

Alberta to switch to "flat" income tax

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Alberta is set to become the first jurisdiction in North America to scrap a progressive income tax system and adopt a "flat" or single income tax rate. As part of the provincial budget tabled February 24, Alberta's Tory government announced that a flat income tax of 11 percent will come into force January 2001, a year ahead of schedule.

A mechanism for drastically reducing the taxes of the well-to-do, the flat tax has become a rallying cry for big business and right-wing ideologues. The Reform Party, the Official Opposition in Canada's parliament and a close ally of the Alberta Tories, recently voted to make a single, national income tax rate of 17 percent the chief programmatic demand of the new political party it is establishing—the Canadian Conservative Reform Alliance. In the US, multimillionaire businessman Steve Forbes campaigned for the Republican Party presidential nomination by championing a flat tax.

The drive to abolish progressive taxation is part of the big business assault on all measures that serve to lessen social inequality and impede the "free" functioning of the capitalist market. The change to a flat tax will not just produce a financial windfall for the rich, it will exacerbate the fiscal crisis of the state, thus placing new pressure for cuts in social programs and the privatization of public services.

If this is not immediately so evident in Alberta, it is because the province's coffers have been swelled by rising oil and natural gas prices. Last year the government saw its revenue from taxes and royalties on the energy sector double, from \$2 billion to \$4 billion. Such taxes and royalties have in recent years accounted for about 20 percent of total provincial government revenue.

For many lower-income Albertans, i.e., those earning \$30,000 or less, an 11 percent tax rate would actually represent an increase over their current tax rate. Fearing a popular outcry, the Tories have coupled the

introduction of the flat tax with an increase in the amount of income that is deemed a personal exemption and hence tax free. The government claims this will remove 132,000 people from the tax rolls altogether, and ensure that no one pays more tax than under the old system.

Whatever the validity of these claims, there is no question the vast bulk of the tax savings will accrue to corporate owners, wealthy investors and the professional and managerial elite. Using taxation data from 1996, of the estimated \$850 million tax reduction that the flat tax is to produce in its first year, \$90 million or an average of \$15,000 per person will go to the 6,000 Albertans who have incomes of \$250,000 or more. Those making between \$50,000 and \$250,000 will share \$600 million, giving them an average of \$2,400 each. Alberta's other 750,000 tax payers will divide up \$160 million, for an average net gain of just \$213.

While the Alberta Tory government reconfigures the tax system to benefit the most privileged sections of society, it is pressing forward with the dismantling of public services. Much has been made in the press about the Alberta budget's \$1 billion increase in spending on health care and education. But a large part of this money will not go to improve services. Rather it will be used to pay off the deficits that hospitals, public health clinics, schools, colleges and universities have accumulated, while trying to fulfill their mandates despite massive budget cuts.

Alberta's Tory government has ravaged public services so as to try to build up popular support for privatization. No sooner had the Tories completed a program of hospital closures, than Alberta Premier Ralph Klein began arguing that the only answer to hospital overcrowding is to give the private sector more leeway to operate health care services. And last week, his government presented a draft bill that will allow for

just that.

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