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Education Property Tax Cuts Worsen Income Inequality in Manitoba

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THE EDUCATION PROPERTY Tax Reduction Act will increase income inequality in Manitoba and will not help those impacted by COVID. Property taxes are levied proportionally to wealth in real estate, and so when properly administered can be an effective, progressive and fair way to bring in revenue for public services.

The provincial government is rushing this Act through the legislative process in an attempt to quickly provide financial benefit to property owners in hopes of distracting from its unpopular agenda of education reform and failed COVID-19 public health policy. However, this tax cut is poorly targeted, with the majority of benefits going to wealthier property owners. Meanwhile, low and moderate income renters are left out from any benefits of this cut, and will be left paying only higher costs as a result.

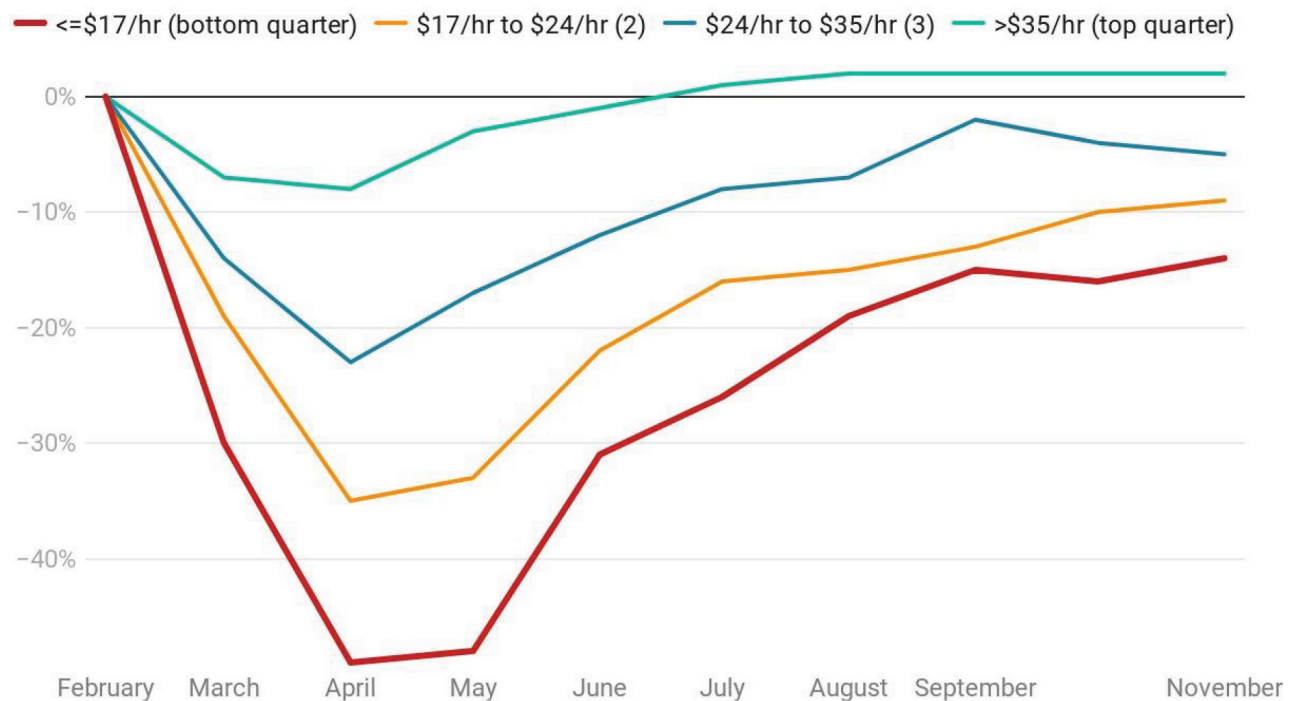
Passing this Act means a loss of approximately \$392 million from in 2020/2021 – 2021/2022 and \$300 million real dollars going forward. If the government follows through on its planned full phase out of education property taxes, it will mean a loss of nearly \$900 million annually. This summer the province is mailing \$248 million in rebate cheques to an estimated 658,000 property owners. The mailing itself will cost an \$1.3 million. This is being financed by deficit financing and will result in service cuts at a time when economists

agree governments should invest public dollars strategically to address the COVID recession. At a time when education funding has been cut in Manitoba, the \$248 million could be used to address these needs and institute changes to make the Education Property Tax more progressive for seniors, low income homeowners and moderate income local farmers.

Homeowners Not Amongst the Group Worst Hit by COVID

The average home in Winnipeg is valued at \$302,300 a year. An average household income of \$52,000/ year or \$25 an hour is required to pay a mortgage on this home (assuming they have the down payment, land transfer tax and legal fees saved). As this chart below shows, most of those earning \$24/ hour and up have recovered from COVID as of last June, 2020. It is the low income earners below \$25 that have yet to recover.

