

Examining the Mix:

Options for Changing the NWT Tax System



Report on 2009 Revenue Options Consultations

November 2009



NORTHWEST TERRITORIES

Examining the Mix: Options for Changing the NWT Tax System

Report on 2009 Revenue Options Consultations

Issued by the Honourable J. Michael Miltenberger
Minister of Finance

November 2009



Kīspin ki nitawihtīn ā nīhīyawihk ōma ācimōwin, tipwēsīnēn.

Cree

ʔerihɬ'ís dēne súliné yati t'a huts'elkēr xa beyéyati theʔa ʔat'e, nuwe ts'ën yólti.

Chipewyan

If you would like this information in another official language, call us.

English

Si vous voulez ces renseignements en français, contactez-nous.

Français

Jii gwandak izhii ginjik vat'atr'ijahch'uu zhìt yinohthan jì', diits'àt ginohknii.

Gwich'in

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.

Inuinnaqtun

Съдът намира, че извършеното престъпление е от особено тежко качество, поради което е наложително да се приложи максималната санкция, предвидена в чл. 38, т. 1, ЗЗД.

Inuktitut

UVANITTUAQ ILITCHURISUKUPKU INUVIALUKTUN, QUQUAQLUTA.

Inuvialuktun

K'éhshó got'ine xədá k'é hederi ʔedıhtl'é yeriniwə nídé dúle.

North Slavey

Edi gondı dehgéh got'ie zhatié k'ée edat'éh enahddhe nide.

South Slavery

Tłicho yati k'èè dè wegodiì wek'èhoizò neewò dè, gots'ò goahde.

Tłicho

TABLE OF CONTENTS

INTRODUCTION.....	1
2009 ROUNDTABLE.....	2
THE PROCESS	2
RESULTS	3
DAY 1: ECONOMIC AND FISCAL CHALLENGES.....	3
Setting the Context – Minister’s Opening Remarks	3
Discussion: Key fiscal, economic, social and environmental issues	4
Discussion: What key fiscal, economic, social, and environmental issues should guide the discussions?	4
Discussion: Which issues should receive the highest priority from the GNWT?	7
Discussion: What fiscal strategies should the GNWT pursue?	8
DAY 2: EXAMINING THE TAX MIX	9
Discussion: What changes to the current tax system can be made?	9
Final Group Presentation to the Minister	10
Minister’s Final Comments	11
WRITTEN SUBMISSIONS	11
NEXT STEPS.....	15
APPENDIX	16

1. INTRODUCTION

This paper reports on the results of the 2009 Roundtable on Economic and Fiscal Strategies and Potential Improvements to the NWT Tax System.

In Budget 2008 the Government of the NWT (GNWT) committed to taking a number of measures necessary to restore fiscal sustainability, including the generation of new revenues. In September 2008 the Department of Finance released a discussion document, *Revenue Options*, which focused on raising new revenues and presented the options available to the GNWT to fund new and existing programs, services and infrastructure. Comments from the public were sought and a two day roundtable discussion was organized with invited representatives from a wide spectrum of NWT business, labour and social organizations. Feedback from that consultation was incorporated into new revenue initiatives announced by the Minister of Finance in the February 2009 Budget. The work done in 2008 demonstrated the need to take a closer look at how revenues are raised in the NWT, to see if there are changes that might further our economic, social and environmental objectives, without necessarily increasing the total amount of taxes the GNWT collects.

The success of last year's roundtable in generating productive discussion around the GNWT's fiscal choices led to a commitment to hold another roundtable discussion in 2009 to seek the perspectives of stakeholders on the GNWT's fiscal challenges and revenue-raising strategies, on the appropriate mix of taxes and other revenue-raising options to help ensure that the NWT tax system is competitive, is able to fund essential programs and services, and works to achieve the goals set out by the members of the 16th Legislative Assembly.

