 "	6.50 "	5.00 "	16.50 "
1904	3,959,648.00	75,695.52	8.25 "	2.25 "	6.50 "	4.50 "	17.00 "
1905	6,620,985.00	115,637.90	10.00 "	2.00 "	4.00 "	4.00 "	16.00 "
1906	17,046,798.00	192,548.89	7.25 "	.75 "	2.50 "	2.50 "	10.50 "
1907	21,985,700.00	328,442.39	8.00 "	2.50 "	2.83 "	2.83 "	13.33 "
1908	22,535,210.00	375,377.03	6.20 "	4.60 "	3.70 "	3.70 "	14.50 "
1909	25,584,990.00	482,506.37	9.98 "	4.08 "	3.44 "	3.44 "	17.50 "
1910	30,105,110.00	563,494.88	8.90 "	3.90 "	4.20 "	4.20 "	17.00 "
1911	46,494,740.00	686,571.84	6.90 "	3.60 "	3.20 "	3.20 "	13.70 "
1912	123,474,070.00	1,530,205.96	6.74 "	3.06 "	2.20 "	2.20 "	12.00 "
1913	188,539,110.00	3,471,444.59	9.05 "	3.75 "	3.20 "	3.20 "	16.00 "
1914	191,283,970.00	3,769,970.36	8.05 "	5.17 "	4.28 "	4.28 "	17.50 "
1915	171,361,830.00	3,358,662.33	6.57 "	5.38 "	4.80 "	4.80 "	16.75 "
1916	132,474,845.00	3,283,613.63	7.70 "	7.55 "	5.75 "	5.75 "	21.00 "
1917	100,917,090.00	3,188,641.16	9.25 "	9.50 "	7.75 "	7.75 "	26.50 "
1918	92,404,590.00	3,655,371.76	11.45 "	9.75 "	8.80 "	8.80 "	**30.00** "

From the foregoing table it will be seen that in the year following 1904 when buildings were exempted, there was a large increase in the net assessment, while a rapid appreciation in land values is shown by the greatly increased assessment of 1906. Again a great increase is seen to have followed the dropping of the income tax in 1910, and the abolition of the business tax in 1911. The inclusion of Strathcona, however, accounts for part of the increase shown in 1912, while that in 1913 is again in part due to a great extension of the city limits.

So far, high assessments had been regarded somewhat as a good advertisement in the interest of the speculative real estate owner, and even heavy taxes had been treated as a negligible factor in view of the high profits which had been realised or expected on sales.

But the position was altered and the dangers incidental to this policy of contracting the tax base, became at once not merely apparent but imminent, when the period of speculative activity was over, land values, were rapidly shrinking, and inflated assessments were no longer effective as bait for the unwary.

Tax delinquency became the rule, and arrears of taxes threatened the solvency of the city already heavily laden with debt, incurred largely for the construction ,or unprofitable extension of improvements and utilities, such as the Street Railway system, the mere upkeep of which had now become burdensome. The alarming accumulation of arears of taxes, and growing indebtedness, at length compelled a thorough-going revision of the city's fiscal policy.

As the outcome of this, the city council in 1917, sought and obtained an amendment of its charter by which it was authorised, subject to ratification by a plebiscite at the next general municipal election, (a) to levy a tax on buildings and improvements assessed at not more than 25 per cent. of their value; (b) to levy a business tax not exceeding 6 per cent. of a business assessment equal to the full annual rental value of the premises occupied.

The plebiscite in December, 1917, resulted in ratification of the proposed business tax, but in rejection of the proposal to tax buildings and improvements. The council, however, in the spring of 1918 again approached the Legislature and secured an amendment to the charter fixing the assessment of buildings and improvements at 60 per cent. of their actual value as measured by "the amount by which the value of the land is thereby increased." At the same time in place of the business tax "not exceeding 6 per cent.," a tax on a graduated scale running from 6 to 25 per cent. of an assessment of the full annual rental value, according to the class of business, was substituted.

The rental value business tax is linked with the system of licenses now introduced on a broader basis than formerly, the tax

being set off against the license fee, and whichever is the heavier taken.

Finally, the city at the same time obtained authority to levy, during the years 1918 and 1919, an Income Tax upon the annual income of residents in the City and upon the net profit or gain of non-residents arising from business controlled, conducted ,or carried on in or from the City. The two year limit has since been removed.

Income up to and including $1,000 is exempt in the case of an unmarried person, a widow or widower without dependent children, and of all other persons, $1,500. The tax is on a progressive scale, rising from 1 per cent. on the first $1,000 of taxable income to 8 per cent. on all taxable incomes in excess of $10,000.

Among the exemptions is included the income derived from land and buildings within the City; and any person with a taxable income not exceeding $5,000 and liable to pay to the City a tax on real property, may set off against his real property tax the tax for which he may be liable on an income up to and including $3,000. This, of course, greatly lessens the value of the tax as a source of revenue.

The Edmonton system of taxation, therefore, now includes taxes on (a) Land; (b) Buildings and Improvements; (c) Business; (d) Income. Thus, the City which led in the policy of restricting the tax base to land values only, has also led in the recent reaction towards a safer and broader basis of municipal taxation.

But how urgent the need of reform had become is seen from the rapid growth of tax arrears and city indebtedness under the old system.

For the last five years, the aggregate amounts of taxes outstanding on December 31st, have been as follows: 1914, $2,560,-354; 1915, $4,001,245; 1916, $5,250,257; 1917, $6,157,075; 1918, $6,755,760.

The figures for 1918, however, include $55,006 arrears of Business and Income Taxes. It should also be noticed that in 1918 for the first time the council has made a substantial beginning ($335,-732) towards the creation of a reserve fund against arrears of taxes which may prove uncollectable.

The following table from the Comptroller's report for 1918 shows the Net Assessment, Taxes Levied (including Special), Tax Rate and Percentage of Collections in each of the years 1916-18.

Year.	Net assessment.	Mill rate.	Total Taxes Levied.	Collected within current year incl. dist.	Percentage of Levy Collected
1916	$130,916,285	21	$3,283,613.63	$1,618,291.21	49 %
1917	100,212,080	26.50	3,188,641.16	1,744,296.43	55 %
1918	91,873.720	30	3,655.371.76	1,991,270.52	54.5%

The fact that the City is collecting little more than half its annual levy surely constitutes, as the Comptroller points out, "the chief problem of the Administration."

The gross Debenture Debt of the City at 31st December, 1918, was $25,242,518.89. Deducting Debentures against the security of "Public Utilities," $9,685,909.09; Local Improvements, $3,960,-794.46, and allowing for the Sinking Fund investment, the net General Debenture Debt was $9,864,005.84.

There were also on 31st December, 1918, current loans from the Bank, and Treasury Notes, maturing at various dates up to 15th July, 1923, to the amount of $5,576,550.32.

CITY OF EDMONTON

Statement of Revenue for Year 1919.

General Taxes on Land and Buildings	$2,804,133.22
Less Discount	150,950.69
	$2,653,182.53
Special Assessments	510,648.95
Business Tax	170,000.00
Income Tax	140,000.00
Rev. other than above taxes	355,957.30
Total Revenue	$3,829,788.78

Population 60,000

1919 Land Assessment	$62,471,850.00
1919 Buildings Assessment (60 per cent. of value)	16,834,470.00
	$79,306,320.00

Tax Rate 35.3 mills City; 1 mill Prov. Government.

From the above it appears that, of the revenue derived from the taxation of land and buildings, business, and income, the Land and Buildings Tax yielded 89.54 per cent.; the Business Tax 5.74 per cent.; and the Income Tax, 4.72 per cent.

CITY OF CALGARY

Calgary, situated in the foothills of the Rock Mountains, at the junction of the Bow and Elbow rivers, is the largest city in Alberta, and the third in point of population in Western Canada. In 1883, when the Canadian Pacific Railway reached Calgary, it was a place with less than 500 inhabitants. In 1884 it was incorporated as a town, and in 1894 it received its charter as the City of Calgary. It has now (1919) an area of 36 square miles, or sections, and a population estimated at 70,000. Before the collapse of the speculation in land values followed, as that was by the disastruos oil boom and the outbreak of war, the population of the city was variously estimated at from 15 to 25 per cent. above its present level. Like other cities of the West, Calgary suffered heavily for a time. But the industry and commerce of the city are not of an ephemeral order. They rest on the sure foundation of its geographical situation, its ample supply of pure water and cheap water power, its railway transport facilities, and the great mineral, agricultural, and pastoral resources of the country around it. Already the city shows marked signs of recovery from the severe depression which began in 1913.

In the year 1900, Calgary adopted the policy of municipal ownership, and operation of public utilities. Beginning with the purchase of the Waterworks system, it has gradually extended its activities in this direction till it now owns and operates also the Electric Light and Power system, the Street Railway system, an Asphalt Paving Plant, and a Public Market. Municipal ownership and operation is regarded as a conspicuous success in all these cases, with the possible exception of the Public Market. It probably is so, if looked at from the standpoint of convenience and economy to the citizens. But financially all were running at a loss in 1918, except the waterworks system. This, however, was attributed to the abnormal conditions which are already passing away.