FIGURE 1 Job /Hours Lost Since February (by hourly wage)



Includes change in employed or working majority of usual hours. Seasonally Adjusted by removing avg change in each category since Feb in each of past 3 years. Excludes self-employed.

Chart Canadian Centre for Policy Alternatives

Source LFS PUMF • Created with Datawrapper

‘Tax’ is Not a Four Letter Word¹

The current government mindset vetoes increases in taxes for needed public services (for example frozen funding for non-profit child care centres or below inflation and enrollment rate funding of K–12 Education) while favouring large tax cuts.

Cutting this tax for all residential and farmland property owners is a costly, wide-sweeping measure that most Manitobans do not want. In Manitoba’s own pre-budget 2021 survey, lowering taxes came in dead last among the pre-determined, six major budget priority areas. The vast majority of respondents to the Engage MB budget consultation survey in January and February indicated that improving the health care system (95 per cent), improving education and child care (85 per cent), financial support for people and businesses affected by COVID (82 per cent), increasing mental health and addictions support (81 per cent), and investing in infrastructure (78 per cent) were priorities. The current education property tax should be improved through targeted policy tools for those on fixed low incomes.

Manitoba Government Revenues Falling

Jesse Hajer and Lynne Fernandez find that Manitoba government revenue has fallen below 23 per cent of GDP, from above 25 per cent in 2005/06 ([See COVID-19, Austerity and an Alternative Social and Economic Policy Path for Manitoba](#)). This has resulted in huge cuts to the public sector and front line services.

Manitoba has already substantially cut taxes. From 2000–2015 personal income tax cuts cumulatively added up to \$881 million annually of revenue lost ([Budget 2015](#) p. 38–39). This does not include business tax cuts, for example Manitoba eliminated taxes on small corporations below \$500,000. We are the only province to have zero tax for small corps. The current Manitoba government continues to cut taxes, thereby reducing revenues for MB: PST reduction to 7 per cent is a loss of \$325 million/ year, the indexation of the BPE and tax brackets and other tax changes result in less revenue for public services.

Manitoba instead requires progressive taxation for targeted public investments to Build Back Better from COVID. This includes addressing the negative impacts on low wage, front line workers, addressing income equality, poverty, the “she-cession” and the climate crisis.

Manitoba Education Funding Falling

Since 2016, provincial funding for K–12 education has declined in real dollars by 7.6 per cent on a compounded basis. School programs and electives are being cut and under this tra-

¹ See Himelfarb, A. Himelfarb, J (2014) [‘Tax is Not a Four Letter word: A Different Take on Taxes in Canada’](#) Wilfred Laurier Press.

jectory deeper cuts will be required next year. At the same time as the education sector is being cut, \$192 million dollar rebate cheques are being issued to residential and farmland property tax owners in 2021. Estimated need for education funding is 3 per cent growth per year, approximately \$75 million per year: 2 per cent inflation, 1 per cent enrollment growth just to maintain the status quo, in addition to backfilling the previous educational cuts and addressing priorities identified by experts and families such as school nutrition programs.

Manitoba Education Property Tax

Property taxes are approximately 30 per cent of MB Education budget. Provincial contribution, including teacher's retirement allowances, capital support and education property tax credit are approximately 70 per cent ([2018/19 FRAME report](#)).

Property taxes are related to wealth and are an acceptable way to bring in money to general revenue. Seven out of ten provinces still levy an education property tax (BC, AB, SK, MB, ON, QC, NS). Manitoba is the only one that allows for local school board authority to do so.

A comprehensive review of education property taxes and nine case studies in the US found targeted relief for property taxpayers is the preferred option when tax revolts erupt or when property owners push for property tax relief. "Those who have tried to reduce property taxes and improve school performance at the same time have not met with much success," says [Daphne Kenyon of the Lincoln Institute](#). From a government perspective, property taxes are more resilient during economic downturns when other taxes (sales, income) are more volatile. This creates predictability.

Farmland Education Property Tax

Farmland property tax is a small proportion of the education property tax at 7.5 per cent of revenue ([\\$64 million out of \\$850 million](#)) in 2018/19. Farmers bought assessed land which carries the tax. It is the cost of doing farm business, says farmer [Ian Robson](#).

Farmland value is related to farmland concentration. A recent report published by our office "[Concentration Matters: Farmland Inequality on the Prairies](#)" finds that Manitoba has 54 per cent less farmers now (14,791) than in 1966 (39,747). *Table 1* shows how the land is becoming concentrated over time.

