$58 BILLION IN TAX CUTS HIGHLIGHT 'SOMETHING FOR EVERYONE' FEDERAL BUDGET

Canadians will feel tax relief: Martin

BY PATRICK CASEY
Staff Writer

It contained a little something for everyone, but Finance Minister Paul Martin's seventh federal budget will long be remembered for $58-billion worth of tax relief over the next five years.

Martin turned speculation into reality yesterday afternoon in Ottawa, cutting personal income taxes for the first time in 12 years by targeting the middle class. And he'll pay for the initiative with the $95-billion federal surplus that could still rise by another $20 billion.

The personal and corporate tax breaks were $13 billion more than anticipated.

And the budget increased the ranks of the middle class by fine-tuning the income levels for tax purposes. A person who earns $35,000 to $70,000 annually is now considered a middle-income earner. The ceiling formerly was $59,000.

The middle-income tax rate will fall from 26 to 24 per cent this July and drop another percentage point next year.

The tax cuts, which are fully indexed to eliminate bracket creep through inflation, will mean an annual savings of $500 for a family of four with two incomes totalling $60,000.

A 5-per-cent deficit reduction surtax on middle-income Canadians with earnings up to $85,000 will also be eliminated by 2004.

For lower income earners, Martin moved the basic personal exemption rate from $7,200 to $8,200, completely removing many people from the tax system.

"This will leave more money where it belongs, in the pockets of Canadians," Martin said while delivering his seventh budget. "Canadians are entitled to keep more of the money they earn.

"After all, they worked for it."

Since 1993, Canadians have been paying the price of a $42-billion deficit, although Prime Minister Jean Chretien has been under the gun to lower individual tax rates since Martin delivered a balanced budget in 1998 and showed a $2.9-billion surplus last year.

However, the tax cuts are only guaranteed for two years, with a commitment for the remaining three years as long as Canada continues to experience a strong economy.

"Everything is based on how the economy is doing," pointed out Oak Ridges Liberal MP Bryon Wilfert. "Mr. Martin has put dollars aside in case there is a economic downturn, but remember the life of this government is only good for another two years.

"We are prepared to make sure people are getting real tax relief. We have to be prudent, but the government has demonstrated a strong commitment to children, health care and taxes. All this has been done without borrowing money.

"In 1993, we had a chance to bring in tax cuts or deal with the deficit. Others have used borrowed money, but we felt it was more important to tackle the deficit first," he added.

Other highlights of the budget include:

• A $2.5-billion one-time increase in the Canada Health and Social Transfer to the provinces, with the money used for health or post-secondary education over four years;

• A $2.6-billion national federal infrastructure program over six years. However, only $450 million arrives in the first two years, with $550 million over the final four years following the next federal election;

• A $400-billion fund for research to help stop the brain drain of high-tech employees to the United States;

• An increase in the child tax credit to $1,975 by July 1, an increase of nearly $1,000. And the child care deduction will rise from $7,000 to $10,000 per child;

• Employment Insurance benefits for maternal and paternal leave will double from six months to one year.

PAUL MARTIN: Finance minister delivered on promise of tax relief for Canadians.

$2.5 BILLION FOR HEALTH, EDUCATION

Health-care system still underfunded, MPPs say

BY JENNIFER BROWN
Staff Writer

Another $2.5 billion for health care and post-secondary education may sound good, but local MPPs say it represents a small share of what the federal government should be paying.

The one-time transfer payments to be allocated to the provinces over the next four years, will give health care a much-needed boost, especially to provinces such as Ontario where health care has been in crisis.

"We actually stopped expecting transfer payments from the federal government," said Oak Ridges MPP Frank Klees as he prepared to listen to the budget yesterday, pointing out the Canada Health Act originally suggested a 50-50 funding by the provinces and federal government.

"We're receiving $6 billion less from the federal government than we were eight years ago. We've been relying less and less on the federal government."