Assessment and Taxation

In respect of assessment and taxation, Calgary, while subject to similar influences, and moving in the same direction as Edmonton, has pursued on the whole a more cautious and conservative policy. Under the charter granted in 1893—the numerous amendments to which have not been consolidated since 1912—all land (defined as including buildings and improvements), personal property and income, are made liable to taxation. Further, all municipal rates or taxes are, in the absence of express provision to the contrary, to be "levied equally upon the whole rateable property and income, according to the assessed value thereof, and not on any one or more kinds of property in particular, or in different proportions."

Among the exemptions are: Churches, and the land in connection therewith, not exceeding one half acre; household effects, and one-third of the value of all personal property belonging to any person assessed.

The personal property tax was nominally a tax on personal property assessed at two-thirds of its value. But in practice, the great bulk of personalty escaped assessment altogether, and the tax was in effect little more than one on the stock-in-trade of the merchant. The experience of Calgary in this respect was in keeping with that of other communities where an attempt has been made to apply the same rate to all kinds of property, real and personal, The tax in its restricted application, however, was collected for the last time in 1915, being superseded in the following year by the business tax described below.

The old income tax in Calgary was even less successful than the personal property tax. For many years an attempt was made in accordance with the terms of the charter to include income in excess of $1,000 in the assessment for taxation. But in practice a city income tax of this character was found to be both inequitable and unproductive, and in 1911 it was abandoned.

Prior to 1915 there was a poll tax of $3 on every male resident between the ages of twenty-one and sixty, whose name did not appear on the assessment roll as liable to a property tax. It was, however, as usual an admitted failure, and was abolished at the request of the council.

Real Property Taxation

The history of the real property tax shows clearly the comparatively limited extent of the "single tax" movement in Calgary.

Up to 1903 both land and buildings were assessed for taxation at 80 per cent. of their value, and from 1904 to 1909 at 100 per cent. In 1910 the assessments were respectively 90 per cent. for land, and 80 per cent. for buildings. In 1911 Calgary entered on the path that was expected to lead to the total exemption of improvements. The relevant section of the charter was amended to secure that land should be assessed at its fair actual value, and that the assessment of buildings and improvements should be reduced to 50 per cent. of their value. The Council was at the same time empowered to provide by by-law for reducing the assessment of buildings and improvements by 10 per cent. of the value each year till it had been extinguished.

The assessment of buildings was accordingly at once reduced to 50 per cent. But it was not till the following year, 1912, that the assessment of land value was raised to 100 per cent., and the Council at the same time reduced the assessment of buildings, not

by 10 per cent. as provided in the charter, but by 25 per cent. of their value.

At this stage, however, the council faltered in its faith, and, despite the dominance of "single tax" doctrine in the Alberta Legislature, a further amendment to the charter was obtained in 1913, permitting the assessment of buildings and improvements to remain at 25 per cent., no increase, however, being allowed without the consent of the ratepayers. But the grim logic of facts proved irresistible. The halt had been called none too soon. Diminishing revenues and growing debts brought the conviction that to restrict the tax base to land values when land values were themselves in process of rapid contraction, was clearly the road to financial suicide, and that the maintenance of the city's credit required, on the contrary, a distinct broadening of the basis of taxation.

By successive amendments to the charter this broader tax base has been made possible. In 1915 provision was made (a) for the assessment of special franchises on the full value of all buildings, improvements, plant, machinery, equipment, and apparatus used in their operation; and (b) for the abolition of the personal property tax and the substitution therefor of a modern business tax on a rental value basis. These taxes were both levied for the first time in 1916. A further step was taken in 1918 when legislation was passed empowering the council to impose an income tax, and to increase the assessment of buildings and improvements to not more than 50 per cent. of their fair actual value.

Thus the city may now legally impose taxes on (a) land and buildings; (b) business; (c) income; (d) special franchises.

It has not yet, however, taken advantage of the right to increase the assessment of buildings above 25 per cent., nor has it as yet made use of the income tax.

Business Tax

The business tax authorized by the amendment to the city charter, passed in April, 1915, was at a uniform rate "not exceeding six per cent." upon an assessment of the full annual rental value of the premises occupied, whether buildings or land or both. In the first two years of its operation, i.e., in 1916 and 1917, the uniform rate on rental value was the cause of considerable dissatisfaction. But the adverse criticism on this ground was met in the Charter Amendment Act of April 13, 1918, which substituted a rate "of not less than six per cent. and not greater than ten per cent," and authorized the council to fix by by-law a different rate per cent. for different classes of business. This was made effective for 1918 with three schedules of businesses on which the tax rates were respectively 6, 8, and 10 per cent. Persons and firms occupying business premises for temporary purposes are subject to a special license fee.

Income Tax

In the Act amending the charter passed in April, 1918, the council obtained authority to levy during the years 1918 and 1919, an income tax similar to that granted to Edmonton. The limitation of the privilege to two years was taken to signify that the Provincial Government in 1918 had in contemplation the possibility of itself levying a provincial income tax. The Act differs in detail slightly from that of Edmonton. The exemption limits are $600 and $1,200 for unmarried and married persons, respectively, in place of as in Edmonton, $1,000 and $1,500. In the Calgary Act, too, the rate on the first $500 of taxable income is one half of one per cent. and on the second $500, one per cent., whereas in Edmonton, the rate on the first $1,000 is one per cent. In other respects the Acts are identical. There is the same exemption of income derived from land and buildings within the city and the same permission to set off the Income Tax against the Real Property Tax. This exemption and set-off, it is felt, must go far to destroy the income tax as a source of municipal revenue, and at the same time render it excedingly troublesome to collect. In any case, Calgary has not yet seen fit to follow the example of Edmonton in availing herself of the right to impose on Income Tax.

The revenue collected by the city in 1918 for general municipal and school purposes from taxation, including licenses, was as follows:

(General Assessment)—

On land, buildings and special franchises....	$2,204,578.23—	91 27%
Business Tax	156,854.40—	6.50%
Fees and Licenses	53,978.07—	2.23%
	$2,415,410.70—	100%

The following tables from the latest issue of the Municipal Manual show the assessment and tax rates from the year 1904:

STATEMENT OF ASSESSMENT

Year	Land	Valuation at per cent.	Buildings	Valuation at per cent.	Personal	Valuation	Income	Total
1904	1,956,140	100	1,620,587	100	495,250	2-3	27,300.00	4,099.437
1905	2,289,655	"	2,327,264	"	769,300	"	47,250.00	5,433.469
1906	3,758,341	"	3,011,290	"	968,690	"	43,600.00	7.771.921
1907	7,861,171	"	3,716,575	"	1,263,700	"	51,050.00	12,832,496
1908	10,346,893	"	5,995,660	"	1,550,875	"	48,250.00	17.941.698
1909	12,597,808	"	5,612,935	"	1,539,585	"	74,650.00	19,824,978
1910	22,433,417	90	5,747,315	80	2,469,360	"	146,000.00	30,796.092
1911	40,924,800	"	7,299,895	50	4,522,905	"	None	52,746.600
1912	102,260,915	100	5,203,405	25	4,133,815	"	"	112,559.400
1913	120,801,588	"	7,293,090	"	4,928,970	"	"	133,023,618
1914	119,842,255	"	9,308,525	"	5,735,645	"	"	124,886.425
1915	97,708,425	"	10,043,780	"	6,055,530	"	"	113,807.735

Year	Land	Valuation at per cent.	Buildings	Valuation at per cent	Business Assessment		Special Franchise	Total
1916	72,740,609	100	10,127,570	25	1,999,912	6%	330,000.00	85,198,091
1917	68,606,473	"	10,130,810	"	1,871,498		330,000.00	80,938,781
1918	65,727,733	"	10,170,985	"	2,024,696	"	550,000.00	78,473,414
1919	77,943,010	"						

In considering Total Assessment on which Mill Rate is payable, deduct the Business Assessment from Total.

TAX RATES

Year	Total Rate Mills	Municipal General No. Mills	School No. Mills	Hospital No. Mills	Library No. Mills	Parks No. Mills	Debenture No. Mills
1904	22	10	6½	....	....	....	5½
1905	22	10	7½	....	....	....	4½
1906	22	10	6	....	....	....	6
1907	18	9	5	....	....	....	4
1908	18	9	5	½	....	....	3½
1909	21½	10	7¼	½	....	....	3¾
1910	15	7⅛	4½	¼	....	....	3⅛
1911	14½	7 19-16	3½	¼	1-2	3-5	2½
1912	12½	7.4100	2.6313	.2266	.1550	.3750	1.7021
1913	18¾	10.2885	3.0298	.5634	.5418	.1505	4.1760
1914	20.75	9.129	5.61	1.0567	.1854	.7376	4.0313
1915	19.50	7.2331	5.5085	.8828	.1757	.5272	5.1727
1916	21.50	2.4919	7.5058	.8058	.1322	.7347	9.8296
1917	26.50	5.2221	8.7012	1.0000	.1773	.5781	10.8213
1918	32.00	5.5674	9.6680	1.2754	.2446	.5053	11.4893

SPECIAL LEVIES 1918
Special Treasury Note (No. of mills) 2.25
Prov. Treas. .....(No. of Mills) 1.00

It will be observed that, while there has been a rapid rise in the mill rate from 1913 onwards, the assessment, which, at its highest, fell far short of the inflated level reached in Edmonton, has been greatly reduced in sympathy with the fall in the market value of real estate.

Taking the figures for 1918, the city tax rate of 31 mills on the assessment of land, buildings, and special franchises, together with the 6 per cent. rate on the business assessment, gives a total tax levy of $2,491,392, or a per capita tax of $35.59 on the estimated population of 70,000.