On October 7 and 8, 2009 representatives from business, community government, and social groups, met in Yellowknife for a second roundtable. This year's discussion focused on:

"What changes might be made to the current mix of the NWT tax system to help the GNWT better achieve the NWT's economic, social and environmental goals and what fiscal strategies will best position the NWT to weather the current economic downturn and allow the GNWT to maintain a sound fiscal position".

To help guide the discussion, the Department of Finance released a discussion paper *"Examining the Mix: Options for Changing the NWT Tax System"*.

Goals for restructuring the NWT tax system without necessarily raising new revenues:

- **Fairness:** *The NWT tax system must recognize taxpayers' ability to pay.*
- **A Strong Economy:** *The NWT tax system must be competitive with other Canadian jurisdictions in order to encourage business investment and job creation.*
- **Population Growth:** *The NWT's strategy for encouraging new residents and retaining those already here includes continuing work to reduce the cost of living, implementing programs that diversify the economy and encourage NWT residents to enhance their job skills, implementing an immigrant nominee program and a national marketing campaign to promote the NWT and reaching agreement with the NWT's diamond mines to bring more non-residents to the territory. Tax policies that support this strategy encourage economic growth with better-paying, high-skilled jobs, support families and encourage the acquisition of new skills.*
- **"Green" Choices:** *The NWT tax system should encourage individuals and businesses to adopt more environmentally friendly choices in their daily activities.*
- **Fiscal Responsibility:** *The majority of the GNWT's revenues come from the federal government through the Territorial Formula Financing Grant, but own-source revenues are an important percentage of the GNWT's total revenues. The GNWT must work to balance the need for tax revenues required for government programs and services against the overall tax burden on its residents and businesses.*
- **Social and Economic Benefits:** *the NWT tax system should provide incentives for NWT residents to better themselves through education, job training and income growth.*

2. 2009 ROUNDTABLE

A. THE PROCESS

The two-day meeting was organized around two themes:

Day 1: Economic and Fiscal Challenges

1. A review of the current fiscal and economic conditions

Discussion:

- ✓ What were the fiscal, social, economic, and environmental issues facing the NWT? What issues could be addressed?
- ✓ What issues would receive highest priorities for attention?

2. Selecting fiscal strategies

Discussion:

- ✓ What additional and alternative fiscal strategies should be considered?
- ✓ Which strategies would have the greatest impact on the key economic issues?

Day 2: Examining the Tax Mix

3. A review of the current tax structure, tax mix, and broad options for restructuring.

Discussion:

- ✓ Risks and rewards of the current tax system

- ✓ Was the current tax mix the right one? If not, what changes would be needed?
- ✓ Potential changes to the current tax system to address key social, economic, and environmental issues.

4. Planning tax changes

Discussion:

- ✓ What changes would be necessary in the short and long terms?

In order to balance group viewpoints and facilitate productive discussion, the roundtable was divided into three groups, with each group consisting of participants with diverse backgrounds. At the end of each group discussion, each group selected one member to report on the group's discussion to the full roundtable.

At the end of Day Two, each group consolidated their results from the various discussions and made a short presentation of their recommendations to the Minister of Finance.

B. RESULTS

DAY 1: ECONOMIC AND FISCAL CHALLENGES

Setting the Context – Minister's Opening Remarks

The Minister of Finance, the Honourable J. Michael Miltenberger, opened the roundtable with a short welcome. He spoke about the world's economic situation over the past year and its impact on the Northwest Territories and on government spending. He highlighted the recent fiscal changes such as the deferred plan to raise \$30 million in new revenues for 2010-11, work on infrastructure and stimulus efforts, \$60 million allocated over the next four years to examine alternative energy, and some of the work done in response to discussions at the 2008 Revenue Options Roundtable including a discussion paper on a possible Heritage Fund.

The Minister also spoke briefly about the expected reduction in GNWT revenues in 2009-10, driven by the decline in the economy. He also noted the gradual decline to the NWT population and its impact on future federal transfer payments. Finally, he noted that the GNWT would have a small operating surplus in this fiscal year that would help fund the capital spending.

