1.5 Reinstate scheduled reductions in the Corporate Income Tax, standardize the Business Education Tax and reduce the Employer Health Tax

KEY MESSAGES:

- The OCC is calling on the newly elected government to re-implement the scheduled reductions to the Corporate Income Tax, which the government pledged to reduce in 2009 and then paused in 2012.
- We also ask for a standardization of the Business Education Tax. Currently the BET rate is varied across the province and is nearly six-times the rate of the Residential Education Tax. As a result, some Ontario business are paying up to $5,200 more per $1 million in assessment, and $2,300 more than they would if cuts promised in 2007 had been implemented.
- The government should also reduce the Employer Health Tax, which is generally understood as a tax that is paid for at the expense of higher wages.

Corporate Income Tax (CIT): In the 2009 Budget, the government pledged to reduce the CIT rate to 10 percent by 2013. This was paused in 2012. The U.S. tax reform bill decreases the federal Corporate Income Tax rate to 20 percent (from 35 percent)[1]beginning in 2018; states such as Michigan would have a combined state and Federal tax of 26 percent and New York a combined rate of 26.5 percent.[2]This US reform would put the combined U.S. federal and state corporate tax rate at the same amount as Canada's combined federal and provincial corporate tax rate for some businesses, taking away Canada's current tax rate advantage.

Business Education Tax (BET): Provincial property taxes, known as the Residential Education Tax (RET) and the Business Education Tax, are controlled and regulated by the Province. The BET rate varies throughout Ontario, depending on a business' municipality or region; on average, the BET is almost six times the RET. As a result, some Ontario businesses specifically those in London, Waterloo, Hamilton, Toronto, Windsor/Middlesex, and Kingston are paying up to $5,200 more per $1 million in assessment, and $2,300 more than they would if cuts promised in 2007 had been implemented.[3]

Employer Health Tax (EHT): The EHT is a payroll tax on remuneration paid to employees and former employees which provides partial funding for the Ontario Health Insurance Plan. An economic impact study from the Canadian Centre for Economic Analysis revealed that Ontario's labour reforms will create a $23 billion hit to businesses over the next two years,[4] in part due to increased premiums on the Canadian Pension Plan, Employment Insurance, Employer Health tax, workers' compensation premiums, training costs, sick leave, and increased vacation pay.

---

1 KPMG. *Tax News Flash Canada. 2017.* https://assets.kpmg.com/content/dam/kpmg/ca/pdf/tnf/2017/ca-us-releases-proposed-tax-reform-changes.pdf

2 Morgan Scarboro. *State Corporate Income Tax Rates and Brackets for 2017.* https://taxfoundation.org/state-corporate-income-tax-rates-brackets-2017/

3 Found, Adam and Peter Tomlinson. *Ontario's Business Education Tax: Analysis of Policy Options*. 2015. https://toronto-bia.com/images/stories/tabia/TaxCommittee/bet_paper_may_2013.pdf

4 Canadian Centre for Economic Analysis (CANCEA). *Economic Impact of Bill 148. 2017.* http://keepontarioworking.ca/updates/kow-releases-final-peer-reviewed-cancea-economic-analysis