But Klees' federal counterpart, Bryon Wilfert, insists the Liberal government has been working hard to give more money back to the provinces, but would like to know just how the dollars are being spent.

The Oak Ridges MP suggested that despite the problems faced by hospitals in his province, Premier Mike Harris was more interested in giving tax cuts than fixing the health-care system.

"Ontario decided to bring in tax cuts before balancing its budget and before restructuring its hospitals. We decided to bring in tax cuts only after the books are balanced," Wilfert said. "What I'd like to see and the federal Minister of Health would like to see is accountability. All we do is transfer the money and what they do with it, we don't know."

"I don't begrudge the provinces any more money for health care, but the problem is there is no accountability. And of course, it won't be enough," quipped Wilfert.

Wilfert said last year's budget, which was touted as "the health-care budget", handed the provinces $11.5 billion in transfer payments, with $945 million going to Ontario's health-care system.

But York North MPP Julia Munro said the $945 million was spent in five specific areas of health care, such as nursing and emergency rooms.

And only a small portion of the health-care dollar is supported by the federal government, Munro said.

If hospitals are in critical need of funds, Wilfert says MPPs should return to Queen's Park now and not wait until their Christmas break ends April 3 to determine where the money will go.

HIGHLIGHTS OF THE FEDERAL BUDGET

These are some of the highlights from yesterday's federal budget, tabled in Ottawa at 4 p.m.

- The government has promised $58 billion in cuts in corporate and personal taxes over the next five years as part of a comprehensive financial plan.
- Families with an income of $60,000 will see their personal tax rate drop to 24 per cent from 26 per cent. They'll see a savings of $501 on their 2000 income taxes. Annual savings are projected at $1,500 to $1,600 after that.
- The line between middle and high-income earners has changed. Until this budget, anyone earning more than $59,000 annually was considered a high-income earner and taxed at 26 to 29 per cent, with additional applicable surtaxes. Now high income is considered $70,000 or more. Middle income is $35,000 to $70,000 annually. Eventually the middle income earner will be taxed at 23 per cent.
- Income tax will be indexed again to prevent bracket creep.
- The child tax credit will increase to $1,975 in July, from $1,800, and will increase again to $2,400 for the first child by 2004, $2,200 for the second child.
- The government emphasized its commitment to health care and education with a promise to transfer $2.5 billion over four years to the provinces for use in health care and education spending.

Towns identifying projects

From page 1

improvements, it will bring a halt to the good boom and the jobs that have been created. Growth does not happen in isolation and I hope (the federal government) is sympathetic to us."

Aside from major road repairs to areas such as Dufferin Street and Weston Road, DiVona said $60 million in improvements to sewer and water pipes are needed and a $35-million hydro transformer should be built near Hwy. 50 to serve new residential and business communities in Vaughan's west sector.

Markham council has identified five infrastructure projects, beginning with an $8-million Hwy. 407 overpass at Rodick Road that runs north-south between Woodbine Avenue and Warden Avenue.

Another $1.8 million is needed for road resurfacing, $500,000 for a bicycle and walking pathway from Steeles Avenue to Angus Glen, plus a $2.5-million fire station north of 14th Avenue to replace the existing facility on John Street.

"And if Ottawa is really generous, Mayor Don Cousens said $9 million in improvements are needed at the Thornhill Community Centre, including a seniors complex and a new pool.

"We are always ready to partner with anyone on these projects because that really is the way these things work," Cousens said. "Infrastructure projects are done in a short time frame, so you really have to be ready to get going and make it a priority."

With the Greater Toronto Services Board considering spending $550,000 over the next year to compile a strategy to deal with the GTA's transportation crisis, Aurora Mayor Tim Jones wants the infrastructure grants to deal with priorities identified by the board.

"Arenas and other things of that nature must take a second seat to basic infrastructure," said Jones. "That's where we have to get the public sector involved."

Although Aurora is currently well over budget on its library improvement project, Jones said councils should be responsible for local projects and the federal money should be spent on large-scale infrastructure that benefits the entire region.