The Minister stressed that, while there were signs of improvements, economic recovery would not be expected to come swiftly, and that the Government would need an action plan to manage the economic uncertainty over the next three to four years. He welcomed the discussion participants about to take part over the next two days, and the specific focus in Day Two on the possibility of shuffling taxes and changing the current tax mix without increasing total taxes.

Discussion: Key fiscal, economic, social and environmental issues

The full group began its discussion by talking about the current economic condition in the NWT and addressing the question “How do we know when things are going well?” They talked about key fiscal, economic, social and environmental issues facing the NWT.

The implications of the declining population were raised with stakeholders, with its impact on federal transfer payments noted. The validity of the NWT population number from Statistics Canada’s census was questioned and participants wondered what analysis had been done to investigate the reasons for out-migration.

The gap between low and high income earners was mentioned as an issue for labour. There was some discussion about statistics showing a discrepancy in the overall increase in income and the reduction in children living in low income families. However, low income is a relative measure and more data are required to determine trends in poverty as an absolute measure.

Concerns with public housing were raised, including the level of rent and the perceived disincentive to work resulting from the current rent structure.

Others pointed to the sharp decline in non-renewable resource development expenditures as a reminder that the NWT would need to look at economic diversification in areas such as bio-mass, fisheries, science and technology.

Participants were positive about the stimulus effect of recent GNWT and federal investment in capital infrastructure on the NWT economy. However, some also noted that operations and maintenance costs for these newly constructed facilities will be a challenge for local governments to cover.

This led participants to ask if the GNWT had conducted a comprehensive economic, social, and environmental modeling in the territory. The purpose of such modelling would be to connect the economy to social indicators. As participants noted, if economic development decreased indicators used as a proxy measure for quality of life, then such economic development should be discouraged. GNWT Finance officials noted that the GNWT has an NWT macroeconomic model and there was analysis done on a situation-specific basis; however, such modelling was difficult to do, given the territorial size.

Discussion: What key fiscal, economic, social, and environmental issues should guide the discussions?

The results of the full group’s discussion were wide-ranging. Many of the answers dealt with cost of living, making the NWT an attractive place to live and invest in, diversification in industry and training, quality of education, affordable housing, quality child care/early development, and a value for money audit on the government.

The results of the full group’s discussion were summarized into four areas: Values, Economic Issues, Fiscal Issues, and Social Issues:

Values

It was clear that the participants all wanted to take a long-term and value-based approach to any actions or plans. They talked about managing the scale and pace of development to ensure benefits for future generation and also to ensure that the side effects of development on communities and the land could be addressed and supported so that development would have positive impacts in the short and long term. There was also a consensus that climate change and environmental issues would require action now to protect the children's future.

VALUES

- Long-term and value-based actions
- Effective management of the scale and pace of developments
- Sustainability of economic activities and environment

Economic Issues

Diversification was identified as critical to a strong economy. The current economy was viewed as being overly dependent on government and non-renewable resource sectors. It was suggested that while efforts could be made to keep those sectors healthy, there was an interest in looking at diversity as well.

Repeating a theme from the 2008 Roundtable, the high cost of living in the North was identified as a major economic concern, affecting individuals and businesses, and decisions of people considering a move to the NWT to live and work. Energy and the associated costs were a priority concern around the table. Participants were looking for interventions that could assist with the cost of living.

Income disparity was also described as an economic issue with a large number of residents earning less than \$30,000 a year. Disparity in employment among communities was also raised.

ECONOMIC ISSUES

- Diversification
- Disparity in income and employment
- Cost of living
- Independent value for money audit of government operations
- Collaborative efforts between territorial and municipal governments to reduce duplication
- Maximizing benefits for residents from resource development

Participants spoke strongly of the need for an outside, independent value for money audit of government operations, not as a reduction measure but to ensure funds were being effectively spent to support government priorities. While participants appreciated that the Government was attempting to do some of this work through an internal Program Review Office within the Department of the Executive, they felt this work, if done outside the Government, would add credibility. Participants also recommended more collaborative efforts between territorial and municipal governments to reduce duplication. The need for on-going cost control was also highlighted.

