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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

MUNICIPAL AFFAIRS

31 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
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DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
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GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
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MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
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SANTOS, Conrad	Burrows	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON MUNICIPAL AFFAIRS

Monday, 24 January, 1983

TIME — 2:00 p.m.

LOCATION — Souris, Manitoba

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM — 6

Members of the Committee present:

Hon. Messrs. Adam, Bucklaschuk, Kostyra and Plohman

Messrs. Anstett, Ashton, Banman, Blake, Carroll, Driedger and Gourlay

WITNESSES: Mr. Herman Arason, Private Citizen

Mr. Brian Gibson, Reeve, Rural Municipality of Roblin

Mr. Tony Riley, Private Citizen

WRITTEN BRIEF: Mr. J. R. Guthrie, Reeve, Rural Municipality of Pipestone

MATTERS UNDER DISCUSSION:

Report of the Manitoba Assessment Review Committee (MARC - Weir Report).

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MR. CHAIRMAN: Committee come to order. Ladies and Gentlemen, this is the afternoon session, a continuation of our meeting this morning. We heard several presentations this morning and will continue. There are three on the list for this afternoon. Before I proceed, for those who may not have been here this morning, I'd like to introduce the members of the committee.

On my immediate right, the Member for Emerson, Mr. Albert Driedger; beside him "Trapper John" Dave Blake from Minnedosa; Doug Gourlay from Swan River; Bob Banman from La Verendrye; Don Orchard from Pembina.

Starting on the other side of the committee table, the Minister of Consumer Affairs, John Bucklaschuk, from Gimli; beside John, Eugene Kostyra, Minister of Urban Affairs; beside Eugene, Mr. John Plohman, Minister of Government Services; Mr. Henry Carroll, Member for Brandon West; Mr. Steve Ashton, Member for Thompson; Deputy Minister of Municipal Affairs, Gerry Forrest; and beside me, the Minister of Municipal Affairs, the Honourable Pete Adam.

Ladies and Gentlemen, that's your committee. In addition, we have two members of the Legislature from this area. Mr. Brian Ransom, the Member for Turtle Mountain, is in the audience somewhere and in the front row here, Mr. Jim Downey, the Member for Arthur, in which Souris is situated, are both here in attendance as well.

With no further ado, the next individual on our list of presentations is Mr. Herman Arason, private citizen.

Mr. Arason.

MR. H. ARASON: Mr. Chairman, Gentlemen, by way of introduction, my name is Herman Arason of Glenboro, a farmer, a former councillor of the R.M. of Argyle and a concerned citizen. I have with me today, Mr. Frank Presunka, also of Glenboro. He is a recently retired schoolteacher, former editor of the Glenboro Gazette, past councillor of the village and another concerned citizen.

We would seek your indulgence and present some of our views.

MR. CHAIRMAN: A little louder, please, they are having trouble at the back hearing you.

MR. H. ARASON: Okay. Having not seen the report, I guess it's the idea when you get out of council you don't keep up with a lot of the affairs that are going on and it was just today that we received this green copy, so I'm not familiar with all the things in the report, but I would still like to - it will take me about three or four minutes to present this little brief and we hope to put some views across. I know that some of them will be a cross-reference with both assessment and taxation. If you think I'm getting carried away on it, you can let me know.

As we understand it, the review that you have completed was to gather information on property assessment with the view to making changes to make them more equitable in the relative value of one property compared to another.

Let us go back about 100 years. The first pioneers were just settling in this area of Canada. As more of them came, communities sprung up and there was soon demand for services. At the outset these demands were for roads and schools. Conditions being what they were, the only thing that they could tax was their land. As villages and towns arose, the tax base was assessed on houses and business premises. Land assessment was based on the relative productive value of one quarter compared to another. Since most people made their income from farming, this was a relatively equitable method of raising funds.

Things have changed dramatically over the past hundred years. Now only a small percent of the population live and derive their income from farming. The services supported by property assessment have proliferated. Services such as schools, health care facilities, recreational facilities, libraries, parks, social welfare are services to people and, as such, should be raised by some other means than a tax on property. One such way would be by income tax.

Today there are great inequities between the taxes paid by farmers and urban residents. In the Village of Glenboro in 1980 there were 237 dwelling units. After deduction of the homeowner grant, 24 units paid no tax; from \$25 to \$100 tax there were 43 units; \$100 to \$500 - 127 units; and from \$500 to \$1000 were 43

units. In 1980 a farm property assessed at \$26,500 and after homeowner grant deduction, taxes were \$3443.00. The property is in another municipality but in the same school district and some allowance should be made for mill rates. It is acknowledged that farm taxes are deductible from income as a tax expense. Net income from this farm for 1980 was \$21,000.00. Many of the homeowners in the village would have similar incomes. The farm tax was thus 3, 4, maybe 5 times that paid by a similar income in the village. Fifty percent or more of the taxes paid were school taxes. Figures for 1982 would reflect the same situation except that taxes would be higher.

