

# Income tax just part of our total tax bill

## commentary

By Niels Veldhuis and Milagros Palacios

As we diligently complete our tax returns, many of us will come to the shocking realization of just how much income tax we paid last year. Somehow, the amount of income tax displayed on our pay stubs does not seem nearly as bad as when it's neatly summed up on our income tax returns.

Of course, there are many of us who happily pay our income tax, thinking of the numerous government programs that our tax dollars finance: health, education, the military, etc. But the question all Canadian taxpayers must answer for themselves is whether or not we are getting our money's worth for the taxes we pay. To answer this question, you need an accurate picture of your total tax bill. For this, we must look well beyond our income tax returns.

The reality is that income taxes form only a portion of the total tax bill imposed on us by Canadian governments - federal, provincial and local. In 2006, the average Canadian family consisting of two or more people earned approximately \$79,400 in income, and paid \$12,570 in income taxes. Personal income taxes however, represent only about one-third of our total tax bill.

Two other significant taxes that we deal with on our tax returns are the Canada Pension Plan (CPP)—Quebec Pension Plan if you're a resident of la belle province—and Employment Insurance (EI). For one reason or another, we are forced to prove that we paid the correct amount of CPP and EI at income tax time. In addition, residents of British

Columbia, Alberta, Ontario, and Quebec, also pay health care taxes through either direct premiums or payroll taxes. All told, the average Canadian family paid some \$7,900 in CPP, EI, and health taxes in 2006.

There are two other relatively visible taxes that we pay, thankfully not at the same time as our income tax bill: property taxes and sales taxes. The average Canadian family paid about \$2,260 in property taxes in 2006. One of the common misnomers is that only homeowners pay property taxes. The truth of the matter is that property taxes for renters are included in their monthly rent, so in one way or another we all pay prop-

erty taxes. For homeowners, at least the cost of property taxes is transparent since we each receive an annual bill.

Sales taxes are visible whenever we make a purchase upon which the tax is implied. Calculating the amount of sales taxes paid however is difficult in that it requires people to track all of their purchases of taxable goods and services. Our estimates indicate that the average Canadian family pays about \$5,900 a year in sales taxes, representing more than 16 per cent of their total tax bill. Sales taxes are second only to income taxes as the single largest government levy.

In addition to personal income taxes, payroll taxes,

property taxes, and sales taxes, which are all visible to a certain degree, there are a host of taxes that we pay but do not see. For instance, profit taxes amounting to approximately \$2,790 in 2006 were assessed indirectly on average Canadian families. Taxes on liquor, tobacco, and amusement amounted to \$2,300 for the average Canadian family, while automobile and gas taxes totalled about \$960. Finally, average Canadian families were assessed about \$320 in import duties in 2006, another cost which is not easily discernible.

Summed up, the average Canadian family faced a tax bill of \$36,650 in 2006 against income of \$79,396. The total taxes imposed on the average Canadian family consumed 46 per cent of income. In other words, average Canadian families

hand over nearly half of their income to Canadian governments.

It is critical that Canadians understand that the taxes delineated on our income tax returns represent less than half our total tax bill. Understanding our total tax bill will enable each of us to better assess whether or not, we as taxpayers, are receiving value-for-money. Our hope is that such understanding will lead to more pressure for real and meaningful tax relief for Canadians in the future. At the very least, we should be able to hold our politicians much more accountable for the resources they extract from us.

Niels Veldhuis is the Director of the Centre for Tax Studies and Milagros Palacios is a senior economist with The Fraser Institute.

## LETTERS TO THE EDITOR

### Re: User fees cause concern

(Free Press, Apr. 18/07)

I am very offended by the user fee for living outside the municipality that council has passed for the arenas and pool. Do they realize that a lot of us that use the facilities in Essex are also supporting their grocery stores, hardware stores, insurance agencies, lawyers, banks, etc.?

I have lived in Essex County most of my life, as has the rest of my family. I come from a very, very large family in the county and there are many of us. We agree that Essex WILL lose more than kids registering for recreational sports; they will lose business too. Would they like us not to shop in Essex or do any other business there either? The businesses in Essex are suffering enough. It shows when your downtown and half of the stores are closed. If I am not welcome to participate in the recreational activities they offer, that may mean closing bank accounts, finding new places of insurance, doctors and lawyers, or when my children are of age, not sending them to Essex high school.

I purchase everything in Essex, even volunteering for those recreational activities in question, going to the dentist, eye doctor and using the clinic. If the recreational sports lose registrations, they will most likely

lose the dedicated parents that volunteer to help with these programs. In the long run the children will be the ones missing out, wondering why they can't play the sports they've always played and loved in Essex.

I strongly believe in supporting my town. I consider Essex as my town. I wish they would embrace the people that help keep it alive, and call them their people too.

I pray that council reconsiders.

Lori Diemer  
Woodslee

### Water consumer disputes levy

I received a "Dear Water Consumer" letter in my mailbox today. It contains many false and misleading statements. It also does not have any department or individual Senior Manager taking credit for it.

The letter tells me that the levy has a benefit for everyone. This is a lie in my opinion. It has a direct benefit for the 4775 residents that receive their water from the pipes to be replaced. It goes on to insinuate that we receive an indirect benefit by helping stop an imaginary exodus of people from Lakeshore. This discounts the recent news that Lakeshore had the highest increase in population growth within Essex County. This growth has taken place despite the water mains not being

replaced.

This administration has sent a letter out that is based on fear, lies and unsubstantiated claims. This is an effort to change the direction of the real problem. The problem is that administration failed to present Council with the information that was essential before making the decision to raise over a million dollars of capital to replace water mains along Hwy 22. There is an absolute contempt towards the Municipal Act that governs us.

In 1949, the Municipal Act introduced the concept of a deferred benefit where the financing of water and sewage works would be paid for by a benefiting property owner on a rising scale; a lower rate, called a deferred benefit rate, being payable until the "immediate benefit" of the works was fully realized, at which time the property owner would be expected to pay at a higher "immediate benefit rate" until the financial obligation related to the work had been fulfilled. Part 12 of the Municipal Act is titled By-laws re: Fees and Charges. This has been totally ignored by Council.

Ironically, before the administration of Mike Phipps, the town did pass these charges properly onto its ratepayers. Those living along Caille, North Talbot, Ross, Charron and Valentino Beach have paid a

levy charged against their properties for waterline replacements. These fees ranged from \$4007.80 to \$8993. These ratepayers should be fuming.

All of this indicates the

necessity of passing the proper fees by-law. It also shows that our new Council is leaderless. Mayor Bain told us he had the experience to govern. If this is an indication of his experience,

then the ratepayers in Lakeshore are facing a very lengthy and taxing four years with him at the helm.

Richard Teno  
Lakeshore



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