There was an interest in being more open to opportunities and learning from what other countries are doing, particularly those who share our cold weather climate. Participants all agreed that the Government must lead in ensuring that the benefits from development are maximized for NWT residents.

Fiscal Issues

Under fiscal conditions and issues, there was agreement on the need for two types of funds to support long-term planning and the future. A Heritage Fund received strong support as a means to invest for the future. A stabilization fund was also highlighted, to help deal with periods of uncertainty with respect to the economy and revenue streams.

There was general discussion of the need to review the tax mix and structure, focusing on strategic/smart taxation. Participants were open to using the tax system to redistribute wealth and income. Concerns were raised about tax leakage from individuals who work in the NWT but live and pay taxes elsewhere. Finally, the group wanted to ensure that whatever recommendations were considered, there would be careful analysis to ensure that tax changes resulted in a net fiscal benefit to the GNWT, in light of the federal financing agreement and potential claw backs of new revenue.

FISCAL ISSUES

- A Heritage Fund
- A stabilization fund
- A review of the tax system as one way of redistributing income
- Stopping the tax leakage
- Analysis of impact by new tax initiatives on Territory Funding Formula

Social Concerns

Many participants raised the issue of education. While there was recognition of the Government's investment in this area, there were questions about whether those investments were the right ones and their intended results. The skill capacity of the current labour force continued to be a challenge for those seeking workers. Concerns were raised about the quality of basic education from kindergarten to grade 12, with specific comments on how it varied among communities, creating problems in training and employment.

SOCIAL CONCERNS

- Quality of education
- Child care
- Housing
- Family violence
- Substance abuse

Childcare was cited as an important factor in the economy. It was suggested that without quality, affordable childcare, it would be difficult for many individuals to join the work force, or to return to school.

Housing availability and affordability were also raised repeatedly. The housing cost was raised as a potential deterrent to attracting migrants to the NWT. Similarly, concerns were expressed that the current income-tested public housing regime could negatively impact people's willingness and interest in seeking employment.

It was also noted that there were many other social areas that could impact people's ability to be a productive part of society. Specific examples cited included the high rates of family violence, substance abuse and cultural issues. The social aspects of development were highlighted as an area that would have a direct impact on the economic conditions, and as a result specific actions would be needed to address these issues.

Discussion: Which issues should receive the highest priority from the GNWT?

Although each group took a slightly different approach to the question, there was strong consistency amongst the three groups' answers.

There was a recognition that while there were global forces outside the GNWT's control, the GNWT could help to manage the impact of these forces on NWT communities through the use of current resources.

Education was viewed as vital to the future of northerners. There was general consensus that improvements were needed for access to quality of education and training. Concern was expressed about the poor outcomes of education in smaller communities. Bringing daycares into schools was proposed as a way to improve attendance and future education achievement. The GNWT policy on community grade extensions was discussed and it was suggested that a more centralized approach, such as that occurring in some regions of the NWT be closely examined as an alternative program delivery.

There was a suggestion for more program reviews in education-related areas with particular attention to identifying activities that were successful, such as identifying what initiatives improved attendance. In working through options, some felt that, from a community perspective, Government was sometimes part of the problem, not a solution.

The issue of population and in-migration was also seen as a priority with Government having a role to play in attracting new migrants. Suggestions for the Government's role included initiatives such as reducing the cost of living, improving social conditions by providing accessible quality early childhood education, lifelong education and adequate and affordable housing, providing additional supports for seniors living in their own homes, tax incentives, addressing obstacles to employment and increasing the availability of affordable housing.

Diversification of the economy was mentioned by all three groups with emphasis on apprenticeship projects, start-up funds for industries such as fisheries, supporting the use of alternate energy sources supporting cold weather industries such as cold weather equipment testing, and reducing transportation costs.

In addition to economic diversification, there was an emphasis on the need to establish plans and approaches to ensure that Northerners get the full range of benefits from resource development.

