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“Flat Tax” Costing Alberta over \$5 Billion **Think tank says returning to 1999 tax structure would put Alberta in a surplus position**

EDMONTON- A new fact sheet released this morning by the University of Alberta’s Parkland Institute says that the “flat tax”, introduced by Ralph Klein in 2001, is costing the province in excess of \$5 billion a year. Given the projected deficit of \$4.3 billion this year, simply returning to the progressive tax structure that existed in 1999 would be more than enough to move the province from a deficit budget to a surplus budget.

The fact sheet, entitled *Giving Away the Golden Egg*, also highlights the amount of room the province has to reform its current tax system—Alberta could collect an extra \$10 billion to \$18 billion per year in taxes and still be competitive with other Canadian provinces.

“Albertans tend to be reluctant to discuss tax reform because they have bought into the myth that we pay the lowest taxes in the country,” says Parkland research director Diana Gibson. “This is not the case when it comes to income taxes. While Alberta’s top income earners pay the lowest income tax rate in Canada, most of the rest of us are actually paying a higher rate than we would elsewhere in the country.”

Alberta’s lowest tax bracket, for example, is taxed at a higher rate than that of six other provinces. And an Alberta family earning \$75,000 per year in Alberta pays more tax than the same family in British Columbia, Saskatchewan, Ontario, Quebec, the Yukon, the NWT, and Nunavut.

The fact sheet also points out that returning to a progressive tax structure in Alberta would also serve an important economic stimulus function. Tax breaks for the rich have been shown not to generate economic activity, as that money tends to be spent on imports, savings or debt repayment. Reclaiming that money in tax revenue, however, would provide for immediate spending on things like education, health care and infrastructure—all of which create jobs and provide stimulus in our communities.

“Alberta’s over-reliance on natural gas revenues, and the government’s refusal to consider reforming our tax system to make it more just, equitable and sustainable is just aggravating the negative effects of this downturn,” says Gibson. “It’s time we did something to address that.”

The Parkland Institute is a non-partisan public policy research institute in the Faculty of Arts at the University of Alberta. This release is part of a larger project by Parkland looking at the realities of our economy, and the alternatives that exist for moving forward.

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Giving Away the Golden Egg is available on the Parkland web site: www.ualberta.ca/parkland or by calling the office at 780-492-8558.

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