



NEWS RELEASE

Ottawa can't finance large spending programs by only taxing upper-income families, eventually middle class must also pay

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VANCOUVER—If the federal government, which plans to table its next budget this week, wants to fund a major expansion of government, it simply can't raise enough tax revenue solely from Canada's upper-income families, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"To generate sufficient revenue to significantly increase federal spending, Ottawa must raise taxes on Canadians across a broad income spectrum, not just top earners," said Ben Eisen, senior fellow at the Fraser Institute and author of *No Free Lunch for the 99 Percent: Estimating Revenue Effects from Taxes on Top Earners*.

The study highlights several potential tax policies and explains why they fail to generate the revenue some proponents claim, including:

Personal income tax increases: A review of recent Canadian evidence shows that when governments raise the top personal income tax rate, they often raise little, if any, additional tax revenue due to the behavioural changes of taxpayers (e.g. some taxpayers restructure their income to lower their tax liability).

Business tax increases: When governments increase taxes on business, the cost is effectively passed onto workers (e.g. reduced wages) and consumers (e.g. higher prices). As such, these taxes do not effectively target upper-income families.

Wealth taxes: A wealth tax or estate tax is challenging for government to administer—many countries that imposed them eventually eliminated them because they raise little revenue while imposing significant costs.

"If Canadians actually want a much bigger government, they're going to have to pay for it with higher taxes," Eisen said.

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