The need for more GNWT program review was also highlighted, not just focusing on cutting back, or doing it better, but also in determining the characteristics that would lead to success in a particular area. A suggestion was made for an independent review by an outside agency.

The importance of the development of a long-term view based on the values of Northerners was also stressed. This would include a look at a redistribution of income that would encourage equity including between genders and among regions. A number

of representatives referred to the value Northerners place on respecting the rights to future generations and the responsibility to pursue options such as a Heritage Fund and a vision that would include a strategic smart taxation approach that would allow a shift to preserve and enhance quality of life and protect low income Northerners.

Discussion: What fiscal strategies should the GNWT pursue?

The participants had a general discussion, followed by small group consideration, of what fiscal strategies the GNWT should pursue. During the general discussion, several points were raised within the fiscal context.

When talking about the need for economic stimulus, it was noted that stimulus did not mean “spending sinkhole” but, instead, spending in areas that could become self-sustaining. There was general support for the concept that the GNWT should not be afraid to be bold with tax changes to impact the barriers and economic issues that were being discussed at the Roundtable, as long as those changes were moving the territory toward the long-term vision and addressing high priority areas.

Fiscal Strategy as a Tree

One group suggested a fiscal approach that was like a tree. In the NWT, renewable resources were the trunk of the tree, creating a base for other work. The tree’s branches were public spending, strategic investment and a Heritage fund, all ways that the funds from renewable resources could be used. The funds to water the tree were a resource tax when times were good and planned borrowing when they were less positive.

It was suggested that social housing, social assistance and childcare be revamped so that each program would pay for itself as had been done in some other countries. The need for a change to public housing rental rates was also noted. Housing, early childhood education and daycare were again raised as barriers to economic involvement by Northerners and economic growth.

Several participants suggested that the NWT had “settled” with Canada for little benefit from resource extraction when compared to other countries. They maintained that while the resource sector was currently affected by the global recession, and that it would not be the right time to introduce a new resource income tax, the GNWT would need to be ready to address this overdue matter as economic conditions started to improve.

Participants were supportive of limited GNWT borrowing, if necessary, to address essential spending during a period of economic downturn; however, these statements were made with the expressed caveat of ensuring that any borrowing be within limits which would permit the GNWT to repay what was borrowed. There was also the feeling that it would be appropriate to raise the debt wall issues again with the federal government.

The distribution of responsibility between communities and the territorial government was also raised. The GNWT was asked to think about “where do some programs best belong” and “how different levels of government can work more closely together” as part of an overall fiscal strategy. This view included seeing the development of Aboriginal self-governments as an opportunity to work together.

There was an active discussion of the issue of the impact of increased tax burden on individuals and businesses. A number of the participants questioned the assumption that increasing the tax burden on individuals would cause people to leave the North.

The need for openness was again highlighted. It was stressed that the GNWT had to demonstrate that the tax dollar was well spent. Participants felt critical of the internal review process.

DAY 2: EXAMINING THE TAX MIX

The second day began with a presentation from the Department of Finance on the current GNWT tax structure and revenues. The presentation resulted in good dialogue and clarification around tax information and assumptions. The Department of Finance provided additional information about the federal transfer payments and the effects of territorial tax changes or new taxes on those payments.

There was substantial discussion around a resource tax, the combined impact on corporate tax and the potential new revenues. There was general consensus that the timing for implementation of a resource income tax was poor, but many felt this option needed to be explored as a way of “investing in the future”. There was a suggestion that it could be an interim measure until the resource royalty matter with the federal government was finally resolved.

There was concern raised about major changes to corporate taxes. Some felt that a stable tax environment was important to encourage exploration and corporate investment.

Discussion: What changes to the current tax system could be made?

All three groups appeared ready to support airport departure taxes (with one group proposing for Yellowknife only), hotel taxes (with one group wanting funds directed to support for tourism) and regular increases in “sin” taxes (with support for revenues directed at addictions programs) and introduction of a resource income tax (although not unanimous support from within each group).

