



CLEARING THE PATH

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The Future is First Nation Revenue Jurisdiction

An FNTC Analysis of the Federal Budget for 2014-2015

The 2014 Federal Budget has made it clear that any meaningful increases in funding for First Nation governments will have to come from the development of First Nations revenue authorities and jurisdictions.

Substantial increases in federal transfer payments to First Nations are not likely. If any new revenues become available they would likely be directed towards, pensions, Old Age Security (OAS) and support for provincial health care programs.

These priorities are reflected in the medium term fiscal plan that the federal government included in its Budget documents.

This plan divided all federal spending into three general envelopes; transfers to people (principally OAS); transfers to provinces (Canada Health and Social Transfer and Equalization); and everything else.

Almost all revenue growth is now earmarked for the first two envelopes. The “everything else” envelope will actually contract slightly in 2014 and then grow by only five per cent from not until six years hence. This envelope includes transfers to First Nations.

The 2014 Budget does not specify what the First Nations share of this spending envelope will actually be. However, because it is flat, substantial increases in the absolute level of First Nations funding can only come if there are substantial reductions in spending on other programs.

In other words, transfers to First Nations are competing for a fixed amount of spending with powerful political constituencies, such as training, agriculture, national defence, police, and environmental protection.

In light of this, First Nations should develop fiscal strategies aimed at securing First Nations revenue authorities. These revenue streams would not be determined according to federal political priorities.

Rather they could grow in line with the economy like other direct revenue sources.

The Medium Term Federal Fiscal Plan

The medium term federal spending plan can be explained relatively simply.

It is subject to two constraints:

1. The aging of society means that every year there will be relatively fewer workers and relatively more retirees. This means there will be slower revenue growth than was typical in the past.
2. Government expenditures cannot grow faster than revenues for a sustained period or a debt spiral will ensue.

The federal government has prioritized its spending envelopes as follows:

1. Transfers to people, principally OAS will grow by roughly 25 per cent over the next six years.
2. Transfers to province, particularly Equalization and the Canada Health Transfer and Canada Social Transfer will grow roughly 25 per cent over the next six years.
3. All other programs will grow only 5 per cent over the next six years. This spending envelope includes transfers to First Nations.

In light of this plan, First Nations have three options for increasing their transfers.

1. They can seek to gain funding at the expense of other programs in their spending envelope.
2. They can hope that revenue growth will be stronger than forecast and that this will support some additional funding announcements by the federal government.
3. They can continue to work towards having First Nations treated as governments. This would mean their transfers would be shifted to the, “transfers to other governments” envelope and would grow according to that escalator.

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Message from the Chief Commissioner



Spring is finally upon us. For many First Nation tax authorities this means tax season. In the upcoming months, many communities will be finalizing their assessment rolls, holding taxpayer meetings, developing tax rates and expenditure laws and by-laws, issuing tax notices and collecting tax revenues.

The FNTC recognizes this increased workload for tax administrators and have worked hard to make it easier for these administrators to do their jobs effectively. We developed TAS with significant input from the First Nation Tax Administrators Association and will be holding extra TAS webinars over the coming months. We also created the notification feature on the First Nation Gazette to help support First Nation rates law development. We supported the development of the First Nation Tax Administration Certificate and provided bursaries to qualified students. Our staff will also be contacting many of you to offer assistance during this busy time.

In addition to tax season work, the FNTC is also working on several projects and initiatives to support tax administrators in the long term. We recently launched TAS Cloud; a new web application built specifically for First Nation governments and with tax administrators in mind. We are also beginning our video project. We are excited to capture the stories of 25 First Nations and share them with other communities. Supporting each other and celebrating our successes will help ensure a brighter fiscal future for all First Nations.

In this regard, I want to call your attention to our analysis of the 2014 Federal Budget, which was one of fiscal restraint. Although the federal government will be entering a period of surpluses in the medium term, this does not mean increased transfers to First Nations. There will be much greater revenue demands on the federal government resulting from an aging society in other areas. In particular, there will be very strong demand on expenditure items such as pensions and transfers to provinces. Growth in transfers to First Nations is expected to be well below the rate of inflation and population growth. Our analysis concludes that the best option for First Nations is to implement and grow their revenue jurisdictions.

Stated differently, we don't view the possible decline in transfers to First Nations as a challenge; we see it as an opportunity to expand our revenue jurisdictions. We are looking forward to working with many of you on new revenue options such as taxes for the provisions of services, development cost charges, business activity taxes and property transfer taxes. Like you, I believe that the future is First Nation tax jurisdiction.

Sincerely,

C.T. (Manny) Jules
Chief Commissioner

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The Medium Term Federal Fiscal Plan

Achieving either of the first two options will require First Nations to compete successfully with the political constituencies that support those other expenditures.

The third option is best achieved by asserting and expanding First Nation revenue jurisdictions because it reduces the First Nation fiscal imbalance so they are similar to other government in Canada.

Increased First Nation revenues would also make it easier to include them in the federal-provincial transfer system.



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The Future is Revenue Jurisdiction

Transfers are falling. The future for sustainable First Nation governments is to implement their own revenue jurisdictions. Revenue jurisdiction would be direct revenues like property tax and resource royalties, unlike transfers, which are politically determined. As direct revenues, they would be less subject to the politics of the federal Budget process and reduce the need for First Nations to compete with other political constituencies such as health care.

