

Towards a tax-back guarantee and a taxpayers bill of rights

The Conservative government is set to enact a tax-back guarantee after the federal budget is tabled on March 19. The proposal is to lower taxes using interest savings that occur naturally when government debt is reduced. Ottawa's debt stands at \$481.5-billion and annual debt interest payments are more than \$34-billion. Should Ottawa make debt reduction a priority, the tax-back guarantee will be a boon to taxpayers.

The challenge for Finance Minister Jim Flaherty is to ensure the guarantee mechanism triggers tax relief automatically. If the government neglects to put in place workable legislation, the initiative will be labeled a political gimmick.

Budget '07 affords the finance minister an opportunity to deliver tax relief to Canadians. Thanks to Mr. Flaherty's sound decision to use last year's budget surplus of \$13.2-billion to pay down debt, Ottawa will save \$700-million a year on interest payments. The surplus in the current fiscal year is projected to be \$7.2-

billion and despite rampant public spending, many observers expect it will top \$10-billion when the books close on March 31st. If this surplus is also applied against the debt, the combined interest savings will permit Ottawa to cut taxes annually by \$1.2-billion. That's a good start.

Mr. Flaherty should go further and make deeper income tax cuts, for two reasons. First, the unexpectedly large surpluses are politically embarrassing to a government that vowed to end the practice of low-balling surplus projections. Second, a surplus is just a fancy word for over-taxation and excess tax dollars should be returned to taxpayers.

Mr. Flaherty has already pledged to reduce debt by \$3-billion annually until at least 2021. Each repayment saves Ottawa about \$170-million in annual interest costs. Yet a tax-back pledge is not a guarantee of a tax break. If the government is serious about this commitment it should make it law to ensure future debt reduction results in automatic tax

relief – as a dividend to taxpayers – in the subsequent fiscal year.

Legislation ensures interest savings are not subject to political manipulation. Interest savings must be placed in a lock box – beyond the reach of politicians – so it flows automatically to taxpayers by raising income tax thresholds, for example. The law must also state the tax refund flowing from the guarantee is permanent and will not be repealed if interest costs rise. Should borrowing rates increase, Ottawa should not solve any shortfall on the backs of families, many of whom carry mortgages and debt of their own. Ottawa will instead need to reduce its spending.

The other predicament facing Mr. Flaherty, and his cabinet colleagues, is to control year-end spending and resist spending down anticipated surpluses. Under a tax-back guarantee if debt relief is more aggressive, the corresponding tax relief could be larger. And that's the rub: the Conservatives are hardly better at managing budget surpluses than

the Liberals. Mr. Flaherty has rebuked the old Liberal government for increasing program spending by "an average of 8.2 per cent annually." Yet unless the government slows the "March madness" spending bender, program expenditures will climb by almost 8 per cent in 2006/07.

The machinations of government make controlling spending difficult. There are presently no legislative constraints on federal spending. As such, parliamentarians announce new programs, tally up the costs, and pass a budget to fund them.

One way to prevent governments from spending down the surplus before the books close at year end is to enact tax/expenditure limits (TELs). Such restrictions control spending and prevent politicians from driving the budget process off the rails. Parliament should trade off spending in priority programs with cuts in lower-priority areas. A Canadian TEL should cap each year's spending increase at the rate of inflation plus population growth and require all revenues collected above the spending cap to be returned as tax refunds. A three per cent emergency reserve would

be permitted to keep the budget balanced. Passing TELs along with a tax-back guarantee ought to be enacted as part of a Taxpayers Bill of Rights.

Canada's surpluses are certainly not a direct threat to the economy, but ongoing over-taxation by the federal government does weaken the nation's competitiveness and leave families with lower take-home pay. High taxes and high spending removes economic resources from the private sector and impedes growth and prosperity. A balanced budget does not necessarily force lawmakers to control spending because it can happen by way of higher taxes and higher spending.

Ottawa has a revenue problem and a spending problem. Mr. Flaherty can solve the first by cutting taxes on March 19, a move today's taxpayers will thank him for. He can fix the second by legislating expenditure limits. This will ensure government programs do not grow at unsustainable rates and force higher taxes to be paid by a future generation of taxpayers.

Commentary provided by the Canadian Taxpayers Federation.

LETTERS TO THE EDITOR

Gun hunting opposed

In my opinion killing animals should be for food only. Not just for sport. Do you eat coyotes or foxes? Not likely. Let what few rabbits, squirrels, foxes, coyotes, wild turkey and deer enjoy their life. By the time you buy your gun, shells, licence, equipment, you could buy meat in stores for less. Ask yourself how many rabbits, deer, foxes or wild turkey have you seen in Essex? Leave something for our great grandchildren to see, not just empty bushes and fields. Save their future.

*C. Lambier
Essex*

Call for 2007 Dragon Boat teams

What can you and 20 of your friends and co-workers do to help the cause? Form a Dragon Boat team and paddle on Lake St. Clair this July.

Mark Sun, July 15, 2007 on your calendar to help raise funds for local and regional breast cancer causes.

Last year the event raised over \$244,000 for breast cancer causes, with a four year fundraising total of over \$533,000.

For more information on forming a team, call the Dragon Boat Hotline at 519-250-0807 or check our website at www.internationaldragonboats.com

Notice of Liquor Licence Application



The following establishment has applied to the Alcohol and Gaming Commission of Ontario for a liquor licence under the *Liquor Licence Act*:

Application for a Sales Licence

CRAMDON'S 19TH @ WILDWOOD
11TH CONCESSION ROAD
TOWNSHIP OF COLCHESTER NORTH
EAST OF WALKER RD (PART LOTS 2 & 3)
MCGREGOR (Indoor and outdoor area)

Any resident of the municipality may make a written submission as to whether the issuance of the licence is in the public interest having regard to the needs and wishes of the residents. Submissions must be received no later than **April 3, 2007**. Please include your name, address and telephone number. If petition is submitted to the Commission, please identify the designated contact person. **Note:** The AGCO gives the applicant copies of any objections. Anonymous objections are not considered.

The personal information gathered is collected under the authority of the *Liquor Licence Act*. The principal purpose of the collection is to assess eligibility for the issuance of a liquor sales licence. Copies of all objections are given to the applicant. The information may also be disclosed pursuant to the *Freedom of Information and Protection of Privacy Act*. Questions about this collection should be directed to the Manager, Licensing and Registration, Alcohol and Gaming Commission of Ontario at the address, telephone numbers or e-mail address listed below.

Submissions to be sent to: **Licensing and Registration, Alcohol and Gaming Commission of Ontario, 90 Sheppard Avenue East, Suite 200, Toronto, ON M2N 0A4. Tel: 416-326-8700 OR Toll-free in Ontario: 1-800-522-2876. Fax: 416-326-5555. E-mail: licensing@agco.on.ca**



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