The 31 mill city rate on land and buildings, together with the Provincial Supplementary Revenue Tax of 1 mill on land value gives a total tax burden on real property of $2,428,759, or $34.69 per head.

The total arrears of taxes on 31st December, 1818, amounted to $4,539,718.

Tax Sale Certificates

In Calgary, as throughout the municipalities of the West, the problem of delinquent taxes and the difficulty of enforcing payment of arrears became serious during the years of depression. In 1917 the city obtained an amendment to its charter, authorizing the issue and sale of tax certificates against land on which the taxes were in arrears. Calgary appears to have been the first of Canadian cities to adopt this method which has been for some time in use in certain cities of the Western States. By this method the purchaser of a tax certificate has a claim against the land, which after a certain time can be enforced by sales. The amount paid for the tax certificate bears interest and is a first charge against the land. The method is said to have the advantage that it attracts investors who are willing in this way to invest in an interest bearing security, but would not care to purchase the land itself. The authority to issue such certificates has since been extended to other Alberta cities.

Taxation of Suburban Land

In the four leading cities of Alberta—Edmonton, Calgary Lethbridge, and Medicine Hat—much of the financial difficulties of the present has arisen from the undue extension of the city boundaries. This has resulted in the inclusion of what is, and must for many years remain, essentially agricultural land. To some part of this outlying territory public utilities have been extended at great cost, at the suggestion, in many cases, of the real estate owners, and with resulting increase in the cities' indebtedness. In Calgary, for example, some sixteen out of its total area of 36 sections consist of land of this character, while of Medicine Hat's area of 11,000 acres, 4,000 can be described as purely agricultural land, and on this the tax arrears at present (1919) amount to about $50.00 per acre.

The attempt of the cities to assess and tax this outlying land on the same basis as city property, passed unheeded, while it was in the interests of the real estate speculator that it should be represented as consisting of attractive building sites. But now that not the most optimistic can so delude himself, the demand of the owners is that the city boundaries should be readjusted so as to leave this land outside. It is claimed that the heavy taxes have rendered the lands unsaleable, and that the accumulated debts against them in the shape of arrears of taxes, are rapidly eating up their entire value.

To this proposal the cities cannot agree, in view of their heavy debenture indebtedness incurred largely on the security of taxes levied on such land.

How the cities of Alberta stood in that respect at the close of

1917 will be seen from the following table taken from the Report of the Department of Municipal Affairs:

STATISTICS RESPECTING CITIES OF ALBERTA—1917

Name	Total Population	Municipal Assessment	Taxes Levied	Municipal Debenture Debt	School Debenture Debt
Calgary.....	65,000	$ 91,069,591.00	$1,616,485.25	$20,477,518.61	$2,642,732.97
Edmonton....		100,213,850.00	1,879,009.67	21,704,088.50	3,419,950.67
Lethbridge.....	10,500	11,866,395.00	454,475.80	3,857,855.66	....*
Medicine Hat..	10,000	13,594,465.00	331,415.60	3,329,647.90	662,972.07
Red Deer.....	2,500	3,176,780.00	55,345.28	343,449.74	50,000.00
Wetaskwin.....	2,000	2,604,895.00	55,354.00	462,062.21	50,472.00

*School Debentures debt not reported.

But, while opposing either a reduction of their limits or of the amount of arrears of taxes, the cities advocate (a) division of the city area into zones with cancellation of subdivisions in the outer zone, and taxation of this land with the existing unsubdivided lands on an acreage basis having regard to its value for agricultural purposes only; (b) that the payment of arrears of taxes should be spread over a period, say, of ten years, one-tenth being payable each year together with interest on the balances outstanding at the rate of 8 per cent. per annum. This plan is similar to that already in operation in the City of Victoria. It is proposed in the Alberta cities that the extension over ten years should apply only to properties in the outer or suburban zone, while the owners of those within the inner ring of city lots would have to pay one-fifth of the arrears annually.

CHAPTER III.

TAXATION IN SASKATCHEWAN

I.—PROVINCIAL TAXATION.

The Province of Saskatchewan, like the sister province of Alberta, was created on September 1st, 1905. It embraces the districts known, under the government of the Northwest Territories, as Assiniboia and Saskatchewan, and the eastern half of the district of Athabasca. The area of the province is 251,700 square miles, or more than twice the area of the United Kingdom, and greater than that of any European country save Russia. The province is esentially an agricultural and more especially a wheat growing region. Of its area the land suitable for agriculture is estimated at 94,000,000 acres, and of this upwards of 74,000,000 acres are as yet unimproved. The population, which in 1906 was 257,763, had increased at the Quinquennial Census of 1916 to 647,835, and in 1918 was officially estimated at 691,000.

In Saskatchewan prior to 1917 the provincial tax system rested on quite different bases from that of the municipalities. To the latter belonged the exclusive privilege of taxing real estate, business and income; while the provincial revenue included, in addition to the Dominion subsidy, the corporation and railway taxes, the succession duties, and a varied assortment of licenses and fees.

As we have already seen in the case of Alberta, so in Saskatchewan the proportion of the provincial revenue received from the Government of Canada is too great, and that from taxation too small, to admit of the degree of elasticity essential to a good revenue system. This defect is rendered more pronounced by the fact that the existing taxes are not of an adaptable character. The rates cannot be readily altered, like, for example, the rate of an income tax, to meet the varying financial needs of the province from year to year. The position in this respect has been but slightly altered by the legislation of 1917 to be noticed below.

In Saskatchewan, as in Alberta, the most important item in the provincial revenue is the Dominion Subsidy of $1,710,675, which includes (a) the allowance for Government and Legislation; (b) the Subsidy of 80 cents per head on Population of 691,000; (c) the Debt Allowance; (d) the Allowance in lieu of public lands. Only the last mentioned item calls for special notice.

Saskatchewan, like the other prairie provinces, has not yet been ceded the title to the public or ungranted lands within the province, but in lieu thereof receives annually a certain sum as part of the Dominion Subsidy. The amount of this sum is determined, in accordance with the statute by which the Province was created in 1905, on the basis of the population as ascertained at each quinquennial census. It was fixed, in the case of Saskatchewan, as in that of Alberta, at $375,000 till the population reached 400,000. Between that and 800,000 the allowance is to be $562,500, its present level. Thereafter the allowance will be $750,000 till the population reaches 1,200,000, and beyond that limit $1,125,000.

In addition to the subsidy proper, the Province receives annually from the Government of Canada a considerable and increasing sum as income from the school lands fund, held in trust by it. For the fiscal wear 1916-17 this amounted to $273,046 and for 1917-18, $497,021.

Of the general revenue of the province for the year 1916-17 amounting to $5,631,911 the subsidy proper formed 30.4 per cent, and the total receipts from the Government of Canada, including the income from the school lands fund, amounted to $1,983,721 or 35.2 per cent. Direct taxation in the literal sense was responsible for only 6.6 per cent., of which Corporation and Railway Taxes together yielded $304,215 or 5.4 per cent.,and Succession Duties $69,996 or 1.2 per cent. Land Titles fees, court fees, companies and other fees, motor vehicle, moving picture and other licenses and fines, collected by the different departments of government, accounted for $1,445,448 or 25.7 per cent. "Licenses" and "fees", however ,as already explained, are to a considerable extent really taxes. The balance of $1,828,531, or 32.5 per cent., was made up of interest, revenue arising from the Liquor Stores system, and miscellaneous departmental revenues.

Reference has already been made to the tax legislation of 1917. Of the enactments of that year the Public Revenues Act and the Wild Lands Tax Act have materially contributed to increase the tax revenue of the Province. Their influence will be seen from the following table which gives the yield of the leading taxes for 1917-18, and the estimated yield for 1918-19.

	Revenue for 1917-18	Estimated Revenue for 1918-19
Public Revenues Tax	$928,601	$1,700,000
Wild Lands Tax		750,000
Corporation Tax	210,007	230,000
Railway Tax	109,390	108,000
Succession Duties	115,802	80,000

The following are the different sources of Provincial Tax Revenue and the rates at present in force.

Public Revenues Tax.

The Patriotic Revenues Act of 1916, in order to raise a fund to assist in meeting expenditures incidental to the war, imposed a tax of one mill on the dollar of the total value of all rateable property in the municipalities, and one cent per acre on land in the local improvements districts. In 1917 this was superseded by the Public Revenues Act which imposes a tax of two mills on the dollar, and one cent per acre, as above, and one-fifth cent per acre upon land leased from the Crown for grazing purposes. By this measure the tax becomes explicitly a part of the provincial revenue system for general purposes, though for the year 1918 one million dollars of the yield was ear-marked for patriotic purposes. The tax is collected by the municipal officials and the proceeds, less five per cent., handed over to the Provincial Treasurer.

