

## A 1 per cent Hamilton sales tax? How would that work?

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Mayor Bob Bratina's suggestion this week that a new city sales tax could help fund transit improvements caught some people by surprise, but the idea is gaining traction in Hamilton and beyond.



Politicians are publicly musing about new ways to fund public transportation

On Tuesday, the mayor told those attending his State of the City address that a one-per-cent retail tax could garner \$100 million annually. That same day, a report commissioned by the **Residential and Civil Construction Alliance of Ontario** encouraged the province to consider regional taxes, road tolls and income taxes to fund transit and road maintenance.

The province's Premier-designate, Kathleen Wynne, quickly confirmed Ontario would be looking to some of those ideas to fund transit in Hamilton and the GTA.

The Mayor's Chief of Staff, Peggy Chapman, says Bratina wasn't throwing his support behind the retail tax idea when he brought it up, just trying to start a conversation about ways Hamilton can fund projects that might not be priorities for Metrolinx, the regional transit agency. With a \$1-billion light-rail line on the agency's list of potential projects, it's a discussion that's increasingly important, she said.

Two Metrolinx public meetings are scheduled for Hamilton in February. Chapman said Wednesday that the mayor wants public input on where the City's transit money should come from and how it should be spent. She reinforced comments he made Tuesday that he is willing to host a referendum on the issue.

If a retail tax were an option the public supported, it wouldn't be hard to implement, says Harry Kitchen, the author of the funding study released Tuesday, called "Financing Roads and Public Transit in the Greater Toronto and Hamilton Area."

Kitchen, a Trent University economics professor, says the feds are already accustomed to collecting taxes on behalf of provinces and remitting it at regular intervals, which makes more fiscal and logistical sense than trying to do it locally.

"The sales tax wouldn't be complicated," he said. "You'd just track the city's share based on the postal code of the vendor. Electronically, it should be a dead simple thing to do . . . It's a simple little piggy-backing."

Politically it might be more difficult. Kitchen says the province has traditionally been reluctant to give taxation powers to cities beyond property taxes, but says that as municipal purses find themselves increasingly empty, there are more reasons than ever to consider the idea.

"When these things start to fall apart, that's when people get interested in finding other revenue sources," he said, pointing to Toronto's recent discussion around road tolls in the wake of its crumbling Gardiner Expressway. "In the late 1990s, people thought a regional sales tax was totally unrealistic . . . This has started to change in the last five years."

Kitchen says he supports revenue generation tools that help people pay for the roads and infrastructure they use. The way cities are funded now, those paying property tax fund local services, while those commuting into a city from somewhere else get those services free of charge.

When asked if a sales tax in Hamilton could put stores in jeopardy of losing business to neighbouring municipalities, he said the price increase is so slight it isn't a strong enough motivator to change habits.

"It tends to happen much more noticeably as soon as the tax is imposed, but over time people realize that to save a cent it isn't worth the drive," he said. "People who will notice the effect are the people right on the border. If you live close to Burlington you might have incentive to buy your newspaper in Burlington. If you live in Dundas, you're not going to go to Burlington to save one cent of the sales tax."

In addition to his recent report, Kitchen has also been asked to write about the sales tax issue for the Large Urban Mayors' Caucus of Ontario, of which Bratina is a member. That document is due out in draft form in late February.

Stoney Creek accountant Bennie Esposto was at the mayor's speech Tuesday and says he's interested to see more details on how a local sales tax might work.

"It was the first time I'd heard about it and I think it came as a surprise for a few of us there, but I think people would be interested," he said Wednesday.

He said he thought that if people understood how a relatively small extra tax could help the city in such a major way, there probably wouldn't be much opposition.

Kitchen believes those who would decry such a slight tax increase may be less aware of what is needed to keep a city going.

"Public attitudes toward paying for services do seem to be changing," he said. "If you want civil society, you have to pay taxes."