

A tale of two cities

AMM Staff

How two Manitoba communities have taken matters into their own hands to try to alleviate their infrastructure deficit and raise some much-needed funds for looming capital projects.

City of Thompson

The City of Thompson knew they had a problem. Like all municipalities the City had moved funding between priorities, cut back where they could and tried to walk the fine line between keeping property taxes realistic and delivering services the community expected and needed. However the reality had set in that deferring capital projects year after year only results in higher operating costs in the future. In 2007 the City of Thompson sat down with Manitoba Intergovernmental Affairs and talked about ways to deal with this looming crisis.

One of the options discussed was the *Municipal Revenue Act* (available online at <http://web2.gov.mb.ca/laws/statutes/ccsm/m265e.php>). This Act grants the authority to municipalities to tax the sale of accommodations, meals in restaurants, alcohol and the transfer of land. As with all municipal by-laws, they would not come into effect until the Province of Manitoba approved them. The City knew there would be challenges going down this road, but they also knew something new was needed. Over the next few

months the City would find solutions to practical questions like how to keep individual business sales information private and how best to account for the revenues. The City was also prepared for public opposition, knowing their case for need was strong.

Thompson continued to move forward and proposed four new taxes:

- A Restaurant Meal Tax, set at 2% of the purchase price of a restaurant meal, with revenues to be dedicated to infrastructure
- An Accommodations Tax, set at 2% of the purchase of accommodation, with revenues to be dedicated to infrastructure
- A Liquor Tax, set at 2% of the purchase of liquor, with revenues to be dedicated to public safety
- A Land Transfer Tax, set at 0.5% of the greater of the purchase price and fair market value of a transferred property.

The 2% was chosen as this was the tax space created by the Federal Government when it cut the GST to 5 cents. At the time of the GST cut, the Federal Government was supportive of other

orders of government filling the tax space if revenue was needed.

The tax by-laws were given first reading on September 22, 2008. Opportunity was given to the public and affected industries to discuss the by-laws with council. A general public meeting was held, as was a forum for industry representatives to express their views to council. Council also saw numerous delegations over the next month. Council found that as people better understood the challenges the community faced they were more accepting of the ideas. The by-laws were then given third reading at the November 3 meeting of council and were passed. Following third reading the by-laws were sent to the Province for its approval.

In late November 2008 the Province responded to Thompson that, despite the *Municipal Revenue Act*, the Province would only be accepting of the accommodations tax, to Thompson's extreme disappointment. The Province's rationale was that in light of the hard economic times that may be coming they could not support further burdens on taxpayers.

City of Winnipeg

The City of Winnipeg has also implemented an accommodations tax, permitted under the City of Winnipeg Charter. Set at 5% and taking effect on June 1, 2008, the tax is estimated to bring in between \$3 million and \$4 million annually. The intent of the accommodation tax is to generate revenue to support Destination Winnipeg, the Winnipeg Convention Centre, and special events including other organizations, projects and events that will encourage tourism to Winnipeg.

(Since this article was written, the City of Thompson increased the Accommodations Tax to 5%. This has been approved by the Province).



Insurance adjusters & equipment appraisers

Winnipeg Office

KEN JAMES, CIP

Suite 207-675 Pembina Highway
Winnipeg, Manitoba R3M 2L6

Ph: (204) 985-1200 Cellular: (204) 981-1155

Fax: (204) 475-0221 E-mail: kenjames@jdsadj.ca

Brandon Office

Gary Pilloud, FCIP

#7A - 2010 Currie Blvd.,
Brandon, Manitoba R7A 5Y1

Ph: (204) 728-6126 Cellular: (204) 729-6115

Fax: (204) 728-6044 E-mail: jdsbdn@mts.net