A tax of this nature is open to serious objection on the score of equity. Being levied on the value of all rateable property in the municipalities, it clearly falls most heavily on those with the widest tax base and the highest assessments. In some Saskatchewan municipalities the tax base is restricted to land only, in others to land and a varying percentage of improvements, and in others again it includes not only land and improvements but business and incomes. Further, even where the tax base is nominally the same, there are often great inqualitis in the assessment as between different municipalities. These inequalities may be removed by restricting the tax to land values only, as is done with the Supplementary Revenue Tax in Alberta, and equalizing the assessments*. But if, as is now generally recognized, the system of municipal taxation already rests in too great degree on the basis of land values, the situation is surely not improved by the addition of a provincial tax on the same base. There are, as the recent experience of the municipalities of Western Canada abundantly proves, very real limits to the concentration of taxation on the value of land or of real property in general. By this "Public Revenues Tax" the Provincial Legislature has made a decided inroad on the field of real property taxation, which had by custom come to be regarded as the exclusive preserve of the municipalities. Real property is pre-eminently suitable for local taxation; and it may be suggested that a greater regard for sound financial policy would have determined the Provincial Legislature to leave the taxation of real property to the municipalities, and to appropriate instead for provincial purposes the income tax, which as a local tax in the urban municipalities of Saskatchewan can scarcely be described as other than a failure. An income tax, to be at once equitable and productive, should be levied over a fairly wide area and be subject to centralized administration.

*C.F. Murray Haig: "Taxation in the Urban Municipalities of Saskatchewan", p.p. 39, 48.

Wild Lands Tax.

This provincial tax of 1 per cent on the assessed value of unoccupied land superseded the much debated municipal surtax on 1st January, 1918. In 1913 the Rural Municipality Act had been amended by the addition of certain sections providing for the imposition of a special tax to be called a "surtax", at the rate of 6¼ cents per acre, on uncultivated land in the rural municipalities. By one of the provisions, "the land of any owner or occupant exceeding 1920 acres" became subject to the tax, without any qualification as to cultivation. This provision, which obviously struck at large holders in general, was repealed in 1915, when the law was otherwise slightly amended. But the declared object of the surtax was to compel landowners, generally non-residents, who it was alleged withheld the land from cultivation, speculating for the rise in its value through the industry of the resident farmers, to make a special contribution to the municipal revenue from their supposed "unearned increment." The Hudson's Bay Company contested the legality of the tax on the ground that it was an exceptional tax, and as such a violation of the terms of the deed by which the Company surrendered its territorial rights to the Crown in 1869, and of the Imperial Order-in-Council by which the territory was transferred to the Government of Canada in 1870. The verdict in the Canadian courts was against the Company and the judgment was confirmed by the Privy Council in 1919.

The surtax was levied and collected by the municipalities, and the revenue therefrom was used for general municipal purposes. During the four years of its existence it yielded a considerable, though rapidly diminishing, revenue. Thus in 1914 the yield was $755,916 and by 1917 it had fallen to $580,698. It is only the most superficial reasoning, however, that attributes the diminution in the area of uncultivated land to the operation of the surtax. The rise in farming profits, consequent on the high prices of agricultural produce prevailing under war conditions, has clearly been the dominating influence in extending cultivation.

In December, 1917, the surtax provisions of the **Rural Municipality Act** were repealed, and Saskatchewan followed the example of Alberta by levying a **Wild Lands Tax** for provincial purposes, at the rate of 1 per cent. of the assessed value, upon all the lands in the province of which the owner has less than certain specified proportions in cultivation on the 1st August of the year in which the assessment is made. The Act is administered by a Wild Lands Tax Commissioner. In the local improvement districts the officials of the Commissioner are responsible for the assessment, levy and collection of the tax. In the rural municipalities, however, these duties are left to the municipal authorities by whom the proceeds of the tax, less a commission of five per cent., are forwarded monthly to the Provincial Treasurer. But as assessments made by local

assesors frequently result in glaring inequalities, and this tax and the Public Revenues Tax together furnish an incentive to under assessment, the Commissioner is authorized by the Act to take all necessary measures for equalizing the scale of assessment as between different municipalities. In his **Report** for 1918-19 the Commissioner says: "In some cases the difference in the scale of assessment in neighbouring municipalities was found to be as much as fifty per cent., notwithstanding the fact that the land in the two municipalities was practically of equal value."

That the legality of taxation of this type has been established, of course, in no way affects the question of its equity; and the determination of that will go far to determine also the question of its economic expediency, for as a rule good morality is in the long run good economy. In the opinion of the present writer, the inequity and the economic folly of the policy, prevailing throughout Western Canada, of penal taxation of unoccupied land are alike clear. Canadian governments have in the past tacitly consented while numerous agencies have held out the land of Western Canada as a good investment, without restrictions as to cultivation. The purchaser in good faith, therefore, cannot now be equitably fined as a public malefactor. Nor is it in the long run economically sound policy for any government to commit what is virtualy a breach of faith, thereby destroying that sense of security on which modern industrial and commercial life is founded. Governmental disregard for the sanctity of contracts, express or tacit, is essentially a policy "made in Germany".

Much is heard of the gain accruing to the non-resident owner from the improvements of the cultivators on neighbouring land, while the advantage to them from the expenditure of his contribution to the municipal levy is too often forgotten. The absentee owner is not the only one who benefits from the progress of the community. We are all of us debtors to society.

There is moreover no evidence that land is to any great extent willingly withheld from cultivation. Where there is evidence that land that is in demand is being deliberately withheld from the market for the sake of the "unearned increment", a strong case may be made out for the exercise by government of its sovereign right of expropriation, with compensation. But no case can be made out for confiscation by taxation. This, however, is essentially the effect of the Wild Lands Tax, for it tends to force sale in a market where the competition of buyers is too often practically restricted to the neighbouring farmers. Any speculative purchaser who does not intend to cultivate will deduct the capitalized value of the tax from the price he offers. It is easy therefore to see why this policy should be popular among the less thoughtful elements of the rural population. To tax the absentee is to the superficial thinker always attractive. It appeals to the primitive predatory instinct in unregenarate man. But in the sphere of fiscal policy

it is especially dangerous to "set the feet above the brain, and swear the frain is in the feet". The pursuit of popularity inevitably ends in a Serbonian bog. Our statesmen may reasonably be expected to estimate more highly the future welfare of the country than the fleeting popularity of the present.

Succession Duties.

Saskatchewan exempts from Succession Duty: (a) Any estate, the aggregate value of which does not exceed $5,000; (b) Property not exceeding $25,000 passing to near relatives in the direct line, who are resident in the province; (c) Property not exceeding $300 passing to any one person.

The rates are graduated according to the aggregate value of the property passing, and vary also with the degree of kinship of the beneficiary to the deceased. Thus (1) on property passing to relatives in the direct line the duty varies from 1½ per cent. when the amount exceeds $25,000 but does not exceed $50,000 to 15 per cent. when it exceed $1,200,000; (2) Where the property passess to other relatives within certain degrees of kinship, the duty begins at 5 per cent. when the aggregate value exceeds $5,000 but does not exceed $50,000, and rises to 17½ when it exceeds $450,000; (3) Where the property passes to more distant collaterals and strangers the duty varies from 6 per cent. when the aggregate value exceeds $5,000 and does not exceed $10,000, to 20 per cent when it exceeds $1,000,000. There is provision for additional duties when the deceased dies domiciled out of Saskatchewan, and for a duty or additional duty of 1 per cent., where the property passes to non-residents under Class (1) above.

Probate Fees.

The Succesion Duty Act also provides for the payment, upon application for letters probate or letters of administration, of such fee as may be fixed by the Lieutenant-Governor-in-Council. The fees fixed at present vary from $1 to $10 according to the aggregate value of the estate.

Corporation Taxation.

Under the Corporations Taxation Act, taxes are levied on corporations, chiefly financial and transportation companies, which do not come under section 28 of the Companies Act. The list includes banks, insurance, land, loan, trust, telegraph and express companies.

Banks are taxed $1,200 on their head office in the province, $300 on each city branch, $150 on each town branch, and $50 on other branches. In the case of private banks the tax is: For the head office, $200 when in a city or town, and $100 when in a village, with an additional tax of $25 for each branch or agency in the province.

Insurance Companies formerly paid a tax of 1 per cent. on their gross premiums. But, under an amendment of the Act made at the 1918-19 session of the Lesislature, they are now taxed on a progressive scale, the tax rising gradually from 1 per cent when the gross premiums do not exceed $50,000 to 2 per cent. when they exceed $200,000. When an insurance company invests money in the province to the amount of $25,000 or over it is subject to an additional tax of 50 cents per $1,000 invested.

Land Companies registered in Saskatchewan pay 40 cents for every $1,000 of business done in the province in the buying or selling of land or receipt of revenue therefrom, with the proviso that the minimum tax shall be the sum for which the Company would otherwise be liable as an annual fee under the **Companies** Act.

Loan Companies pay a tax of 40 cents per $1,000 of their funds under investment in Saskatchewan during the preceding year, with a minimum tax of $25 when the authorized capital is less than $50,000, $50 when it is over $50,000 but less than $100,000, and $100 when the capital is $100,000 or more.

Telegraph Companies, including railway companies which own, lease or operate telegraph lines in Saskatchewan and do a general commercial telegraph business, pay annually a sum not exceeding 1 per cent. of the gross earnings for the preceding year, provided that the sum so paid by any one company shall not exceed $2,000.

Express Companies: Any such company doing business directly or indirectly in Saskatchewan pays: (1) $150 for an office in an incorporated city; (2) $50 for each town; (3) $10 for every other place with a population of two hundred or over, in which it does business.

Trust Companies formerly paid a tax of 40 cents on every $1,000 investment. But at the 1918-19 session of the Legislature there was substituted a tax of 1½ per cent. of the gross income derived from the investment of the company's own capital and one-half of one per cent of the gross income derived from the investment of trust funds, handed to it for investment. There is a minimum tax of $100 where the authorized capital of the company does not exceed $100,000, and $175 where it exceeds that amount. When a company carries on a trust, loan and land business, or any two of them, it pays such taxes as may be applicable to each business.