Income tax reductions for low and middle income earners were supported in two groups and were not mentioned by the one group.

Discussion of a resource income tax generated a number of comments, including that it was time to stop waiting for devolution and that the new tax could become part of future discussions with the federal government.

Two groups supported creating a progressive payroll tax while the other group was against increasing the payroll tax. This group suggested that it would be more productive for the GNWT to lobby mining companies to keep employees in the North, and to consider tax credits again the proposed new resource income tax to reward companies who supported this effort.

A carbon tax was supported by one group provided it was part of a comprehensive investment policy plan to reduce fossil fuel consumption, but it did not receive much support in the other groups.

Tax credits were proposed by different groups. One group proposed that the cost of living tax credit be indexed by region to address the variation in the cost of living amount communities and that it be phased out at higher tax brackets. Another proposed a tax credit for energy efficiency. One group suggested that incentives for the following be considered to achieve economic diversification goals:

- encouraging employment and small business development
- overcoming obstacles to employment through improved early childhood education and education quality
- focusing on renewable energy and reducing fossil fuel dependency
- increasing support for tourism; and
- focusing on information technology work (i.e. the possibility of creating call centres in northern communities)

A junk food tax was proposed by one group to promote strategic social policies and address issues such as diabetes, obesity among children.

Government's equity investments in non-renewable resource developments was also proposed as a contributor towards long-term growth.

In general, the Roundtable participants chose to narrow the focus of the tax discussions to specific taxes and tax changes and therefore did not address directly the broader questions about changes to the tax "mix" raised in the discussion paper.

Final Group Presentation to the Minister

Each group made a short presentation of the results of the group's two days of deliberations to the Minister of Finance. There were many items that were repeated throughout the Roundtable and that received strong support. The following were the core of the results shared with the Minister:

- Support for a long-term focus on investments in our future as a territory
- Support for a Heritage Fund and stabilization fund for the future
- Openness to shifts in the tax mix to ensure a strategic, smart tax approach
- Support for strong, proactive investment and subsidies to allow reduction of fuel use and exploration of legitimate, cost-effective alternatives (tied to cost-of-living issue)
- A need to look more creatively at opportunities for diversification of the NWT economy, including the development of economic activities in areas of cold weather technology, renewal of the fishing industry, tourism, renewable energy technology and expanding the base of commercial activity
- Continued support for sin taxes

- Concern regarding the readiness of NWT residents to be positive contributors to the economy through employment or other means including
 - education and training outcomes and early childhood education
 - housing affordability and public housing rents
 - A need to maintain programs such as Student Financial Assistance and Supplementary Health Care Benefits for seniors and others
- A need to look for ways to address the cost of living, for both current and potential residents
- An open value for money review process for the GNWT which is not carried out with internal resources to ensure that funding is appropriately allocated and programs exist to address current need

Individual participants added a few additional items to the discussion including:

- the challenge of covering maintenance costs for new capital projects at the community level;
- concerns with the declining population trend;
- concerns with the population versus public service ratio; and
- caution about the impact of increases in corporate tax rates.

Minister's Final Comments

The Minister commented on the presentations, thanked participants for attending the meeting, and promised to share the results of this roundtable with MLAs and Ministers. He noted that work was underway already on some areas of interest:

- A discussion paper on the proposed Heritage Fund soon to be released;
- The electrical rate review in progress, and an assessment of the effectiveness and efficiency of the Northwest Territories Power Corporation;
- The GNWT's multi-year investment in alternate energy to assist communities in becoming less dependent on fossil fuels;
- Substantial program reviews in the areas of leasing, health, and education soon to be released.

The Minister also committed to hosting the third and final consultation on revenue options in 2010, prior to the end of the 16th Legislative Assembly.

3. WRITTEN SUBMISSIONS

Besides the roundtable, the Minister also invited residents to send in their comments. Residents could view the discussion paper *"Examining the Mix: Options for Changing the NWT Tax System"* on the Department of Finance's website at www.fin.gov.nt.ca, and the deadline to submit comments, by letter or email, was November 2, 2009.