In 1970, Mr. L. Wilkinson, Secretary-Manager of the Saskatchewan Association of Rural Municipalities, presented a paper entitled "Tax on Basic Income to Meet the Cost of Education." He also presented it at the Union of Manitoba Municipalities convention a couple of years later. The proposal put forward was that education is a service to people and funds to pay for it should be raised by a tax on people through income tax. The process is well detailed in the paper. The Provincial Government of the Day was to review it and report on it. I have not heard if this was ever done. Copies were made available to all councillors at that time.

Having seen some of the inequities that exist between rural and urban taxes, let us look for a moment at some of the inequities between one farm and another. With the variety of farm enterprise that we have today, there can be considerable variation in assessment and taxes paid. Take a farm quarter assessed at \$8,000 to \$10,000, all arable land, and compare it to a low assessed quarter, \$1,500 to \$2,000, that has a large hog, dairy, poultry or feeder operation. The latter may have two or more houses on it. Assuming both have the same net income, the highly assessed quarter would be paying a much higher tax.

If your review recommends that farm buildings be assessed for taxation, would it not be just a reversal of the above situation?

As to how property should be assessed relative to sale value, it makes little difference, provided that they are judged one against the other as to productivity in the same taxation district. A high assessment and the low mill rate will produce the same amount of money as a lower assessment and a high mill rate.

Our basic concern is that the assessments be fair, one to the other. Taxation for service to property should be derived from property, and taxation for services to people should be taken off property and raised through income tax or some other method. Our farms and business places have long since left the horse-and-buggy days behind. It is time that assessment and the raising of people-oriented service taxes caught up with the modern world.

That's my presentation, gentlemen, thank you.

MR. CHAIRMAN: Thank you very much, Mr. Arason. Are there any questions from members of the committee for Mr. Arason?

MR. H. ARASON: I don't have copies but I'll leave this copy with you.

MR. CHAIRMAN: Mr. Adam.

HON. A. ADAM: Yes, I want to thank Mr. Arason for his comments. In his opening remarks he indicated that he had not seen the report and he had just received the green analysis on the report. I just wanted to say that in the event you wish to study this further and mail in a further brief - I'm sure it will be welcome - to the Chairman. Thank you.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Mr. Arason, you're no longer on the municipal council, but you were?

MR. H. ARASON: I was, yes.

MR. D. ORCHARD: Right. In your presentation you make an analysis of taxation paid between, I would assume, the Town of Glenboro and rural properties in the area.

MR. H. ARASON: Right.

MR. D. ORCHARD: Could I paraphrase an objective you would have in assessment review is to move towards a system that would put more equity in it so that some of the residential property people in a community like Glenboro would pay a fairer share and in that you would hope, could I say that you are hoping, that the share paid by the farmer would decrease in that process?

MR. H. ARASON: That's right.

MR. D. ORCHARD: Since you've just got the green summary, I'd refer you to Page 36 where it summarizes the total exercise in the green book in the second paragraph, where basically it says that, "The rural municipalities, towns and villages, included in the modelling exercise, realized an increase in farm property taxes and a decrease in residential and small commercial property taxes." Could I once again ask you if that would be something that you would agree with, if that's the outcome of following the modelling of this report?

MR. H. ARASON: I can agree to a certain extent. That would maybe make some of the inequities a little more equitable, but still not take the problem away that service to people should be paid by people, not from property. Just because you've got property is not a relationship that you're going to have the income to pay it. We've had examples of that lately. Lots of farmers had lots of property and they went broke, not because of anything they could do about it. The situation is now that with the economic downturn, they can't keep up with it.

We've had young farmers that started up, good farmers, they got extended, the price of the land was too high when they bought it, now they don't get the income and they've gone broke. It's a tragedy to lose those men, but they're gone. I don't know what's going to happen in the next few years because there's a lot of them are in trouble right now. It's compounded when they have to pay way more tax than people that are making good money on guaranteed incomes. It has to

change. An assessment is maybe one way, but that's not the complete answer.

MR. D. ORCHARD: Thank you, Mr. Chairman. Well, agreed, I think the exercise of the Weir Report left us with a means of assessing which would come to grips with some of the between farm inequities that you identified. An intensive livestock operation on a small land base pays a lot less than a grain farmer. That inequity is certainly recognized and recommended in how to solve that from an assessment standpoint. But when we move into the taxation regime it would appear from the modelling exercise here that although we've removed some of the inequities between farms we tend to end up with a global shift of taxation back to the farmer even though his land, his bare land, goes down slightly as some of the charts show. By the fact that his house is automatically brought into the assessment pool for taxation, his total share is probably going to go up. I think people might agree with that if the revenue from taxation of the farm home went into the farm pool and further reduced, say, the bare land assessment, but the way the modelling exercise has taken it is that the farm residence becomes part of the residential pool and helps to lower the tax, if you would, on those homes in Glenboro that you've identified as some of them certainly not paying a fair share right now. I guess maybe that's one of the potential problems in this modelling exercise is that we've solved some inequities but we may have, indeed, created a greater one.

