

Delivering Lower Taxes for New Brunswickers

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LOWER TAXES FOR NEW BRUNSWICKERS:

In New Brunswick lowering taxes is the law. *The Plan for Lower Taxes in New Brunswick*, introduced in March of this year, represents the largest one-time tax reduction package ever introduced in New Brunswick and New Brunswickers have begun to enjoy the benefits of the tax savings already. This document is provided as an update to explain how the plan is delivering lower taxes for New Brunswickers. Table 1 shows the estimated tax savings over the four-year plan.

Table 1: Annual Tax Savings (\$Millions)

Tax Measure	2009-2010	2010-2011	2011-2012	2012-2013
Personal Income Tax Rate Reductions	-118.0	-232.0	-288.0	-323.0
Enhanced Tuition Rebate	-2.0	-2.5	-3.5	-5.0
Enhanced Low-Income Seniors' Benefit	-3.5	-7.4	-7.8	-8.2
Tax Savings for Individuals	-123.5	-241.9	-299.3	-336.2
General Corporate Income Tax Rate Reduction	-6.0	-11.0	-20.0	-37.0
Other Measures*	-14.0	-5.0	-6.0	-7.0
Tax Savings for Business	-20.0	-16.0	-26.0	-44.0
TOTAL TAX SAVINGS	-143.5	-257.9	-325.3	-380.2

* Other measures include: increased small business limit; enhanced small business investor tax credit; enhanced labour-sponsored venture capital tax credit; high energy use tax rebate; and forestry industry investment tax credit.

New Brunswick workers are keeping more of their hard-earned wages and businesses are preserving and creating jobs during challenging economic times. In fact, New Brunswick is one of the few jurisdictions experiencing relatively stable employment and income growth during the global recession.

Savings for individuals and businesses coming from *The Plan for Lower Taxes* have been guaranteed because the plan has been legislated – it's the law.

- ✓ *The Plan for Lower Taxes* is delivering \$143.5 million in savings for fiscal 2009-2010.
- ✓ Individuals have been saving since July 1, 2009 – their take home pay is higher.
- ✓ Small businesses are already benefitting as well:
 - The small business limit was increased to \$500,000;
 - The Small Business Investor Tax Credit was enhanced;
 - The Labour Sponsored Venture Capital program is more generous; and
 - Personal income taxes are lower.
- ✓ The tax savings will grow to \$380 million annually by 2012-2013.

WHAT'S IN IT FOR YOU?

The Plan for Lower Taxes in New Brunswick is already delivering lower taxes for New Brunswickers and will deliver the following savings for the 2010-2011 fiscal year:

- ✓ \$232 million in lower personal income taxes;
- ✓ \$2.5 million due to the enhanced Tuition Rebate; and
- ✓ \$7.4 million due to the enhanced Low-Income Seniors' Benefit.

These tax savings are real, they are meaningful and they grow each year until they reach \$336 million annually by 2012-2013.

For example, as illustrated in Table 2, a single earner with taxable income of \$15,000 will no longer pay provincial personal income taxes in 2010, a 100% savings of the tax paid in 2008. A single earner with taxable income of \$25,000 will experience savings of \$376 in 2010 compared to 2008. These savings grow to \$473 by 2012.

Table 2: New Brunswick Provincial Income Tax Savings for Single Tax Filer

Savings by Year Compared to 2008

Taxable Income	Savings 2009-2008	Savings 2010-2008		Savings 2011-2008	Savings 2012-2008
		\$	%		
\$15,000	\$58	\$65	100.0%	\$65	\$65
\$25,000	\$202	\$376	24.9%	\$429	\$473
\$40,000	\$226	\$436	13.5%	\$539	\$606
\$60,000	\$429	\$1,039	16.5%	\$1,220	\$1,307
\$100,000	\$793	\$2,414	18.7%	\$2,896	\$3,099

Notes:

1. Taxpayer is assumed to claim the personal amount, EI premium and CPP contribution.
2. Indexation is assumed at 2% for future years.
3. EI premium and CPP contribution values for 2009 are assumed.
4. Numbers may not add due to rounding.

As illustrated in Table 3, a one-earner family earning \$25,000 has saved \$173 in 2009, or 79% of what they paid the previous year. Their tax savings will reach \$219 in 2010 or 100% of the tax paid in 2008. These savings will continue year after year.