In the cases of insurance, loan and trust companies respectively, there is a proviso that money lent on bonds or debentures of municipal, school or other local or public bodies in Saskatchewan shall be exempt from provincial taxation. Such bonds and debentures are thus rendered so far a more attractive form of investment for the funds of the companies.

Saskatchewan's legislation for the taxation of corporations seems to have been originally modelled on that of Manitoba, just as Manitoba itself had, generally speaking, followed the example and profited from the experience of Ontario. The rates levied on the different classes of companies seem to be of a purely experiential or rule of thumb character. They can scarcely be said as a whole to exhibit the working out of any fundamental principle of taxation. The rates on banks for example do not seem to bear any relation either to ability to pay or benefit received. The taxation of gross income, as in the case of trust companies, while not an ideal method, has at least the advantage that it puts a premium on economy in administration.

Companies not taxed under the Corporations Taxation Act, none the less, contribute to the tax revenue of the province in the form of incorporation and registration fees and annual license fees. Thus for the year 1917-18 the administration of the Companies Act cost only $2,537.00, whereas the revenue from fees under the Act amounted to $65,558.

Railway Taxation

The Railway Taxation Act 1909 imposes a tax on the gross earnings of railway companies derived from their line or lines, or such portions thereof as are within Saskatchewan, at a rate, to be determined by the Lieutenant-Governor-in-Council, not exceeding: (a) 3 per cent .of the gross earnings of that part of the railway in operation for seven years or more; (b) ½ per cent, of the gross earnings of that part in operation for five years or more and less than seven years.

As already explained, the property of the Canadian Pacific Railway Company is, by its charter of 1881, exempted from all taxation in territory then under the jurisdiction of the Dominion Government. The Saskatchewan legislature, however, holding that this exemption applied only to real and personal property, attempted in its Railway Taxation Act of 1908 to make the company pay by levying a tax on the gross earnings of railways. The company disputes the claim, but as neither side has cared to bring the matter to a legal issue it continues by agreement to pay to the Saskatchewan Government the sum for which it would be liable under the Act. The productiveness of the tax is further restricted by the exemption, under the Act, of companies whose bonds debentures, or securities are guaranteed by the Provincial Government. In 1917-18 the tax yielded $109,390, of which the Canadian Pacific Railway Company contributed $85,000 and the Canadian Northern $24,390. But as the latter is now the property of the Government of Canada it will in future be exempt from provincial taxation.

Timber Areas Tax.

The "Act to provide for the taxation of persons holding or operating Timber Areas", 1917, imposes a tax of one cent per acre, with a minimum tax of $25. There is an exemption as to any area which is shown to be held under permit for the purpose of cutting timber or cordwood for settlers' use; and a remission or rebate not exceeding one-half cent per acre to any person shown to be manufacturing in Saskatchewan from trees cut on such timber area.

Supplementary Revenue Tax.

This is a tax of 1 cent per acre, regardless of value, and on grazing lands leased from the Crown ½ cent per acre, the proceeds of which are used for the support of educational institutions. This tax was first levied in 1907, in order to make the holders of land in areas outside the school districts assist in the upkeep of provincial educational institutions. Throughout the rural municipalities, it is collected by the Secretary-Treasurer, and in the local improvement districts by the Department of Municipal Affairs, the proceeds being handed over to the Provincial Treasurer. The revenue from the tax is distributed as follows: Rural Schools, 80 per cent.; High Schools, 10 per cent.; Provincial University, 5 per cent.; Agricultural College, 5 per cent.

II.—MUNICIPAL TAXATION

The foundations of municipal government and taxation in what is now the Province of Saskatchewan, as in the sister province of Alberta, were laid under the Government of the North West Territories.

Very early, with the growth of settlement, the endeavour to provide for the needs of local self-government and of local improvements led to the passing from 1883 onwards of a series of Ordinances respecting municipalities. These culminated in the General Municipal Ordinance of 1897, which provided for the incorporation of rural municipalities and towns, the cities being left—as they still are in Alberta—for special legislation. Villages were then unincorporated, and the overseer elected by the residents had to render an annual account of the village finances to the Commissioner of Public Works, by whom the village property was held in trust, and through whom only could the village sue or be sued.

The requirements of the more sparsely settled parts of the Territories were met from 1898 by the creation of local improvement districts. Under the Local Improvement Ordinance of 1903 provision was made for small local improvement districts with an average area of 4 townships. Each township constituted a division, and one coucillor elected from each division formed the council board.

In 1904, in consequence of the persistent demand for greater powers of local self-government, the Territorial Legislature had taken the initial steps towards a comprehensive inquiry into municipal organization and administration. But the execution of this scheme was interrupted when, in 1905, the North-West Territories were broken up to form the provinces of Alberta and Saskatchewan. In 1906, however, the Government of Saskatchewan proceeded to carry out the policy of their predecessors. The Local Improvement Ordinance of 1903 was embodied with slight modifications in a Local Improvement Act, and a Municipal Commission was appointed for the purpose of making an exhaustive inquest, as a necessary preliminary to systematic municipal legislation. The substance of the Commission's recommendations was embodied in a series of comprehensive enactments passed in the years 1908-1909, to wit, the City, Town, Village, Rural Municipality, and amended Local Improvement Acts.

Local Improvement Districts, and Rural Municipalities.

By the legislation of 1908 and 1909 all existing small Local Improvement Districts were dissolved and the Province was divided into territorial units, each containing nine townships or 324 square

miles, save where natural conditions made modification necessary. The Territorial unit was in turn divided into six wards of one township and a half each. The council board consisted of one representative for each ward, with, in the case of the Rural Municipality, a reeve elected by the municipality as a whole. To the ratepayers of each territorial unit it was left to decide whether it should be organized as a Local Improvement District or as a Rural Municipality. The unit being the same in each case, transition from the lower to the higher organization could easily be effected. The former was avowedly and explicitly intended as a purely temporary and transitional organization. It could deal only with small local improvements, e.g., the extermination of weeds and vermin, and provide for the resident sick and indigent. For such purposes it had a strictly limited power of raising temporary loans. The rural municipality, on the other hand is a permanent institution, a body corporate with power to pass by-laws on matters pertaining to the general good of the community. Such by-laws become effective when approved by the Minister of Municipal Affairs. It may also raise funds on the debenture system to an amount not exceeding $3,000 per township for the purpose of permanent improvements, thus distributing the burden of such public works over a term of not more than twenty years.

The fear of rash borrowing and high taxation for a time militated against the popularity of the rural municipality. But under the Rural Municipality Act the borrowing powers of the Saskatchewan Municipalities are strictly limited. The total debenture indebtedness may not exceed $3,000 per township, nor may the rate of interest be higher than 8 per cent. Further, such loans can be arranged only with the consent of the ratepayers and the approval of the Minister of Municipal Affairs. As the reality of these safeguards, and the advantages of municipal organization, came to be generally appreciated, the Rural Municipality rapidly grew in favour; and by December, 1912, the number of rural municipalities having grown to two hundred, as against ninety local improvement districts, the latter were by legislation raised as from 1st January, 1913, to the rank of rural municipalities. From that date onwards the term "Local Improvement District" in Saskatchewan designates the entity previously known as a "large local improvement district," i.e., a sparsely peopled area on the fringe of settlement in which there is no municipal organization whatever—no council. In such districts, which embrace the portion of each provincial electoral constituency, if any, outside the municipalized area, the local improvement and supplementary revenue taxes are assessed and collected by the Department of Municipal Affairs and the proceeds are disbursed, through the Board of Highway Commissioners, for road improvements, fire guards, wolf bounties, etc., within the districts concerned.

Taxation.

In the small or organized local improvement districts, while they existed, land only was taxed, and that on an acreage basis; and so it is now in the unorganized local improvement districts. The rate is 1¼ cents per acre, save in the case of leased land on which the leaseholder pays ¾ of a cent per acre.

In the rural municipalities also, land only is taxed, save in the case of hamlets undermentioned, and prior to 1st January, 1914, it was taxed on the acreage basis. But on that date the system was brought into harmony with that already prevailing in the rural municipalities of other Canadian provinces, the flat rate on the acre being superseded by the assessment and taxation of land according to its value. For this purpose the Act requires that the land be assessed at its actual cash value, exclusive of any increase in such value caused by the erection of any building thereon or by any other expenditure of labour or capital.

To the rule that land only is taxable in rural municipalities there is an exception in the case of hamlets or subdivisions. There buildings on the lots of an area not exceeding 40 acres, and not strictly agricultural in character, are assessed for taxation at 60 per cent. of their value.

VILLAGES.

Under the Government of the North-West Territories, Villages, as already noted, were unincorporated. The overseer was elected by the village residents, but had to render an annual account of the finances of the village to the Minister of Public Works, by whom the village property was held in trust and through whom only could the village sue or be sued. By means of Village Ordinances, however, provision was made from time to time for the general welfare of these communities, in respect of such matters as health, fire protection, and local improvements. Under the Village Ordinance of 1895, for example, an area of 320 acres might, if it contained ten houses, be organized as a village. By the first Village Act of Saskatchewan passed in 1906 the possible area of the village was greatly extended, for under it any area not exceeding 1,280 acres, having fifteen dwelling houses therein, might be constituted a Village by order of the Lieutenant-Governor-in-Council. A reaction in favour of greater density of population, however, followed and the Act of 1908 restricts the area of villages established under it to 640 acres and requires a resident population therein of not less than fifty. In 1912 this minimum resident population, necessary for incorporation as a village, was raised to one hundred, of whom twenty-five must be adult males. In 1918 women were placed on the same status as men.