MR. H. ARASON: Yes, I can agree with you there with the productive arable land compared to the feedlot or something on low-assessed land. They weren't paying their full share - now they will be - I can agree with that but I can't still agree that the farm community should not get a big reduction in their tax paid.

MR. CHAIRMAN: Mr. Driedger.

MR. A. DRIEDGER: Mr. Arason, just a short question, which is maybe not that related to assessment, but do you agree with the tax rebate system?

MR. H. ARASON: I'm not sure if I do or not. It's one way of getting some of the inequities out, but when it results in a taxpayer paying nothing, he's not paying for water, sewer, fire fighting and anything else, I don't think that's just. I think everybody has a responsibility to pay some of their own expense. If you're taking school taxes off, that's a different thing and it should be related to income.

MR. CHAIRMAN: Further questions?
Mr. Adam.

HON. A. ADAM: Thank you, Mr. Arason, I wanted to ask you a couple of questions in regard to the recommendations of the report. In your opinion, do you think that the recommendations to set a market value on all properties, not only farmland but all property in Manitoba, would remove some of the inequities? While you did mention that you're concerned about raising services to people as opposed to land - you did raise some concerns in that area - do you think that the

recommendations of removing the exemptions on farm residence, is that a good recommendation in your opinion?

MR. H. ARASON: Well, if we're all going to live in houses and be assessed on the houses, I think it's all right, if it's related to the service provided. A farm home does not get the same service to the house as a place in the village. The farmer provides his own sewer and water. If he's off the road, he has to plow his own road unless he's got an arrangement with the municipality, and those services are not available to the farm resident the same as they are in a town or village. It should be adjusted so that they're equitable.

MR. CHAIRMAN: Any further questions for Mr. Arason?
Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, Mr. Arason, I was wondering if you could comment on basing the assessment on the market value as opposed to productivity of land. There's been some comments this morning by a number of people who feel that assessment for farmland should be based on productivity rather than the market value, and I wonder whether you have a comment on that.

MR. H. ARASON: Well, I think it should be on the productivity because market value, who knows what that is? One individual may wish to pay a high price for a piece of property because of its location. Some people want them for vacation homes - well, a hundred different reasons - not always relative to the productivity of it. If an individual wants to pay too high for property to what everybody else thinks it's worth, that's his business, but it should be related to what the land will produce as a way of deriving an income from it.

HON. J. PLOHMAN: Mr. Chairman, just one comment in regard to the matter of education tax and other taxes that involve services to people. In terms of education specifically, the review is currently taking place. Mr. Adam referred to it this morning on education financing, and of course that's one reason why that review should be done in correlation and consultation with any review on assessment of the tax system and tax changes regarding this particular review. It should be correlated because certainly there are a number of people who share your views with regard to funding of services from property tax, and that is one of the areas that is being considered in that review as well. So it's possible that review will tend to address that concern that you raised.

MR. H. ARASON: Yes, I understand that there's a review going on, on school taxation. I have a copy of that report that I referred to. I don't know if you've seen it. I doubt likely that you have because you were not involved, I don't think, when that came out. To me it's an ideal solution to the problem. As I said, I don't know what the Government of the Day did with it when they had it, but to me it's a more equitable way of having people pay for education.

MR. CHAIRMAN: Are there any further questions from members of the committee? Hearing none, thank you very much, Mr. Arason.

The next person on my list is Mr. Brian Gibson, Reeve of the Municipality of Cartwright. Mr. Gibson.

MR. B. GIBSON: Thank you, Mr. Chairman, Members of the Board, Ladies and Gentlemen. It's the R.M. of Roblin, not Cartwright.

The Council of the Rural Municipality of Roblin feels that acceptance of the recommendations as proposed would mean that the taxpayers of Manitoba could be governed by the proposed changes for a considerable period of time into the future. This fact is shown by the way the present system of land and school tax has been in effect over a period of numerous years.

Therefore, the Weir Report should not be implemented without adequate overview. If adopted, the people of Manitoba would be required to live with the changes for many years to come.

The Rural Municipality of Roblin agrees with the recommendation of making farm residences taxable, but our first major concern arises from the proposal to make assessment based on market value. Council feels that this type of valuation is unfair, because its previous experience has shown the market value is too volatile to provide a consistent and fair assessment. This type of calculation doesn't show that the true productivity value of the land. Assessment should be based on soil classification rather than the proposed valuation.

Soil classification is a standard measurement of productivity across the province; therefore, this would provide a more fair base to calculate taxes on. Using this measurement would require far fewer revisions to the assessment roll, whereas with recommended calculation would cause the numerous revisions to be greater.

Our second concern is the longstanding issue of removing school taxes from farmland. In the initial stages of compiling the Weir Report, it was felt that this issue would be resolved through this report, but in fact the issue is not resolved and actually makes the matter worse.