In response to the Minister's call for public input, the Department of Finance received a total of 18 written submissions from individuals and organizations, including 12 emails, 4 letters and 2 discussion papers.

While some of the submissions were specific in support for certain tax increases and decreases, several themes emerged in various submissions:

- The NWT is not receiving enough benefits from its non-renewable resources and needs to save some of its non-renewable resource wealth for the future.

In various ways, many submissions expressed concern over the lack of revenue generated by non-renewable resource developments for the GNWT. There was mention of a past legacy of environmental liabilities and concern that current developments rob future generations of a share of the resource. Frustration with fly-in/out workers was also clearly expressed. A number of submissions suggested that devolution was taking too long and that the GNWT needs to exercise the jurisdiction that it does have by introducing a resource income tax.

These concerns were given as reasons for supporting for a resource income tax and for at least some of the resource income tax revenues to be included in a long term Heritage Trust Fund. Hotel taxes, airport departure taxes and modifications to the payroll tax were also proposed as ways to capture more taxes from fly-in/out workers. A number of submissions proposed making the payroll tax progressive as a way to get more tax out of fly-in/out workers.

- High energy costs are a main contributor to the high cost of living and a drain on the NWT economy and a carbon tax would not necessarily increase energy costs in the longer term.

A large number of submissions supported the introduction of a carbon tax or a modification of the existing fuel tax as a way of reducing the dependency on fossil fuels. These submissions were critical of the argument that a carbon tax would just serve as a further increase to the already high cost of living. The supporters noted that increased taxes on fossil fuels would encourage conservation, support the switch to more energy efficient appliances, improve the incentives for alternative energy sources and reduce greenhouse gas emissions and ultimately reduce the cost of living for NWT residents.

- The cost of living is too high and there are significant differences in living costs between NWT communities.

A number of submissions supported revisions to the current cost of living credit to recognize the differences in the prices in different communities.

A number of submissions stressed that the introduction of a sales tax would be misguided as it would increase the cost of living.

One submission called for more equitable property tax treatment between communities, citing as an example where businesses have set up in Enterprise because their property tax burden is about 10 per cent of nearby Hay River.

- High income taxpayers can be taxed more in order to reduce the tax on low and middle income earners.

Several submissions gave support for the principle that citizens should be taxed based on their ability to pay and consequently a number of submissions called for a reduction to the lower and middle income tax brackets to be paid for by increasing the rate on high income earners. Some submissions also proposed increasing the progressivity of the payroll tax or introducing more tax credits.

- More can be done by the GNWT to improve the expenditure side of fiscal planning.

A number of submissions noted that building the NWT economy would also be a way to generate new revenues. As examples, the GNWT was asked to engage in “value-for-money” program audits, work “smarter” through better use of existing technology, continue infrastructure investments, do costs of living reviews, raise income support levels, bring cottage industry training into the schools, improve daycare, put community libraries and Youth centres in schools to make better use of the facilities.

The following table summarizes specific recommendations received:

Recommendation	No. of Respondents (Out of 18)
Tax Recommendations	
Payroll tax	
- Reducing the 2 % rate	1
- Increasing the rate to 10% and reducing Personal Income Tax to 0	1
- Make the payroll tax progressive	9
No sales tax	4
Increasing property tax in the General Taxation Area	1
Introducing resource income tax	13
No increase in corporate income tax	1
Introducing Carbon tax	9
Income tax reduction for middle to low income earners	9
Introducing hotel tax	9
Introducing airport departure tax	10
Carbon pricing	1
Introducing capital tax	1
Regular increases in taxes on alcohol and tobacco	1
Introducing junk food tax	1
Introducing commercial freight toll	1
Increasing fuel taxes	1
Review of the current fuel tax Act	4
Cost of Living Tax Credit adjusted by community	8
Tax incentive to reduce greenhouse gases	1
Business tax credit against incremental revenues for increasing economic activity	1
Other Recommendations	
More income support for low income families	6
Establishment of Heritage Fund	9
Investment in infrastructure	1
Investment in education and training	1
Independent value for money audit/review	1
Government's equity investment in resource development	1
Continued pursuit of resource revenue sharing with Canada	1
Investment in critical infrastructure i.e. hydro	1
Against Private/Public Sector Partnerships	1
Investment in early childhood care and education	1
Debts within limits acceptable in bad times	1