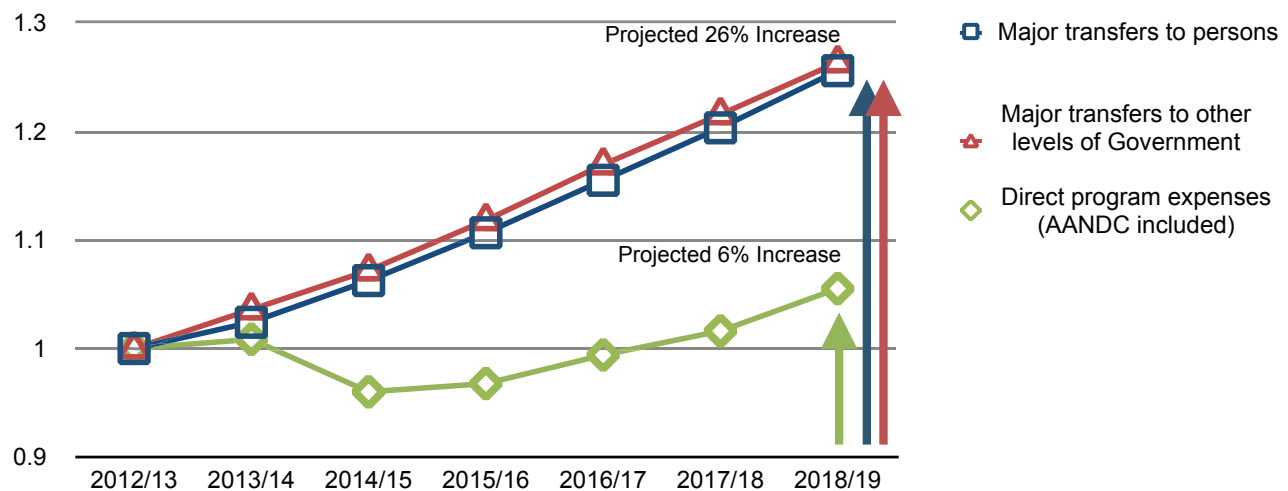
A two-stage approach is recommended to increase First Nation revenue jurisdiction.

1. First Nations should consider those revenues that are currently available through federal and provincial legislation and agreements. This includes at least local revenues, on reserve resource royalties, sales taxes and in some provinces resource revenue sharing from mineral extraction on their traditional territories.
2. First Nations should also consider new revenue authorities that could be developed through coordination with either the federal or provincial governments depending

on which government is vacating the revenue room. In pursuing new authorities, First Nations will need to be aware of the fiscal realities faced by provincial governments as well as those faced by the federal government. Provincial governments actually face more substantial fiscal challenges than does the federal government and so they will be apprehensive about sharing revenues without some incentives or compensation. For example, the FNTC has developed a proposal to improve the federal–provincial Equalization formula to provide an incentive to provinces to share revenue jurisdiction with First Nations.

The First Nations Tax Commission (FNTC) is mandated and has over 25 years of experience, services and training to help First Nations implement these revenue jurisdictions. For more information about strategies to expand First Nation direct revenues, contact the FNTC.

Change in federal government spending - 2012/2013 reference year



TAS Cloud - Tax Administration Simplified

The Tax Administration System (TAS) is a comprehensive tax tool that was built specifically for First Nation governments to manage their property tax system. It is user-friendly, accurate, reliable, and compliant with requirements. It was built with the tax administrator experience in mind.

TAS assists Tax Administrators through the entire property tax cycle and includes tools that were previously financially out of reach for smaller communities, such as tracking community trends, streamlining law submission process and flexible budgeting and flexible tax rate setting tools.

TAS Cloud is now a web application, which greatly reduces IT costs. There are no software installations, no hardware requirements, and no network security issues.

For more information on the Tax Administration System, visit tascloud.ca.

For more information, for a demonstration, or to register for one of the webinars, contact the TAS team at: info@tascloud.ca or 877.222.4488.

Celebrating First Nation Successes with Property Taxation

The First Nations Tax Commission is supporting First Nations telling their stories about growing their local economies through implementing property jurisdiction. Two new initiatives are underway to create an up-to-date database of photos and videos of property taxing First Nations.

Digital Photo Contest

First Nation property tax dollars at work.



The FNTC invites you to enter the 2014 Digital Photo Contest. We are looking for digital images that highlight tax dollars at work. Images should feature the benefits to the community as a result of exercising property tax.

For each photo received that meets the criteria, **one entry will be added to the draw for an iPad Mini**. The more photos you send, the higher your chances are of winning!

The deadline for photo submissions is Friday, May 2, 2014 and the prize draw will be held on May 16.

Photos that showcase the wide variety of infrastructure developed as a result of tax revenues, and people working with tax administration tools are of particular interest, such as:

- Administrators using the Tax Administration System (TAS)
- Administrators using the First Nations Gazette
- People reviewing architectural drawings or 3-D models
- Administrators in the office
- Administrators in meetings
- Before and After photos of land being developed
- Construction of buildings and infrastructure
- New water, sewer and other infrastructure
- New equipment and vehicles
- Construction projects
- Photo tours of new buildings and infrastructure

For details on how to enter the contest, or if you have any questions, please contact:

Email: communications@fntc.ca
Phone: 250.828.9857

25 over 25: Sharing Success Stories

25 First Nations that have built their local economy through property taxation.

The FNTC is currently undertaking a video project to celebrate the successes of First Nations who have utilized taxation to build their economies and generate revenues.

In the upcoming months, FNTC will begin traveling to 25 First Nation communities across the country to interview tax administrators, leaders, community members, and taxpayers to create short videos that highlight taxation successes.

The intent is to revisit the past 25 years of First Nation property taxation in Canada and allow First Nations themselves to share how property taxation has impacted their community and what it means to them.

Videos completed will be uploaded to the FNTC website. We hope First Nation communities will enjoy sharing their stories and learning about the successes other First Nations are having as a result of implementing property taxation.

Please contact the FNTC if your community is interested in participating in this project.



First Nations Tax Commission

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