

Critics question how PCs will fund education

Phase-out of property tax gives rise to concerns

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AFTER the first rebates on education property taxes were issued last month under Manitoba's drive to phase them out, questions surround how the Progressive Conservative government will fund education without that revenue.

"I think it would be prudent for the government to lay out what is their plan for going forward," said University of Winnipeg economics Prof. Phil Cyrenne.

"First of all, how do they envision education being financed in terms of the total amount?"

Cyrenne said he supports the principle of not relying on property taxes to fund education. It has resulted in negative outcomes for schools in U.S. cities where property owners migrated to suburbs with lower taxes.

However, he questions how Manitoba plans to replace education property tax revenue that it is eliminating, starting with a 25 per cent reduction on residential and farm properties this year, and a promised 50 per cent reduction next year.

"If you don't levy taxes on that base, you have to find another base," Cyrenne said. "And the base for the province would probably be a sales tax or maybe some other taxes (such as a provincial income tax) that they might raise."

Cyrenne also questioned the source of revenue the province used to issue education tax rebate cheques.

Budget 2021 committed \$248 million in education property tax rebates to the owners of approximately 658,000 eligible properties.

"If the school divisions aren't getting less money, and if you own a house

and you're getting more money back, then something has to make up the difference, right? If your school taxes were going to the school division, now you're getting a lot of that back, then presumably that's coming from the province," Cyrenne said.

Retired firefighter Keith Hillis said he's upset that during a pandemic and facing an historic deficit the province is borrowing money for rebate cheques to rental property owners while tenants paying rent receive nothing.

"It's not fair," said Hillis, who retired from firefighting at Shilo, sold his home and is now renting. "It's a huge profit for rental property owners."

The education property tax rebate benefits landlords the most at the expense of all Manitobans footing the bill, said Hillis.

"This rebate is strictly a cash bonus for property owners," he said. "Every renter is impacted by this — you're losing because they don't give you the rebate, which they should've done. Then, it's fair."

The province said renters are saving money — with a zero per cent rent increase guideline this and next year. But that's not equivalent to the benefit landlords and property owners are receiving from the rebates, the retiree countered.

The education property tax credit that benefits both renters and homeowners, meanwhile, is being cut. It was reduced to a maximum of \$525 this year, from \$700 in 2020, and will be further reduced to \$350 next year.

Renters — many of whom work in hard-hit retail and hospitality industries, including the young and newcomers who have the highest unemployment rates in Manitoba — "are the people that are going to lose out from this

tax break," said NDP finance critic Mark Wasyliw.

"It's just completely tone-deaf and it rewards people who don't need to be rewarded and it's going to hurt people who absolutely need those rebate cheques," Wasyliw said.

The rebate plan "skews our tax system towards wealthy property owners," said the MLA for Fort Garry. "The people who are the most financially vulnerable, who have the least ability to pay, are worse off after these tax changes. Whereas the people who obviously have the greatest ability to pay... are going to get the lion's share of the tax benefit."

Wasyliw said the Opposition is waiting for answers about what will replace education revenue when it's no longer coming from property taxes.

"We haven't seen any regulations to get some idea of what's going to happen in 2022," he said. "The problem is that the government hasn't told us and maybe they don't even know themselves because there was no policy idea here."

When asked how Manitoba plans to fund education if it's returning property tax revenue to owners, a spokesperson for the province pointed to a grant for schools announced in February, equivalent to a two per cent property tax increase (or \$22.8 million).

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