As farm land is consolidated, farmers take on the equity, revenue and tax obligations of the land they acquire. Farmland has increased in value relative to other rural land, but the larger the farm, the larger the revenue and equity. Currently there is a special rebate of 80 per cent up to \$5,000 in education property tax on farmland. Manitoba is not capping the new 25 per cent rebate and some farmers will be getting thousands of dollars in rebates. This is similar to landlords of multiple properties who will also be getting thousands of dollars of rebates.

TABLE 1 Alberta, Saskatchewan, Manitoba, and Prairie Provinces, Percent of Land Operated by Farms in Various Size Categories, 1986 and 2016

	Percent of land farmed by farms 1 to 999 acres in size		Percent of land farmed by farms 3,000 acres & larger		Percent of land farmed by farms 5,000 acres & larger		Percent of land farmed by farms 10,000 acres & larger	
	1986	2016	1986	2016	1986	2016	1986	2016
Manitoba	43	16	12	45	4	24	1	8
Saskatchewan	31	10	17	59	8	38	3	18
Alberta	30	15	30	56	18	40	9	24
Prairie Provinces	32	13	21	56	11	37	5	19

Source: Statistics Canada custom tabulation.

Education property taxes in rural areas pays for local public education. When this revenue declines, less services are offered, good jobs are lost and rural depopulation increases. Notably Bill 64 “The Education Modernization Act” is being criticized by rural Manitobans as they fear it will lead to rural school closures and rural decline. Manitoba should not “throw the baby out with the bathwater” to deal with rising farmland costs, other options should be explored.

Seniors and Low Income Homeowners

Seven per cent of senior homeowners are in “core housing need”, meaning their housing is not affordable, suitable or adequate ([Statistics Canada 2016 Census](#))

Currently the \$400 Education Property Tax Credit (EPTC) is available to seniors or those on fixed income who earn less than \$40,000 a year. This is above the \$700 credit accorded to all Manitoba households, for a total of \$1,100. Instead of cutting the education property tax, the moderate income line for low, fixed income seniors should be reviewed and a progressive, income tested tax credit tied to the cost of living should be put in place.

Another option is seniors on fixed income and low income homeowners should be supported through a new income tested program (ie Home Assist – like Rent Assist but for homeowners).

Impacts on Renters

While their landlords will benefit from reduced education property taxes, renters will lose out on a reduced education property tax credit which is decreasing from \$700 to \$350 by 2022. This change will cost renters \$175 per household this year and \$350 next year. To compensate for the reduced education property tax credit Manitoba is not permitting rent increases for two years. There is no plan or guaranteed protection for future rent increases after 2022.

At best, renters will break even from these combined changes, but receive none of the so-called “tax relief” being offered homeowners. There is also no guarantee landlords will not continue to get above guideline rent increases. “Of the 310 requests to boost rent higher than the 2.4 per cent ceiling in the 2019–20 fiscal year, the branch approved every one — which impacted more than 20,000 units and increased rents 30–50 per cent.” [CBC Manitoba April 7, 2021](#).

Regarding the market adjusting to the lower cost and passing this along to tenants: some private market landlords have a captured market. Vacancy rates vary by unit type, cost and neighbourhood. Some families do not wish to move as they have attachment to an area, do not wish to move their child’s school etc. There are costs to moving. There is a power imbalance between landlords and tenants. These are some of the many reasons to question that the market will adjust in favour of tenants. Instead, a progressive property tax credit that adjusts to income and inflation should be in place.

Retain Education Property Tax for Education and Universal Child Care System

Education property taxes are needed to fund the education system and to meet the need to address the “she-session” caused by COVID via building a universal child care system in Manitoba.

Research proves public investment in child care pays for itself through increased female labour force participation tax paid and consumption taxes ([Fortin](#)).

The Federal Budget 2021 pledges to reduce child care fees by 50 per cent in 2022 and to \$10 a day by 2025. For Manitoba this would mean that parents of preschoolers would be fairly close to the \$10 a day in 2022 as these fees are already relatively affordable. Manitoba should match federal dollars for needed expansion to Manitoba’s child care system and boost female labour force participation, which in turn boosts GDP.

Manitoba has the 10th lowest coverage of licensed child care in Canada — there are only licensed child care spaces for 18 per cent of Manitoba children — capital is needed to build and staff spaces. Research shows child care workers should be treated like the educators they are. Currently child care workers are primarily female, many racialized, underpaid (the average ECE has 12.5 years of experience and earns \$18.38 per hour; the average CCA has 6.3 years of experience and earns \$12.93 [according to the Manitoba Child Care Coalition](#)), lack benefits and pension.

Almost a third of licensed child care centres cannot recruit employees with the qualifications required by the Community Child Care Standards Act.

The Manitoba government should retain the education property tax for needed income for education and childcare and institute mitigating measures to deal with the impacts on low income and fixed income senior homeowners and renters.