As the burden of school taxes is becoming unbearable for farmers, we propose that school taxes be assessed against only residential and commercial property. In making farm buildings taxable, farmers would bear their fair portion of school taxes and eliminate the inequitable situation that now exists. This fact is because the present system and the proposed system place school taxes on all land.

In review, the Rural Municipality of Roblin proposed that: (1) Assessment should be based on soil classification rather than market value; (2) That school taxes be taken off of agricultural land and placed on residential and commercial property.

Thank you for allowing us to present this brief.

MR. CHAIRMAN: Thank you, Mr. Gibson. Are there any questions for Mr. Gibson from members of the committee?

Mr. Banman.

MR. R. BANMAN: The second recommendation of your brief states that school taxes be taken off of agricultural land and placed on residential property. What would your feeling be then with regard to the recommendation

of the Weir Report about allowing the assessment of all residences whether they be on farm or any other areas?

MR. B. GIBSON: We felt it would be fair if all residences were taxed and the balance of the school tax raised by income tax.

MR. R. BANMAN: How about outbuildings on farms then?

MR. B. GIBSON: It was suggested, I believe, a \$50,000 base and we were in agreement with that.

MR. CHAIRMAN: Mr. Banman. Any further questions from members of the committee?
Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Just one point I'd like to clarify, Mr. Gibson. Your second recommendation I think really gets at a lot of the nub - I farm as well and I certainly have a lot of sympathy with it - but I'd like to get your comment on farm buildings, the outbuildings. Your recommendation says that, you know, school taxes taken off agricultural land and placed on residential property, but the Weir Report indicates an assessment for taxation of farm buildings to whatever value exceeds the value of the land they sit on and that's been bounced around this morning by several of the briefs, but basically the exemption would be, say, for the value of the quarter section they sit on. Would you feel comfortable to recommend that school taxes, if they were taken off agricultural land, be placed on all residential plus farm outbuildings? Would that be a fair recommendation to rural farm outbuildings in there in excess of the value of the land they sit on?

MR. CHAIRMAN: Mr. Gibson.

MR. B. GIBSON: We missed one word out. We meant to have, "placed on residential and commercial property."

MR. D. ORCHARD: That to me was understood, but would you think it would be fair and equitable to have farm outbuildings that are assessed with the standard recommendation that's been mentioned in the Weir Report of exemption up to the value of the land they sit on? So if your quarter section was, say, market value of \$90,000 and your buildings were \$110,000, you'd only be assessed on and taxed on \$20,000 worth. Would it be fair to raise education tax on that as well as the farm residence and other commercial property?

MR. B. GIBSON: At a lesser rate.

MR. D. ORCHARD: Okay.

MR. CHAIRMAN: Any further questions for Mr. Gibson? Hearing none, Mr. Gibson, thank you very much for your presentation.

The next and last name on the list for today is Mr. Tony Riley.

Mr. Riley. Please proceed.

MR. T. RILEY: Thank you, Mr. Chairman. I'd like to thank you for making the opportunity available to express my views on the Manitoba Assessment Review Committee Report to you.

The MARC Report really does nothing to eliminate the . . .

MR. CHAIRMAN: Mr. Riley, excuse me, could you speak up a little, please. People in the back are having some trouble hearing you.

MR. T. RILEY: The MARC Report really does nothing to eliminate the inequities in the property tax system. The recommendations are generally to tax all legitimate businesses and exempt the non-essential such as halls, rinks, museums, landscaping and recreational land area, golf courses, cemeteries, curling rinks, educational institutions, horticultural societies, old folks homes, veteran facilities, hospitals, churches, municipal property, etc.

Some of these are exempt school tax, some on municipal tax and some both. All these exempted properties are in a position of being able to put on a user-pay fee that would enable them to pay tax to both school and municipalities in which they are situated. Yet they are excused without explanation, except on Page 161 describing rinks that operate on a non-profit basis are a direct benefit to the community. They attract and hold residents, provide social, cultural, recreational opportunity. The loss of school tax is offset by the benefits to the community. You know, that sounds very much like the benefits for a farm, yet they want to tax it.

Then we have the gift from the taxpayers called grants in lieu of taxes. This applies to the Manitoba Legislature, and the judgment for that I have to question. The people using this structure are enjoying a generous salary and should be able to be in an able position to at least pay the taxes, if not a hefty annual rent. Why should a farmer pay taxes on a hog barn or a piece of land when all he is doing is using them to provide food for the nation and much of the world, often at a net loss to himself and family, whereas the people using the Legislature are guaranteed a profit for services rendered, good or bad? Universities and Crown lands cost more grants in lieu of taxes, which boils down to double tax for the others.

In the MARC Report, Page 133, they admit to the discovery of the senselessness of municipal taxes on municipal property, out of one pocket into the other, with a net loss to the municipality for the cost of assessing itself. What they don't admit is the fact you cannot tax any business that is in a position of pricing its production or service. They simply pass it on in the price to their customers who pass it on till it gets all the way back down to the primary producer. The new wealth has to pay every last cent of every bill presented, and if the new wealth hasn't got a price on it, as is the case with the farm produce today, then the system has to break down as it is doing now.