In the early days of the Saskatchewan village its powers were very limited. It had certain regulations but no by-laws and its

power to borrow on debenture was limited to $1,000 to be repaid in ten years. The Overseer was practically the sole executive, combining, as he did, the offices of assessor, secretary-treasurer, fee and license collector, etc. In the expenditure of the village funds his discretion was limited only by the decision of the ratepayers at their annual meeting. The Village Act of 1908, however, introduced a more representative system, the ratepayers being required to elect three councillors, who in turn elect one of their number as chairman or "overseer" and also appoint from outside their own body a paid secretary-treasurer. The Council is empowered to pass by-laws which become operative when approved by the Minister of Municipal Affairs. It may obtain money for current expenditure by temporary borrowing to the extent of not more than 60 per cent. of the tax levy of the current year; and for more permanent outlay it may issue debentures extending over fifteen years, provided the by-law is approved by the Minister of Municipal Affairs.

Village Taxation.

Under the Village Ordinance of 1901 and later amendments it was provided that the necessary revenue of the Village should be raised by a yearly rate, not exceeding 10 mills on the dollar, upon the property not exempt from taxation. But by a petition of two-thirds of its ratepayers to the Commissioner of Public Works a Village might secure the limitation of the assessment to the actual value of land, exclusive of improvements, the tax rate being limited to 2 cents on the dollar. In the same way a village might revert to the original assessment.

This "optional single tax" policy was continued under the Provincial Government of Saskatchewan. Thus while the Village Act of 1908 provided for the assessment of "all real and personal property and income" in the village, not exempt from taxation, it also permitted the Council, on a signed petition of two-thirds of the resident electors, to limit by by-law the assessment to land values exclusive of improvements.

In like manner, a village which had exempted improvements might repeal the by-law, and thereby return to the old system under which land was assessed at its fair actual value, and buildings and improvements thereon at 60 per cent. of their actual value.

But the policy of exempting improvements from taxation never became really popular with the Saskatchewan villages. In some cases the fact that its adoption involved at first the exemption of elevators, erected on railway land told heavily against it. In 1914, when the "single tax" fever had reached its height, out of a total of 297 villages only 78, or a little over 26 per cent., had elected to exempt improvements, and shortly thereafter the diffi-

culties associated with the "single tax" policy became manifest. In 1916, the average rate of taxation for municipal purposes in villages where land only was assessed was 35.25 mills, as against 16.25 mills in those where both land and improvements were assessed. A revision of the system had become inevitable. The Department of Municipal Affairs had repeatedly expressed approval of the "straight land tax" as a system "the advantages of which are numerous, particularly so when it makes the non-resident speculator pay the same amount of taxes for his lot as the man who may have a good building situated on a similar lot." But in 1916 it begins to note "an inclination on the part of a few (urban municipalities) to levy taxes on buildings;" and later the same authority states that "in too many instances the eighty-one Saskatchewan villages which were assessing land values only found themselves exempting from taxation business men with large incomes who were not contributing their just share to the up-keep of the community. 'Ability to pay', was not recognized in a manner that meant ready revenues for the village." (Report 1917-18, p. 13)

Accordingly in December 1917, when 81 of the 313 Saskatchewan villages, or scarcely 26 per cent., had adopted the "straight land tax," the section of the Village Act which permitted the exemption of improvements was repealed, and the assessment in villages is in consequence now based on (a) land; (b) buildings and improvements, (60%); (c) personal property, and (d) income.

Taxes paid on real property are allowed as a set-off against an equal amount of income tax. Income tax, in other words, is payable only to the amount by which it exceeds taxes paid on real property. Also where taxes are paid on stock-in-trade or other personal property in business, the income arising from such business is not taxed.

It is provided that the taxes in respect of any grain elevator and its contents and the income derived therefrom shall not exceed in any year $75 for municipal purposes, and $75 for school purposes.

Exemptions.

Among the exemptions from taxation set forth in Sect. 198 of the Village Act the following are worthy of note:—

(a) Buildings used exclusively for church purposes and the lot or lots whereon such buildings stand, not exceeding one-half acre.

(b) Personal property other than income, to the amount of $300.

(c) Personal income up to $1,000.

(d) Household effects, etc.

(e) Grain.

Tax Rate.

The statute provides that for municipal purposes the uniform rate on property and income, to be fixed by the Village Council with due allowance for non-payment of taxes, shall not exceed 10 mills on the dollar of the assessment. (Formerly in cases where the assessment was on land values the rate was limited to 4 cents on the dollar.) The maximum rate so fixed may, however, be exceeeded in cases where this is necessary to meet debenture coupons accruing due during the year. The minimum tax payable by any person for municipal purpose is $2.

School Tax.

The village council is required to assess and levy in accordance with the **School Assessment Act** such rates as shall be sufficient to meet the sums required for the purposes of the school district, or portion of a district, within the village limits. The minimum school tax payable by any person is also $2.

No rebate is allowed for prompt payment of taxes, but on taxes remaining unpaid after 31st December, there is a penalty for non-payment at the rate of 8 per cent.

Arrears of Taxes.

In March, 1917, the Village Act was amended so as to permit the council, with the approval of the local government board, to compromise the claim of the municipality for arrears of taxes on subdivisions not required for building purposes, and to remit so much as it may deem expedient. In the case of arreas of taxes not falling within this category, the council in virtue of a further amendment in December, 1917, may compromise the claim with the consent of the Minister.

TOWNS AND CITIES.

Under the General Municipal Ordinance of 1897, a village with 400 residents could be raised to the status of a town; and in some cases, by special Acts, towns were incorporated with an even smaller population. Of the seventy-five towns existing on May 1st, 1919, eighteen had less than 500 inhabitants—the minimum population required for incorporation as a town since the pasing of the Town Act in 1908. A town, in turn, must have a population of 5,000 before it can be incorporated as a City; but, as a result of the collapse of the land boom and the conditions incidental to the war, at the census of 1916 three of Saskatchewan's seven cities had fallen below that level. Later official estimates, however, show a marked recovery. The cities of Saskatchewan, unlike those of the neighboring provinces, have no special charters but are all alike governed by the general City Act.

The provisions of the City Act and the Town Act in respect of assessment and taxation are so nearly alike that they may be conveniently considered together.

The legislation of 1908-9 provided that in both cases the municipal and school taxes should be levied on (1) lands—interpreted as including improvements; (2) businesses; (3) income; and (4) special franchises.

The Real Estate Tax.

Land was to be assessed at its fair actual value and buildings and improvements thereon at sixty per cent. of their actual value. In respect of buildings and improvements, however, a radical change was made in the session 1910-11, when it was enacted that they should be assessed at **not more than** sixty per cent. of their actual value, and that the assessment in any year might be reduced below that of the previous year by not more than fifteen per cent. of the value. Thus, the cities and towns that elected to do so, might wholly eliminate the assessment of buildings and improvements within four years. All of the cities took advantage to a greater or less extent of this permission. It was easy to do so in the years when, owing to the rapid growth of poulation—at the rate of 30 per cent. per annum in many of the cities and towns,—land values were expanding, and inflated assessments not only assisted the speculator to unload, but gave to the municipalities increased borrowing powers. Thus, in 1913, when the inflation of real estate values had already reached its limit, the percentages of the value of improvements on which taxes were levied had reached the low level at which they still stood in 1917, namely:—

Moose Jaw	45 per cent.	Saskatoon	25 per cent.
North Battleford	30 "	Swift Current	15 "
Prince Albert	15 "	Weyburn	30 "
Regina	30 "		

None, it will be observed, had attained the acknowledged goal when the downward progress in the assessment of improvements was arrested by financial stringency, contraction of land values, and the alarmingly rapid growth of taxes. As Dr. Murray Haig shows, the cities which had gone furthest in the direction of the single tax had the largest accumulations of arrears of taxes.*

The towns on their part had shown less enthusiasm than the cities for the "single tax" ideal, and responded less readily to the prompting of the Legislature. Up to the outbreak of the Great

*"Taxation in the Urban Municipalities of Saskatchewan," p.p. 25, 28.

War in 1914, less than one-fourth of their number had reduced the assessment of improvements below 60 per cent., and of these, only two had reached an assessment as low as 25 per cent.

The caution of the majority was justified of its fruits. The shrinkage of real estate values which had already begun in 1913 soon reached the stage of complete collapse, and the weakness of a policy that would narrow the basis of taxation to land values only could no longer be denied save by the purblind and hopelessly confirmed adherents of the Single Tax creed. Arrears of taxes accumulated, tax rates rose rapidly, and the plaint was soon general "that too much of the tax burden now falls upon the land.*

The first step in the retreat from an impossible position was taken in 1916, when the City and Town Acts were amended to permit the municipal councils to **increase** the assessment of buildings and improvements by not more than 15 per cent. per annum of their actual value till the maximum of 60 per cent. is reached. But the demand for a thorough revision of the tax system in the urban municipalities became pressing, and early in January, 1917, this demand found expression in the appointment of two special committees to investigate the subject: (1) A Provincial Committee on Taxation, including both representative ratepayers and administrative officials, (2) A Committee of the Union of Saskatchewan Municipalities. Both committees, while approaching the subject from very different standpoints, were in substantial agreement as to the indefensible character of the existing system; and the urgent need, on the grounds of both equity and sound finance, of broadening the basis of municipal taxation so as to distribute the burden more evenly over the different classes of the community.

