The Calgary Sun

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Were you happy working for the government until June 10?

Charles Lammam and Milagros Palacios

Vancouver, BC (Troy Media). No one really thinks there shouldn't be any taxes. After all, how would governments fund important public services that form the foundation of our economy? Think of services such as protecting property, building infrastructure, upholding the legal system, to name a few.

The real debate is about the amount of taxes governments extract from us given the services we get in return. Are we paying too much, too little, or just the right amount? In other words, are we getting good value for our tax dollars?

That's up to you to decide.

WORKING FOR THE GOVERNMENT FOR NEARLY HALF A YEAR

But to make an informed assessment, you must have a complete understanding of all the taxes you pay. Unfortunately, it's not so clear because the different levels of government levy a wide range of taxes—some visible, many hidden. This includes everything from income taxes, payroll taxes, health taxes, sales taxes, property taxes, fuel taxes, vehicle taxes, profit taxes, import taxes, to "sin" taxes on liquor and tobacco, and much more.

The Fraser Institute's annual Tax Freedom Day calculation is a handy measure of the total tax burden imposed on Canadian families by the federal, provincial, and local governments. If you had to pay all your taxes in advance, you'd give government each and every dollar you earned before Tax Freedom Day.

In 2015, we estimate the average Canadian family (with two or more people) will pay $44,980 in total taxes. That works out to 43.7 per cent of annual income, which, on the calendar, represents more than five months of income—from January 1 to June 9. It's not until June 10—Tax Freedom Day—when families finally start working for themselves, not the government.

Is working almost half the year to pay for government reasonable given the current mix of government programs and services? This is a question we don't purport to answer here.

But it makes you think. Are governments doing too much? Can they do what they do now—but more efficiently and with fewer tax dollars? Would the income that goes to taxes be better used by you and your family for spending, saving, or paying down household debt?

With 43.7 per cent of our income going to taxes, it still isn't enough to pay for what our governments do.

This year, the federal government and seven provincial governments (including Ontario) are planning deficits totalling $18.2 billion. When governments spend beyond their means, they borrow, incurring deficits, which are essentially deferred taxes.

YOU DECIDE

According to our calculations, Tax Freedom Day would come four days later this year, on June 14, if Canadian governments covered their current spending with even greater tax increases instead of borrowing to cover the shortfall. If that happened, the percentage of income going to taxes would jump to 44.9 per cent.

In the end, it's up to you and your family to decide whether you're getting good bang for your tax buck. But we all need a complete understanding of the total tax bill to make an informed assessment. And therein lies the value of our Tax Freedom Day calculation.

So, are you happy with working until June 10 to pay for government?

Charles Lammam and Milagros Palacios are co-authors of the Fraser Institute study Canadians Celebrate Tax Freedom Day on June 10, 2015 available at www.fraserinstitute.org. Watch this year's Tax Freedom Day video at the Fraser Institute's YouTube channel www.youtube.com/FraserInstitute.

HANDOUT

The Toronto Star

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"Tax freedom day?" Not really

Neil Brooks and Linda McQuaig

Tax Freedom Day has come and gone. Feel any richer yet? Almost every cause has designated a day of the year to draw attention to its message, from World Leprosy Day to Chronic Fatigue and Immune Dysfunction Day. Few, however, have enjoyed the success of Tax Freedom Day, an event that routinely prompts loud laments about the heavy tax burden weighing on Canadians.

This is a remarkable achievement on the part of the Fraser Institute, the right-wing think tank that promotes Tax Freedom Day (according to Fraser, it was yesterday) and has succeeded in presenting it as simply a day of public education about taxes. Nothing could be farther from the truth.

If anything, it's a day of public misinformation, in which the tax burden is grossly exaggerated and the nature of taxes hopelessly distorted.

The institute bills "Tax Freedom Day" as the day when the average Canadian family has earned enough to pay off its tax bill for the year. Only then, it says, will Canadians stop "working for the government."

So does this mean that, for the rest of the year, Canadians will be working for Loblaws, Canadian Tire, Shoppers Drug Mart and other places we'll spend our money? Of course, when we shop at these enterprises, we don't think of ourselves as employees, but as consumers buying things we need and want.

But our taxes also pay for things we need and want—health care, education, pensions, highways, police and fire services, libraries—that we've decided through our democratic system to pay for collectively. If we paid individually for these benefits on the open market, they'd cost us a lot more. In what sense is paying for public services that benefit us all a denial of freedom?

In calculating when Tax Freedom Day occurs, the institute further distorts the picture. It bases its calculations on a family's "cash income," rather than the more meaningful measure of a family's "total income." This shrinks the size of the family's income and makes the tax burden therefore seem heavier.

So, for instance, the institute determined last year that Tax Freedom Day fell on June 28, leaving Canadians with the impression they spent almost half the year "working for the government." But if the institute had used the more meaningful measure of "total income," Tax Freedom Day would have fallen near the end of April—about two months earlier.

For most Canadians, Tax Freedom Day arrives even earlier. That's because most Canadians have less income and pay less tax than the "average" family cited by the institute. The average includes well-to-do families, who are few in number but who, in some cases, have really big incomes and therefore pay more tax.

The institute's own numbers show that, for low-income earners, Tax Freedom Day would arrive in late February; for the huge group of those who straddle the middle range of incomes, Tax Freedom Day would arrive by mid-April.

The institute also calculates that our taxes have risen by a staggering 1,550 per cent since 1961. Sounds dramatic. But the number is essentially meaningless; it fails to take into account inflation and the real increase in Canadian incomes. Once these factors are accounted for, a different picture emerges: the effective tax rate in Canada has risen by about 40 per cent—not 1,550 per cent—in the last few decades.

Of course, over those decades, some major government programs have been established, including universal health insurance and the Canada Pension Plan. Failing to mention the extra government benefits we now receive is like complaining the family's Loblaw's bill is 40 per cent higher, without acknowledging the family now gets a lot more groceries on each shopping trip.

Unions have attempted to draw attention to how little tax corporations pay, noting that Corporate Tax Freedom Day would fall in late January. The concept has been attacked as an attempt by unions to advance an ideological agenda.

Oddly, however, the media seem blind to the blatantly ideological agenda of the Fraser Institute. And so it is that the institute's Tax Freedom Day is given extensive media coverage each year, while Corporate Tax Freedom Day gets about as much attention as Chronic Fatigue and Immune Dysfunction Day.

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