Forestry and mining are not in the same predicament because tight-fisted monopolies control them, but they are forced to close down because agriculture cannot buy the goods they produce, so the whole economy winds down. If we are to continue this outdated means

of raising money for operating the R.M.s, schools, towns and cities, I should think Mr. Weir and company would have taken a short cut to the money source and recommended an assessment on raw materials only and saved all that fuss and bother with property owners who don't really have anything of value to the revenue collectors anyway.

These tax dollars have to come out of the raw materials in the long run anyway. The big problem in our system though is the people who do the most work have the least money and the most parasites feeding off them. These people also don't have the time or energy to fight back to protect themselves from the greedy hordes. The receivers of the agriculture products and those that control it all the way to the consumer usually make a good profit. The people who have excessive amounts of money to lend make good profits too, as long as they can keep the inflation going.

There is a lot of money cornered up, but it can only be brought back into circulation two ways. One is to have the people borrow it back into circulation, but that cuts it down to an 80-cent dollar and increases the lenders to \$1.20. If you consider even just five trade turns from the manufacturer to the consumer on some of these goods, you realize the goods have to increase over 200 percent just to cover the cost of borrowed money on the goods alone. That's inflation on the rampage.

The other way to get that money back into circulation is to tax it back into circulation. That's where most governments falter. That is at the site of real money to pay for the real needs of the country. The only possible way to have equity in taxation is to abolish all property taxes and go to total financing from income tax revenue.

We are presently paying on our income tax 2.2 percent of Manitoba's share towards municipal needs now. So all we would need to do is increase that percentage to equal the revenue collected from property tax now. Nobody would be suffering any hardship this way as the tax collector would only be taking what is in surplus anyway. If it resulted in a little less going out to Ottawa, we don't have to feel too badly as it would eliminate the need to conjure up a way to get it back on a cost-sharing program, or better yet, the Provincial Government put in place a method of extracting municipal revenue from taxable income chargeable as an expense before calculating federal income tax. That way the province won't lose any of the taxpayers' allowable expenses before federal tax. The way the present system of assessment is, the annual cost is at \$7.5 million and only between 10 and 20 percent of the farm buildings done as yet. It will probably go over the \$10 million mark in wasted dollars before the completion.

For what good is it all when we stop to consider it? The newly married couple in the city buying a house have enough trouble meeting the payments without an extra slap of taxes; whereas, if it was on taxable income, if they didn't make it, they wouldn't have to pay it. The homeowner tax assistance could be dropped because those that have the money ought to contribute when needed; whereas, with the present system many well-fixed homeowners pay nothing. The same thing on the farm, getting started is a real struggle, but the way the system is now, we have to pay the same tax whether

we are in dire straits or have money running out of our ears. Many people are losing their jobs today through no fault of their own. Do we want them thrown out of their homes, too, just because they can't pay their taxes? This includes a lot of farmers, too, because of their reliance on off-farm jobs that the unions make better paying than farming.

With the present system of taxation, it will only feed inflation. The more bankruptcies, the more unemployed; the fewer paying taxes into the pot and the more taking out of it, the heavier the burden on those left paying, and so the need for higher wages and prices.

Another very ridiculous thing about today's assessment method is to penalize those that paint their houses by taxing them more or if they hard-surface their driveway, build a garage, put carpets on the floor, finish the basement, insulate their walls, build cupboards in the kitchen, etc. That all sounds to me like the government thought everybody ought to live in a slum. It also sounds like they didn't want commerce to flourish or people to be employed doing useful things and beautifying the country at the same time. The assessor is not a loved person poking his nose into the privacy of the citizens' homes and just generally prowling around their property. The sort of thing we are led to believe only happens in Russia, you know. Pity, isn't it? When they assess the farms, the fence lines and yards are all included into the cultivated acreage, where it should only be actual acres cultivated. Or is it the right of the assessor to dictate what should be cultivated? I think not.

The distance to market allowance was arbitrarily taken away from the farmer just when they needed it most because of the rail line abandonment and elevator closure on main lines. We are getting the cold shoulder now from the Court of Revision and our councillors. What would it be like if we ever got stuck with a single assessment authority as an independent to lay down the law to the ratepayers of Manitoba? I think our elected councillors should take full responsibility at all times for the handling of our affairs and I don't want that to change.

Also the method the assessors use in arriving at an assessment value of farmland is unrealistic twice over. First of all, he must think he is out to collect capital gains tax because he calculates what it would sell for and assesses it accordingly. To afford that kind of assessment we would need to be selling our land.

Secondly, fair market value is not even remotely connected with the value of produce that could be harvested for net land. So unless we have a system of taxation that takes into account the ability-to-pay aspect of it, we are going to see a lot of land going to the various governments or banks driving people out of their homes.

My question to the Manitoba Government is, do you really and truly want owner-operator type businesses and citizens to own their own homes in this province? If so, what are you going to do about it?

Respectfully submitted by Tony Riley.