To this end the Provincial Government invited Doctor Murray Haig, of Columbia University, to make a "general survey and investigation of the incidence of taxation in the urban municipalities of Saskatchewan." His recommendation that improvements should be taxed at 60 per cent. of their value was given effect to, as we have seen, in the case of villages in December, 1917. But when the Legislature at its next (1918-19) session proceeded to make a similar amendment to the City Act, it was induced to abandon the proposal in face of the opposition of powerful interests, chiefly in Regina and Saskatoon. Any increase remains, therefore, as it has been since 1916, optional with the municipalities. The authorities responsible for the financial administration of the cities and towns for the most part favour a return, either by one leap, or more generally by annual increments of 15 per cent. of the "fair actual value," to the taxation of improvements on an assesment of 60 per cent. of their value. Commissioner C. J. Yorath, of Saskatoon, for example, favours increasing taxation of improvements but

*Department of Municipal Affairs, Annual Report, 1916-17, p. 6.

considers an increase in the assessment from 15 per cent. to 60 per cent. at one jump too drastic.* Only vested interests bar the way to an increase. The claim to consideration on the part of the resident owner of a large business block is less easily ignored than that of the owner of unimproved property who is not infrequently an absentee. But the notion that the stranger can be made to pay our taxes is surely in the long run as much a delusion and a snare in the fiscal policy of the municipality as it unquestionably is in that of the nation.

Business Tax.

The method of taxing business in the cities and towns of Saskatchewan is based on floor space measurement with classification of businesses. It is the method which was adopted in 1904 by the City of Edmonton where it was in operation for a number of years till "single tax" ideas prevailed. The merits of the Edmonton business tax in comparison with the old property tax were such that it was widely imitated throughout the West. In 1906, the cities of Regina and Saskatoon secured acts of the provincial legislature abolishing for these cities the personal property tax and substituting a system based on the assessment, not only of lands including improvements, but of businesses, incomes and special franchises. In 1907 the Saskatchewan Municipal commission recommended the extention of this system to all the cities and towns of the province and this was provided for in the legislation of 1908-09. The new business assessment came into general operation in 1909.

Under this system the assessor fixes a rate per square foot of the floor space occupied. As far as practicable, he classifies the various businesses and fixes a different rate for each class. The maximum assessment rate allowed by law is in cities $8.00, and in towns $10.00 per square foot, save in the case of banks, loan companies, or other financial institutions, for which the limit is in both cities and towns $15.00 per square foot. Where, however, the business is carried on either wholly or partially outside any building, the maximum rate per square foot of yard space so used is $4.00.

The amount to be raised by taxation in any given city or town having been determined, a uniform tax rate is levied on all classes of business and real property.

This system was so obviously an improvement on the personal property tax that it for a time met with general approval. But experience has revealed some rather serious blemishes from the standpoints alike of the taxpayers and of the municipal administrator. The adjustment of the different assessment rates, is of

*Western Municipal News, Aug., 1919, p. 249.

necessity a purely arbitrary process, bearing no clearly defined relation to the net profits of the business. The tax falls alike on the prosperous and the struggling or decaying business, so far as they belong to the same class and occupy the same floor space, and thus ignores entirely the principle of faculty or ability to pay. It also works inequitably as between businesses in the centre of the city and in the outskirts. As for the attainment of anything approaching equity in the differentiation between classes, that is clearly a task "for the proper performance of which no human wisdom or knowledge could ever be sufficient."

Further, as each city or town has its own local business assessment schedule, there naturally results (apart from inequality in the tax rates, which is reasonable and inevitable) great inequality in the assessment of the same type of business in different places. It is said that the tendency in some cases has been to seek to attract business by a low assessment, thus seriously lessening the productiveness of the tax. Floor space measurement and similar devices are after all simply adopted as external indicia of net profits as the measure of fiscal obligation, and consideration of the difficulties above mentioned suggests the expediency of abandoning such imperfect signs and levying the business tax directly on the net profits of business.

Income Tax

Of the urban municipalities of Saskatchewan, only the three chief cities—Regina, Saskatoon, and Moose Jaw—seem to have availed themselves of the opportunity under the law to levy a direct tax on income, and even there, the revenue from this source is absolutely negligible. No adequate machinery has been provided by law for the assessment and collection of the tax; and further, its worth as a revenue producer would be in any case greatly lessened by the provisions of the City Act, whereby (1) those assessed and taxed in respect of land and buildings are permitted to set off this tax against their income tax; (2) no person assessed in respect of any business or special franchise is assessed in respect of the income derived therefrom. Thus the income tax is practically reduced to a tax on salaries, and it is impossible to resist the conclusion of Commissioner Thornton, of Regina: "The personal Income Tax must be made more productive or should be dropped altogether. In its present working it is practically a farce." In January, 1919, the former exemption limit of $1,000 was raised to $1,500 in the case of married people.

In no case, however, is a city income tax standing alone likely to be in its practical operation either equitable or productive. The basis of income, under modern conditions, is not local, and it follows that an income tax has more chance of success in proportion as its basis is widened, and administrative control centralized. A considerable proportion of the local tax burden is to meet expenditure of a general character and often beyond the control of the

municipal authorities. It follows that the possessors of income should be made to bear a fair share of this burden. There are two ways in which this end may be attained: (1) The province might levy an Income Tax at a uniform rate throughout the province, or at least throughout its urban areas, handing over the proceeds, less cost of collection, to the municipal authorities, as has been done with conspicious success in the State of Wisconsin. (2) It might impose a provincial Income Tax for provincial purposes, relieving at the same time the municipalities of a considerable proportion of the burdens of a general character.

Poll Tax

This is a tax of $2.00 in towns and $3.00 in cities on male persons of the age of twenty-one years or upwards, who have been resident in the place for at least three months prior to October 31st, and also are not otherwise taxed. Its enforcement in any year is at the discretion of the council, and full advantage is not taken of the right to collect it.

It is approved by some on the ground that it compels those who pay no taxes on property to contribute something towards municipal revenue. But it is a survival from a by-gone economic age, and it should be abolished.

Special Franchises

Municipal ownership of public utilities prevails in the Saskatchewan cities to such an extent as to render the revenue from special franchises non-existent or negligible. Telephones, electric light and power, and, with an exception in the case of Moose Jaw, street railways also are in the hands of the cities. In Moose Jaw the street railway has long been in arrears with its taxes, and recently the City cancelled all debts and taxes due by it and granted it freedom from further taxation.

The following table based on Professor Murray Haig's report, showing the percentage of the levies from different sources in the seven Saskatchewan cities, was submitted by Commissioner Mackie, of Moose Jaw, in an address on Taxation at the Union of Saskatchewan Municipalities' Annual Convention in June, 1919. Where a business license is imposed, it has been added to the business tax:

PERCENTAGE OF TAX LEVIES FROM VARIOUS SOURCES IN THE CITIES NAMED, YEAR 1917.

	Regina	Saskatoon	Moose Jaw	Prince Albert	North Battleford	Swift Current	Weyburn
Land	80.1	86.2	73.4	92.8	92.0	92.0	87.9
Improvements	12.6	9.6	20.6	5.7	8.0	3.6	7.4
Business	6.6	3.8	5.7	1.5	.. ..	4.4	4.7
Income	0.7	0.4	0.3	.. ..	.. ..	.. ..	.. ..
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NOTE—All land is assessed at 100 per cent; improvements assessed at, in Regina 30 per cent, Saskatoon 25 per cent; Moose Jaw 45 per cent, Prince Albert 15 per cent, North Battleford 30 per cent, Swift Current 15 per cent, Weyburn 30 per cent.

It will be seen that in 1917 the percentage of the total taxation imposed on real property was least in the case of Regina with 92.7, and greatest in North Battleford with 100; while, taking land only, the percentage of the total tax burden imposed on it was lowest in Moose Jaw and highest in Prince Albert.

The following statement, the data for which have been kindly supplied by Mr. R. J. Westgate, city assessor, shows the present distribution of taxation in the City of Regina:—

CITY OF REGINA

Assessment and Tax Levy for 1919

In Regina the total taxable assessment for the year 1919 is $41,422,390, of which $36,826,110, or 88.9 per cent represents real property, the balance of 11.1 per cent being business and income.

The tax rates for general and school purposes on real property and business are as follows:—

Full Rate: (a), Public School, 33.5 mills; (b), Separate School, 39.3 mills.

Annex Rate: (a), Public School, 29.05 mills; (b), Separate School, 34.85 mills. Income Rate, 30 mills.

The total tax levy for general and school purposes is as follows:—

Land and buildings	$1,224,686.51	=	88.86 per cent.
Business	138,740.55	=	10.07 per cent.
Income	14,823.10	=	1.07 per cent.
	$1,378,250.16	=	100.00 per cent.
Provincial Government Revenue Tax, 2 mills	62,247.48		
Special Assessments (pavement, sidewalk, sewer, and water)	190,482.48		
Licenses, poll tax, etc.	18,929.19		
	$1,649,909.31		

Estimated population, 40,000.