Table 3: New Brunswick Provincial Income Tax Savings for One-Earner Family

Savings by Year Compared to 2008

Taxable Income	Savings 2009-2008	Savings 2010-2008		Savings 2011-2008	Savings 2012-2008
		\$	%		
\$15,000	\$0	\$0	0.0%	\$0	\$0
\$25,000	\$173	\$219	100.0%	\$219	\$219
\$40,000	\$296	\$742	29.7%	\$848	\$940
\$60,000	\$413	\$1,010	18.1%	\$1,191	\$1,283
\$100,000	\$776	\$2,385	19.6%	\$2,866	\$3,076

Notes:

1. Taxpayer is assumed to claim the personal and spousal amounts, EI premium and CPP contribution.
2. Indexation is assumed at 2% for future years.
3. EI premium and CPP contribution values for 2009 are assumed.
4. Numbers may not add due to rounding.

In addition, legislation has been enacted to guarantee an annual indexation rate of 2% or the national Consumer Price Index (CPI), whichever is greater, for the 2010 to 2012 taxation years. Indexation helps protect taxpayers from the impact of inflation on personal income taxes. The indexation rate increases personal non-refundable credit amounts such as the basic personal amount and the spousal amount, in addition to the income tax brackets. For 2010, the increase in the national CPI is 0.6%, however *The Plan for Lower Taxes* will deliver an indexation rate of 2%. This ensures that taxpayers receive significantly higher savings.

WHAT'S IN IT FOR YOUR BUSINESS?

Making business competitive means job creation, and a stronger, more self-sufficient New Brunswick. The 2009-2010 Budget provided significantly lower taxes for businesses in New Brunswick and those businesses are already benefitting because:

- ✓ The general corporate income tax rate dropped from 13% to 12% July 1, 2009;
- ✓ The small business limit was increased to \$500,000;
- ✓ A Forestry Industry Investment Tax Credit was introduced;
- ✓ The Small Business Investor Tax Credit was significantly enhanced;
- ✓ The Labour-Sponsored Venture Capital Tax Credit was enhanced;
- ✓ Business will benefit from tax savings of \$20 million in fiscal 2009-2010; and
- ✓ By 2012-2013 these savings for business will more than double to \$44 million.

More corporate tax savings are on the way. The general corporate income tax rate will be reduced to 11% on July 1, 2010. The general corporate income tax rate will be further reduced to 10% on July 1, 2011 and to 8% on July 1, 2012; making it the lowest in Canada and one of the lowest of participating countries in the Organization for Economic Co-operation and Development (*OECD*).

These measures will ensure New Brunswick has a globally competitive tax system and will provide the foundation for economic growth and job creation, now and in the future.

LOWER PROPERTY TAXES:

In the 2009-2010 Budget, Government committed to addressing the issue of increasing property taxes due to rapidly rising assessments. The budget introduced a mechanism to improve the accountability and transparency to taxpayers for both provincial and municipal property taxes.

With this mechanism, when assessment base growth exceeds the value of inflation and new construction, an adjustment factor will be used to calculate lower base tax rates for both provincial and municipal property tax rates. Should the Province or a municipality require property tax rates above the calculated base tax rates, then any proposed tax increases must be put forward publicly and to a vote by municipal council or, in the case of the Province, a vote in the Legislature.

- ✓ This accountability mechanism will begin providing benefits to New Brunswickers with the 2010 property tax bills, where the base tax rates are adopted.
- ✓ The Province has provided the accountability mechanism base tax rates to all municipalities, rural communities and Local Service Districts (LSDs).
- ✓ The adoption of the base tax rates by the Province will result in provincial property tax savings of approximately \$12 million by taxpayers for the 2010 property tax bills. Municipalities are encouraged to follow the Province's lead and where possible adopt the rates calculated by the accountability mechanism. Provincial property tax rates will be reduced for 2010, as follows:
 - The \$1.50 provincial rate will be reduced to \$1.4573;
 - The \$2.25 provincial rate will be reduced to \$2.1860;
 - The 65 cent provincial rate will be reduced to 63.15 cents; and
 - The 2 cent rate will be reduced to 1.94 cents.

CONCLUSION

The actions outlined in *The Plan for Lower Taxes in New Brunswick* have been guaranteed because the plan has been legislated. As a result, New Brunswick is moving further along the path to self-sufficiency. The plan is creating the conditions by which long-term economic growth can take place and it provides a stimulus to help New Brunswick in the short term. It will help keep young New Brunswickers here and also bring former residents back home to work and raise families, right here in New Brunswick.