MR. CHAIRMAN: Thank you very much, Mr. Riley. You've covered a lot of ground. I'm going to have to ask members of the committee, so that we avoid being here for a couple of days to cover all the material, to

try to keep their questions related to the assessment question. I realize you've covered much more than that, but your comments were, at least in part, directed at assessment.

Questions? I think the Minister had a question first.
Mr. Adam.

HON. A. ADAM: Yes, I think the gist of your presentation, Mr. Riley, is that you feel taxation should be more on the ability to pay rather than on property taxation, and that you are opposed to an independent authority as recommended by the report. Could I presume then that you are also opposed to the valuation? Are you in favour or opposed to the recommendation on the valuation of all property in order to remove any inequities? Could you answer those three questions? I have one more after that.

MR. T. RILEY: Yes, it's yes to every one of them. Because on valuation of the property, there's only the net income realized from what the property generates could possibly affect it and that comes back, so you might as well tax the net income in the first place and you don't need to catalogue all those properties. It's an enormous bureaucracy and a very difficult thing to do no matter who is doing it and trying their very best to do a good job of it. There's going to be a lot of inaccuracies and also inequities in that system and if it's done on income, if you got the money, nobody minds paying it, but if you have to go and borrow the money to pay on property, it's impossibilities. That's why I take that attitude.

HON. A. ADAM: What is your view then on the exemption of the farm resident at the present time?

MR. T. RILEY: I think everything should be exempted . . .

HON. A. ADAM: The whole thing.

MR. T. RILEY: . . . but the system that we have now where - well, this homeowners' assistance now - I'm not in favour of that because it doesn't work out. It can't be equitable and it's going to excuse somebody who is in a good position to pay a tax and other ones that aren't are benefiting from it, sure, but it's not the right way to go. We have to have it on net income earners and then it covers all those problems.

HON. A. ADAM: Just one more question. What about municipal services to the land such as roads, snowplowing and that kind of a service? Do you feel that there should be some assessment for those purposes?

MR. T. RILEY: I don't really see the benefit, because so much of the things we do, we can work 16 hours a day on our produce, we have no price on it, so it doesn't necessarily generate any income to the individual that produced it, but certainly to the nation or to the province it's a real asset. So I think there's where we should go back to the people who handled - whoever makes the money from the produce should be the one that pays the tax, because that's still where

the money originated from, is from that land that produced it. But the person in control of the product that was from the land that produced it does not have the money to pay the tax, so tax the person that has the money from that produce.

Thank you.

MR. CHAIRMAN: Mr. Blake.

MR. D. BLAKE: Mr. Chairman, I just have one or two questions of Mr. Riley. I take it that he's not too supportive of the Manitoba Assessment Review Commission's Report, by and large. But would you not agree, Mr. Riley, that shelter could be considered shelter whether the house was located on an acreage in the country or whether it was located in the city, and if it's being used as shelter, there should be some equitable way of taxing that as shelter for a family, whether that house be located in a village or a city or whether it be located on a farmstead.

MR. T. RILEY: Yes, Mr. Chairman, I can't see any point in taxing at all because the whole purpose is if it's a shelter for a family, whether it be in the city or on the farm, then let's keep it as a shelter for them, not something to force them into a position where they have to come up with some money to keep it for a shelter. The moment we do that, if they have no income, we're putting them out on the roads. That's what I have against that, that it does not indicate whether they have a net income or not because they have a shelter. Everybody needs a shelter, whether it be a cave or a mansion, they still require a shelter, and I don't think it's proper to put a tax on that.

MR. D. BLAKE: Thank you, Mr. Chairman, that's fine.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Mr. Riley, you've made the position that there shouldn't be property assessment, period, because there shouldn't be property taxes, and that right now our municipal taxes go towards paying school costs and municipal services. Do I understand you correctly that you want to have all of those school costs and the municipal costs paid by taxation revenue from income tax?

MR. T. RILEY: That's correct.

MR. D. ORCHARD: Well, I've got one caution for you, Mr. Riley. You've got an interesting concept, but there is that ongoing delusion, and all you have to do is get inside the concrete Perimeter, and they believe that all of the wealth in the province lies in the pockets of the farmer and they're a nice target to pull a lot of money out of. The real danger is that you want to solve your problem because you make the case that farmers don't make money, but that isn't the case that you'll find the average city person making of the farmer - they believe that he's got lots of money - and there's a danger in your attempt to get the wealthy to pay for the taxes, that we're going to be the wealthy, the farmers are going to be the wealthy that are going to pay for them, some way or another.

MR. T. RILEY: At times there has been occasions by accident, I believe, where the farmer really did have a net income.

MR. D. ORCHARD: You're right. Through no good planning.

