

Nego Bulletin

Public Finances, Other Choices are Possible! Part 1

We are undertaking negotiations for the Collective Agreement amidst regular announcements of new and controversial cuts by the Couillard government: daycare funding, the health care network (CSSS's), funding to municipalities, and another round of cuts to higher education (the latest cuts of \$31.6M brings the total to \$200M by this government). This is all in the name of "Austerity".

Austerity is an ideological choice. Joseph Stiglitz, former chief economist of the World Bank and recipient of the Nobel prize in economics, has called the drive towards austerity "an utter and unmitigated disaster".

There are alternatives to cutting programs, eroding benefits, and dismantling the social safety net that was won by major social struggles in the past. The *Coalition opposée à la tarification et à la privatisation des services publics* has proposed a series of measures that not only would generate \$10B in additional revenue but demonstrate that there are other options, and that we do not have to destroy the programs and services we rely on and that make this a more equitable society.

Over the next few weeks JACFA will be summarizing a number of these proposals. But we also urge you to take a look at the full document, *10\$ Milliards de Solutions*.

(<http://nonauxhaussees.org/outils/alternatives-fiscales-justes-et-equitables-pour-les-finances-publiques/>). We will subsequently be bringing a motion to the General Assembly on December 17 that will take a stand against Austerity.

Measure #1: Establish 10 taxation levels for individuals = \$1 Billion

The Quebec taxation system is becoming less and less progressive. While in 1988 there were 16 income tax categories, today there are only four. Moreover the tax rate for the lowest level was increased from 13% to 16% (for income between \$11,195 and \$41,095) while the top level decreased from 33% to 25.75% (for incomes above \$100,970).

Income tax reduction for the richest is a political choice. The result is a loss of revenue and a weakened ability to respond to the needs of the population.

The PQ government's addition of a fourth taxation category in 2012 generated revenue of over \$326M in 2014-2015. While the new category is a step in the right direction, this measure (which only touches 5% of taxpayers) is insufficient to re-establish the progressive nature of income tax. Establishing 10 income categories for individuals would result in \$1B in additional revenues. Furthermore, 10 categories would reduce income tax for 87% of taxpayers, in particular for the "middle class" (those earning between \$25,000 and \$70,000 a year).

We urge you to take a look at the original document which has tables and calculations demonstrating the impact of the increased income categories.

Measure #2: Abolish the tax credit on individual capital gains = \$739M

Currently if an individual sells shares, bonds, land or buildings, 50% of the profit is tax free. Yet 100% of income from work is taxed. This is discriminatory since it benefits the richest: 57% of capital gains were acquired by the 1.5% who earn more than \$150,000/year.

Abolishing the tax credit on individual capital gains would yield an additional \$739M in revenue. Furthermore this measure would discourage speculators who buy and sell buildings and not only benefit from the capital gains but inflate market prices.