Realty tax burden per capita, $30.62.

Total tax (including special assessments, licenses, etc.), per capita, $41.25.

The following tables from the latest Annual Report of the Department of Municipal Affairs show the population, assessment municipal taxes and debenture debt of the different towns and cities in Saskatchewan on April 30, 1919.

Statistics Respecting Towns of Saskatchewan, 1918-19

Name	Population	Assessment	Rate for Municipal Purposes	Debenture Debt
Alameda	400	$ 267,925	7½	.....
Alsask	600	367,166	18	$10,479.45
Arcola	850	617,938	19½	79,916.64
Assiniboia	850	1,005,425	20	81,922.57
Asquith	350	237,499	18	11,211.66
Balgonie	250	140,734	13	8,320.00
Battleford	1100	1,173,551	34	487,953.12
Biggar	1500	931,853	17	84,648.26
Bredenbury	300	414,760	10	2,500.00
Broadview	1000	562,185	18	30,520.04
Cabri	650	572,496	18	9,410.00
Canora	1200	1,146,460	23	150,822.52
Carlyle	500	298,245	36	57,792.31
Carnduff	550	375,949	8	11,765.00
Caron	300	180,713	10	1,167.28
Craik	575	367,603	20	27,823.93
Davidson	650	532,154	29	60,423.90
Delisle	375	357,809	10	10,654.47
Duck Lake	600	298,352	14	14,655.00
Estevan	2500	2,516,526	33	494,614.04
Fleming	300	209,262	2	.....
Francis	350	270,698	12. 6	22,921.64
Govan	600	444,384	22½	26,589.07
Gravelbourg	1200	818,585	7	.....
Grenfell	800	389,671	16	23,965.04
Gull Lake	1000	534,695	17	10,384.16
Hanley	400	5,015	17	14,405.73
Herbert	1000	812,485	14	22,479.47
Humboldt	....	1,592,290	40	446,153.98
Indian Head	1500	974,551	30	241,718.63
Kamsack	1600	1,311.075	19	192,793.22
Kerrobert	1000	1,257,760	18	113,500.29
Kindersley	1000	1,010,572	29	167,417.70
Langham	400	285,466	22	15,525.00
Lanigan	400	287,685	17	6,280.00
Leader	1200	395,355	12	14,471.42
Lemberg	435	278,008	10	5,219.50
Lloydminster	700	632,374	17	16,409.85
Lumsden	675	447,254	13 3-5	13,122.15
Macklin	450	284,040	14	6,968.69
Maple Creek	1500	1,569,140	14	108,966.86
Melfort	1150	1,659,639	23	191,714.08
Melville	2600	2,810,717	25	355,816.98
Milestone	500	401,697	10	6,724.33
Moosomin	1250	906,461	18.5	68,070.20
Morse	900	493,621	19	17,191.90
Mortlach	600	448,327	7	10,887.27
Nokomis	600	470,084	11½	31,441.65
Ogema	500	205,205	18	9,571.80
Outlook	900	870,947	20	91,622.78
Oxbow	721	459,601	18½	26,112.34

Name	Population	Assessment	Rate for Municipal Purposes	Debenture Debt
Qu'Appelle	750	489,485	11	19,371.33
Radville	700	377,556	10	13,459.51
Radisson	600	354,644	13	12,245.62
Rosetown	1150	673,833	21	30,900.36
Rosthern	1300	937,372	15	56,647.02
Rouleau	750	464,811	26	73,953.40
Salcoats	500	389,859	19	32,544.57
Scott	250	312,536	9	136,226.02
Shaunavon	1500	1,368,095	22	19,519.79
Sintaluta	400	187,807	5.5	2,925.00
Strasbourg	650	488,145	14 3-10	20,066.53
Sutherland — — — — — —	925	934,865	25 2-10	237,013.71
Vonda	450	283,772	12	7,777,50
Wadena	700	507,999	19	31,559.92
Wapella	500	299,919	13¾	7,697.33
Watrous	800	1,420,608	20	283,546.12
Watson	300	205,035	15	1,509.89
Whitewood	500	322,019	12	15,226.60
Wilkie	1000	1,224,467	15.6	98,716.12
Wolseley	1050	629,521	20 9-10	41,367.88
Wynyard	800	485,515	12	12,508.65
Yellow Grass	500	329,800	25	29,686.30
Yorkton	4400	4,845,744	17.58	694,624.76
Zealandia	425	254,575	10	6,535.26

Statistics Respecting Cities of Saskatchewan—1918-19

Name	Estimated Population 1918	Census 1916	Assessment	Municipal Taxes	Debentures
Moose Jaw	20,500	16,934	$24,459,930	$ 504,041.57	$ 5,057,146.74
North Battleford	4,500	3,145	7,006,295	215,589,56	1,099,469.63
Prince Albert	6,000	6,436	7,024,726	328,978.18	3,028,900.15
Regina	40,000	26,127	42,704,965	1,454,484.83	10,857,887.07
Saskatoon..	25,000	21,048	30,029,393	1,041,132.77	8,543,143.46
Swift Current	5,000	3,181	6,818,122	170,453.05	1,242,385.31
Weyburn	4,000	3,050	5,652,138	115,423.15	846.195.45

CONCLUSION

A survey of the provincial and municipal revenue systems of Western Canada leads inevitably to the following conclusions: (1) That there is urgent need for a reconsideration of the principles governing the relations between the tax systems of the province and the municipality. Under the present system the municipalities have to face a steady increase in the number and expensiveness of the functions for the performance of which they are responsible, functions often of general rather than strictly local benefit, while at the same time the provinces are encroaching in an ominous manner on the field of taxation formerly reserved by tacit consent for the exclusive use of the municipalities. (2) That a comprehensive scheme is required for broadening the basis of municipal taxation so as to distribute the burden more widely over the different classes of the community, with due regard to the generally accepted principles of ability to pay and benefit received.

Under the present system, the burden of local taxation in the urban municipalities is concentrated to a dangerous degree on the owners of real estate, and in particular falls with crushing weight on the owners of vacant land.

Unimproved land in the urban municipalities of Western Canada has been for years, in most cases, a burdensome liability, or an asset disappearing under a process of gradual but generally rapid confiscation in the guise of taxation. The system prevailing on this continent whereby real property is assessed for taxation on its capital value, instead of—as in Great Britain—on the annual yield or rent, appears to have the approval of the majority of American economists. But in that approval the present writer centainly cannot concur. It is no doubt true that, in general, taxation of property is merely a form of assessment, the payment being actually met out of income. But the tax is not always proportional to income; and in the case of undeveloped or imperfectly developed urban building sites it is clear that a tax on capital value is a tax on something out of all proportion to the annual value.

It is of course claimed that this is one of the chief merits of the system, that it strikes that unearned-increment-eating parasite, the speculator who is holding the land out of use and thriving by the industry of others. But even if speculation in land were the unmixed evil it is popularly supposed to be, it cannot be prevented by an annual tax on land value that falls short of confiscation; for the purchaser, once the tax is imposed ,will secure the land for a price less than it otherwise would be by the amount of the capitalized value of the tax and of any expected rise therein, and has thus a good speculative investment. Nor is an annual tax on capital

value a reliable and effective way of securing for the municipality a share in the unearned increment if any; for the present holder, in the price he paid for the land, has in most cases been compelled by competition to include the discounted value of any expected rise in value. And that such expectations tend to be overvalued by every man who, in Adam Smith's phrase, "is in tolerable health and spirits" is a truth that has surely found only too abundant illustration in Western Canada. Thus the increment in value, if and when it comes, is not to the present owner unearned. Whether the unearned increment in land values should be taxed while other unearned increments are exempt is matter for deliberation. If so, it can be more effectively done when the land changes hands, under a system in which the ordinary taxation of land is based on the annual income therefrom. Income is a fairer measure than property of the ability or faculty of the taxpayer. It should be observed, however, that it by no means follows that income from real property should be taxed, for local purposes, only at the same rate as other species of revenue; for the owners of real property are in a special degree the beneficiaries of local expenditure, and in local taxation the principle of **benefit received** cannot be ignored.

The substitution of annual rental value for capital value, as the basis of assessment for the real property tax, is no doubt impracticable while the urban municipalities of Western Canada are burdened to the extent they at present are with debenture debt, borrowed on the security of tax revenues largely derived from unimproved property. But it is none the less an essential step towards a really sound system of municipal taxation—an ideal to be aimed at, the attainment of which may be not so distant as it at present seems.

The system of taxing real property on its capital value, is, at its best, too apt to result in unintentional inequities, especially in the taxation of unimproved land; and at it worst, in the hands of ignorant or unscrupulous faddists, it is too easily made the instrument of a policy which subordinates the elementary principles of equity and sound finance to the pursuit of some popularly desired social end, and which, in times of financial need especially, is fraught with the gravest injustice to a defenceless minority.

But no community, whether the nation, the province or the municipality, can sanction a system of taxation which violates the rules of elementary honesty and fair dealing, without in the long run paying a heavy price for its transgression. Gross inequity inevitably lessens or destroys the productiveness of a tax. Witness the "tax delinquency" of Western Canada and the accumulation of arrears of taxes. The same considerations that make it in the interest of a municipality to keep faith with its debenture holders make it also, in the long run if not so immediately, in its interest to observe as far as possible the principle of equity in the treatment of its taxpayers. Here again good morality is ultimately good economy.