MR. T. RILEY: That's right, and when those situations arise, I'd be delighted to pay a tax in a case like that. It's not that we're trying to hoard up money, but if at some time in the future it happens that farmers become - I don't know what's going to happen, but something happens, they start getting paid, that they have a net income - then I think they should be paying a tax. If we had a system where it was done on net income or taxable income, then farmers automatically would be paying and anybody in that situation, so you wouldn't have to go around investigating everybody's particular case or any segment of society to see if they're prospering this year or that year. It's all done already on those income tax papers and there's where we could collect the revenue.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Well, generally, would I be coming up with a fair impression that you have of senior governments, whether they be provincial or federal, that they aren't all that responsible in their spending patterns, that they often spend money they don't have?

MR. T. RILEY: This is correct.

MR. D. ORCHARD: It's been said of the local governments, the municipal governments, that they're probably the most responsible in their spending habits because they are the closest to the people that are paying for the money that they're spending. Hence for municipal services you've got - if a councillor goes hog wild or if an elected council goes hog wild and spends a lot of money and the property tax goes up, they very quickly get themselves out of a job because the taxpayer is very close to the people that are spending the money. I've only one concern with your proposal that it'll all come out of income tax in that we might turn every councillor in Manitoba into a spendthrift because he doesn't have to worry about where the money is coming from. Are you concerned about that?

MR. T. RILEY: Yes, I think we'd have to definitely have him on a budget and that's where the assessors would still come in to represent the go-between - the rural municipalities and the source of income tax money - to justify or research or investigate the real needs of that municipality to see if it's a legitimate budget that's been drawn up by the councillors within the municipality and if approved, then upon that approval would the money be forwarded to the municipalities.

MR. CHAIRMAN: Mr. Orchard, without in any way trying to direct the questioning, can I suggest that I did caution members of the committee when we started to discuss Mr. Riley's presentation that we did want to try to stick somewhere in the neighbourhood of assessment, and

the area in which we're now getting could be a two or three day committee discussion.

MR. D. ORCHARD: Mr. Chairman, I just have one more question. Mr. Riley came up with an idea where I could see the light at the end of the tunnel if we'd get rid of all of our assessment staff, but his follow-up proposal has brought in a new bureaucracy that's going to look over the spending patterns. I don't think we eliminated any bureaucrats, unfortunately, in that switch over.

MR. T. RILEY: Well, the way I look at it, if we're spending \$10 million on present assessment, which obviously has to be far more work than it would be for an assessor to come out and say they were coming out to the Strathclair Municipality to look over to see if there is a road listed as "Road A" on this budget form, and it really exists and really needs building, and if it qualifies as compared to the roads in the other municipalities of the province like, if it's a genuine need.

MR. CHAIRMAN: One more? Mr. Orchard.

MR. D. ORCHARD: But, Mr. Riley, I submit that you're giving up the freedom of local control to a bureaucrat that's going to come out of Winnipeg and tell you what road you should be building, and I think that would meet with a great deal of disapproval. I'm not arguing with your overall concept that there may be inequities created in the raising of taxation money from property. There certainly is and the Weir Report attempted to bring some semblance of rationale to that; but I'm sorry, I can't agree with having 100 percent income tax revenues being spent by the municipal government because you almost get into central planning, where you get state planning as to what roll . . .

MR. T. RILEY: Well, that's what we got now; that's what it seems to me. Because of the grant system that we have now, we're not raising our own money any longer. We're not living within our own means generated within our own municipalities. We're being dictated to, how our schools are going to run and what's going to be taught in the schools, and for that matter, what monies are going to be made available to run the rural municipality's business and that's what I'm opposed to.

In this other system that I was suggesting would be only overseeing. There's only so much money available, naturally; I understand that. When the municipality made an application for funds or presented their budget that it would only be required, it's only reasonable that before the money is paid out, that it be seen to whether it's legitimate or not. The same would happen to every other municipality, so it hardly could be going anywhere without it being fairly split up amongst the municipalities.

MR. D. ORCHARD: But you know we have that now where the municipal councillors have to be responsible for the money they are spending because they have to go to the landowner to get it, and he's going to make sure over the long haul they're responsible. I think you may be suggesting a system of giving up that last bastion of some control over expenditure that exists in the local municipal governments.

MR. T. RILEY: No, I'm not . . .

MR. CHAIRMAN: Mr. Orchard, thank you very much for your statement. I don't think that was a question, Mr. Riley.

I think Mr. Blake has a question.

MR. D. BLAKE: Just one question, because Mr. Riley might have a solution for all of us today. He said he would control spending by having them bring in a budget. Well, Ottawa brought in a Budget some while back and we find they're \$26 billion short on it. Would you have some solution to that problem?

MR. CHAIRMAN: Mr. Blake, I have to ask how you tie this to assessment. I'm a little reluctant to allow this discussion to continue. I know it's entertaining for everyone, but we did ask several people this morning and earlier this afternoon to keep their remarks limited to assessment, and I think I've been fairly liberal in allowing this discussion to proceed the way it has. I think I'm only going to allow from hereon in questions directly related to assessment, please.

Mr. Banman.