4. NEXT STEPS

The 2009 roundtable is the second public consultation initiated by the Minister of Finance to seek public input into the way the finances of the GNWT are handled.

The two-day meeting gave participants an opportunity to exchange ideas, explore options, and present their recommendations to the Minister. The results from the roundtable discussions and written submissions are being considered by the Department of Finance and will be used to help guide the GNWT's decisions about its tax and fiscal strategies to best meet the goals and vision of the 16th Legislative Assembly. The ideas received will guide longer term work on the fiscal structure of the NWT. Proposals for significant change to the NWT tax system will require considerable research and analysis and further consultation before any changes are brought forward and implemented.

Addressing the GNWT's fiscal challenges is an on-going process, made more challenging by the changing economic and fiscal conditions. Despite the short-term problems caused by troubles in the global economy and the resulting decreases in GNWT revenues, the GNWT continues with initiatives and investments that recognize the importance and value placed on the future by both Northerners and their territorial government.

Many of the recommendations made during this Roundtable process fit into initiatives that the GNWT is currently pursuing. The next steps for the GNWT will be to continue the programs and initiatives that are effectively and efficiency accomplishing the goals supported by the 16th Legislative Assembly and to strive for continual improvements in working towards the 16th Legislative Assembly's vision for "Strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories".

APPENDIX

Invitees to the 2009 Roundtable

Akaiicho Territory Government
Alternatives North
Canadian Association of Petroleum Producers
Canadian Federation of Independent Business
CGA Association of the NWT & NU
Dehcho First Nations
Dene Nation
Ecology North
Gwich'in Tribal Council
Institute of Chartered Accountants of NWT & NU
Inuvialuit Regional Corporation
Law Society of the NWT
Native Women's Association of the NWT
Northern Territories Federation of Labour
Northwest Territory Metis Nation
NWT & NU Chamber of Mines

NWT Association of Communities
NWT Chamber of Commerce
NWT Construction Association
NWT Council of Persons with Disabilities
NWT Fishermen's Federation
NWT Motor Transport Association
NWT Seniors' Society
NWT Teachers' Association
NWT Tourism
Sahtu Dene Council
Society of Management Accounting of NWT & NU
NWT Status of Women Council
Territorial Farmers Association
Tlicho Territory Government
Union of Northern Workers
Yellowknives Dene First Nation

Participants to the 2009 Roundtable

Alternatives North
CGA Association of the NWT & NU
Dehcho First Nations
Ecology North
Institute of Chartered Accountants of NWT & NU
Inuvialuit Regional Corporation
Native Women's Association of the NWT
Northern Territories Federation of Labour
NWT Association of Communities
NWT Chamber of Commerce
NWT Construction Association

NWT Council of Persons with Disabilities
NWT Fishermen's Federation
NWT Seniors' Society
NWT Status of Women Council
NWT Teachers' Association
Sahtu Secretariat Incorporated
Society of Management Accounting of NWT & NU
Tlicho Territory Government
Union of Northern Workers
Yellowknives Dene First Nation

List of Email Submissions

Barbara Ruiz
Craig Scott
Daniel T'seleie
Diane Purdy-MacNeill
Doug Ritchie & France Benoit
Jack Rowe

Katherine Mackenzie
Kevin Kennedy
Kevin O'Reilly
Leanne Jaeb
Matthew Smilie
Mr. Robertson

List of Written Submissions

Alternatives North
Ecology North
NWT Association of Communities
Shauna Morgan
Tasha Stephenson
Union of Northern Workers