

NEWS RELEASE

B.C.'s carbon tax not revenue neutral, despite government's commitment

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For immediate release

VANCOUVER—British Columbia's carbon tax is no longer revenue neutral and could actually result in almost \$900 million in higher taxes over a six-year period, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"The B.C. government has effectively raised taxes by hundreds of millions of dollars without British Columbians even knowing about it," said Charles Lammam, director of fiscal studies at the Fraser Institute and co-author of *Examining the Revenue Neutrality of British Columbia's Carbon Tax*.

Initially in 2008/09, the province's carbon tax was revenue neutral, keeping with the B.C. government's commitment. To offset the new revenue, the government introduced new cuts to personal and business tax rates and a new tax credit for low income earners.

In other words, the government cut other taxes to roughly equal the new revenues from the carbon tax so that the province did not collect any additional revenue from taxpayers.

However, just five years later, the carbon tax ceased being revenue neutral because the government no longer provided new tax cuts to sufficiently offset the additional carbon tax revenue.

Beginning in 2013/14, the government started counting as offsets a number of existing tax credits that pre-dated the introduction of the carbon tax. Indeed, some of the tax credits date back to the 1990s.

"Put simply, the B.C. government started counting pre-existing tax credits as offsets for new revenues from the carbon tax, which clearly violates the basic principle of revenue neutrality," explained Lammam.

Once the pre-existing tax reductions are excluded, B.C. taxpayers paid \$226 million in increased taxes in 2013/14 and \$151 million in increased taxes in 2014/15.

The carbon tax will result in a cumulative \$865 million tax increase on British Columbians between 2013/14 and 2018/19, according to the government's own projections.

These findings are especially important given the federal government's requirement on the provinces to adopt a carbon pricing system by 2018, and the fact that proponents often tout B.C.'s carbon tax as a model to follow, in part because of its alleged revenue neutrality.

"As B.C.'s carbon tax is eyed by policymakers across Canada as a potential model to follow, it's important for all Canadians to understand it's not revenue neutral anymore."

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