MR. R. BANMAN: I wonder, Mr. Riley, if you could expand a little more. In your opening remarks, you mentioned the preferred or exempt status that places like curling rinks, other sports facilities, churches, cemeteries - I wish you could expand a little bit on there - are you saying that these facilities should be assessed and pay the type of taxes that regularly assessed land is right now?

MR. T. RILEY: I'm only saying that if they were going to assess farmland that is there to produce the food for the nation - that's going to be assessed - then a non-essential certainly is in a position to be assessed, that can have a door charge of anything they care to have to cover costs incurred. Whereas, a farmer is in another situation; he cannot price anything he grows and very often is in a position of a net loss. So I think it's rather idiotic to have a situation where that can be taxed, we can't price it and we can't recover the cost, and yet these other things are in that position and don't do it and aren't taxed.

MR. R. BANMAN: One last question, Mr. Chairman. In light of the fact that you espouse the ability to pay principal, I guess you wouldn't be in favour of the 1.5 percent payroll tax that's been imposed.

MR. CHAIRMAN: Order please. Here I thought it was Riley's presentation that was causing the problem. Are there any further questions on assessment from members of the committee? Assessment, going once - thank you very much, Mr. Riley, on behalf of the committee.

MR. T. RILEY: Thank you.

MR. CHAIRMAN: That is the last name on my list. However, I would like to inquire as to whether there is anyone else in the audience who wishes to make a presentation to the committee today. Is there anyone

else who has not made a presentation who would like to?

Could you come up to the front please, sir, so we can get your remarks on the record.

MR. B. COLE: Point of order, Mr. Chairman. My name is Bill Cole from Ninette, Manitoba.

MR. CHAIRMAN: On your point of order, if you wish to make a presentation, that would be quite in order, but with regard to the affairs and the management of the committee those points of order are strictly within the committee's mandate, not for the public.

MR. B. COLE: Oh, all right.

MR. CHAIRMAN: So I'll hear you on the presentation.

MR. B. COLE: This is on a presentation; I'll ask the question then. I notice that, reading the big thick 326 page volume, nowhere does it indicate that there was any other outside information other than Manitoba placed into that report. Now, we have a lot of other provinces in this great country of Canada that all have assessment branches and all have systems. We also have 50 some odd states that are just directly south of us that all have systems of assessment. Were they ever included or looked into before this was arrived at?

MR. CHAIRMAN: We did have a question and answer period this morning, Mr. Cole. Mr. Bob Clarkson's presentation as the secretary of the Weir Report did include reference to the other jurisdictions and authorities which they consulted and perhaps the Minister can speak more specifically to your question or after the meeting you could speak to Mr. Clarkson. He did provide Page 2 on the report? Yes, in Mr. Clarkson's remarks, yes, I'll take the liberty, since our question and answer period is finished, and just provide you the recommendation or the notes he made.

The 164 recommendations made by the Manitoba Assessment Review Committee all relate to a concept in basic principles adopted by the committee as a result of their many meetings with provincial officials in Manitoba and with municipal councillors, as well as their meetings with officials in Alberta, British Columbia, Saskatchewan, Ontario and submissions received at public hearings, so that kind of consultation did take place.

Are there any further presentations to the committee? Hearing none, I would like on behalf of the committee to thank all of you for being here today, both for making your presentations and for your participation in a very important process, not just the evaluation of the Weir Report and the recommendations, but some input to

the Legislative Assembly in terms of our consideration of that report in the future.

Thank you all very much. You had something, Mr. Orchard?

MR. D. ORCHARD: If members of the committee will stay put for one moment, the Clerk has an additional submission from Mr. Guthrie of the R.M. of Pipestone to distribute. No, just a written . . .

The following is a copy of the above written report circulated, not presented:

January 18, 1983.

Legislative Committee on Municipal Affairs.

RE: Manitoba Assessment Review Committee.

The Council feel that the existing method of assessment has served the Province well, but under present conditions, is outmoded, and therefore should be replaced.

The Manitoba Assessment Review Committee have held meetings and done a thorough research of assessment problems in Manitoba. They have compiled their report from all this, and the Council of the Rural Municipality of Pipestone urge the Provincial Government to proceed with the implementation of the report of the Manitoba Assessment Review Committee as soon as possible.

Signed: J.R. Guthrie, Reeve, R.M. of Pipestone.

Wm. W. Busby, Secretary-Treasurer, R.M. of Pipestone.

The following brief not presented:

204-6th Ave. S.E.
Dauphin, Man.

Clerk of Committees

Dear Sir,

Regarding review assessment on homes.

We had our home foam insulated 1976 (UFFI) also very bad insulation.

Wpg home owners received \$300.00 back 1982 taxes because of (UFFI) Foam Insulation.

We understand their taxes will be lowered on these homes when assessed.

We feel some consideration should be given to us here in Dauphin since it applies in Manitoba.

Our taxes were approximately \$480 in 1976. Since they are up to \$879.34, 1982. There will be an increase of 5 to 6 percent. We feel since our home will be devaluated on the market, our assessment should be taken into consideration.

Thank you.

Yours truly,
Rose and Alice Chita.