

March 19, 2002

B U D G E T 2 0 0 2
THE RIGHT DECISIONS FOR CHALLENGING TIMES

Budget Overview

Budget 2002 maintains Alberta Advantage by responding to global economic challenges



The Right Decisions for Challenging Times

Edmonton...Targeting dollars to priority areas, preserving Alberta's position as the lowest taxed province in Canada and maintaining a balanced budget remained strong in Budget 2002, which was tabled in the Alberta Legislature by Minister of Finance Patricia Nelson.

"These are challenging times, not only in Alberta, but around the world. It's a time of uncertainty in which the future is surrounded by the shock of September 11, the reality of lower revenue, rising costs and uncertain markets in the United States, Canada and around the world," said Nelson. "Budget 2002 allocates available dollars to key priorities like health care, education and those in need, while preserving our province's overall tax advantage, keeping the budget balanced and continuing to pay down our province's debt."

Budget 2002 Highlights

:

- **Alberta continues to have the lowest per capita debt in Canada. Accumulated debt, less cash set aside, is projected to be \$5.8 billion by the end of 2002-03 fiscal year and less than \$5 billion by March 31, 2005.** Alberta remains nine years ahead of its 25-year legislated debt retirement schedule.
- **Debt servicing costs to be \$585 million, a decrease of \$251 million from 2001-02**
- **Economic cushion of \$724 million**
- **Total revenue of \$20 billion for 2002-03, a drop of \$1.2 billion or 5.6 per cent from 2001-02 fiscal year.**
- **Total expense for 2002-03 will be \$19.2 billion**
, a decline of \$1.7 billion or 8.1 per cent from 2001-02 fiscal year.
- **Spending on Health and Wellness in 2002-03 will be \$6.8 billion, an increase of 7.3 per cent.**
- **In 2002-03, Learning's budget will go up 4.7 per cent to \$4.7 billion.**
- **Children's Services' budget will rise another 4.2 per cent to \$675 million in 2002-03.**
- **Starts implementation of health reforms from the Report of the Premier's Advisory Council on Health.**

Alberta Advantage

"Like a business, our government has to stay within a realistic fiscal plan. This means watching the bottom line, paying off our debt and not spending money that we don't have while targeting available dollars to key

program areas," said Nelson. "The fiscal blueprint outlined in Budget 2002 encourages consumer confidence, job creation and economic growth in Alberta."

- **Albertans to continue to enjoy the lowest overall personal and business tax load in Canada. Alberta has no sales tax, no payroll tax and no capital tax.**
- Business tax reductions will proceed, but at a slower rate and over a longer period.

Small business and general corporate income tax rates will be reduced by half a percentage point in 2002-03. Small business exemption level to rise to \$350,000 from \$300,000. These initiatives will save Alberta businesses \$81 million, which is in addition to the \$286 million that was cut from business taxes in 2001-02.

- **Economic growth to be 2.5 per cent in 2002**
, rising to a strong 3.9 per cent in 2003.

- **Employment to grow by an average of 2.2 per cent per year.**

- **Over 35,000 new jobs to be created in Alberta in 2002 and a total of approximately 144,000 additional jobs by 2005.**
- Responding to Challenges**

"While Alberta's economy continues to be strong, dramatic drops in the price of oil and gas translate directly into a significant hit on provincial revenues," said Nelson. "The fiscal realities faced by our government have meant making some prudent fiscal adjustments to ensure Alberta's fiscal plan remains on track."

Budget 2002 addresses the decline in revenue, which has been faster and deeper than expected due to the weaker world economy and the rapid drop in natural gas prices. Overall, changing world conditions cut \$1.6 billion from government revenue for 2002-03 compared to what was expected in Budget 2001. Resource revenue is expected to be down 37 per cent from last year.

- **To help pay for the rising costs of health care in Alberta, effective April 1, health care insurance premiums will go up for the first time since 1995 from 11 per cent to just under 13 per cent of the \$6.8 billion in total health and wellness ministry spending**
. This change will generate \$184 million in revenue. **Monthly premiums to rise by \$10 for individuals and by \$20 for families. Lower-income individuals, families and seniors will continue to pay no or reduced health care premiums.**
- To encourage Albertans, especially young Albertans to stop smoking, tax on tobacco will increase by \$2.25 a pack. Initiative will raise \$281 million in revenue in 2002-03.
- Increases in liquor markups, motor vehicle fees, highway traffic fines and various other fees will add an estimated \$112 million to revenue in 2002-03.
- Freeze on school property tax revenue has been lifted, increasing government revenue by \$45 million in 2002-03.
- Public service is being reduced by 1.2 per cent or 298 positions. There are about 25,000 civil servants in Alberta.
- One-time infrastructure spending of \$631 million that was planned for 2002-03 has been deferred until affordable. **However, \$1.1 billion in infrastructure projects will still proceed in 2002-03.**

"Budget 2002 does what Albertans expect from a Ralph Klein government, which is to face the challenges head on and make the right decisions," added Nelson. "The result is our budget is balanced, we are still on track to pay down debt, we are the lowest taxed province in the country and we continue to spend on Albertans' priorities."

The Minister of Finance also confirmed David Tuer, Chair of the Calgary Health Region and past Chief Executive Officer of PanCanadian Energy Corporation will chair the Alberta Financial Management Commission, which was announced in the throne speech. The commission will review and assess current

fiscal and accounting policies to ensure Alberta remains a leader in fiscal planning without losing sight of this government's commitment to balanced budgets and debt elimination. Further details will be announced shortly.

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For media inquiries, please contact:

Ed Greenberg - Director of Communications, Alberta Finance - (780) 427-5364 - (780) 718-5699 (cellular)

Attachments:

Charts and graphs

[Revenue and Expense](#)

[Accumulated Debt at March 31](#)

[Change in Resource Revenue forecasts since Budget 2001](#)

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Backgrounder: [Learning investments 2002-03 to 2004-05](#)

[Chart: Total Alberta Learning Investment in Education](#)

Backgrounder: [Alberta lottery fund distributions](#)

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Backgrounder: [Highway traffic fine increases effective April 1, 2002](#)

Backgrounder: [Court fee increases effective April 1, 2002](#)

Backgrounder: [Fee increases for common motor vehicle services, effective July 1, 2002](#)

Backgrounder: [Changes in liquor mark ups effective April 5, 2002](#)

Backgrounder: [Infrastructure and transportation funding levels and project status](#)

Editor's Note: Electronic versions of these charts, as well as the Budget 2002 logo can be downloaded from the Alberta Finance website. As well, photographs of Mrs. Nelson and audio clips from news conference can be downloaded from Alberta Finance website.

Background

Edmonton, March 19, 2002

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Budget summary by ministry



Following are Budget 2002 spending and full-time equivalents (FTEs) summaries for all ministries. Total FTE reductions across government are expected to be 298.

Aboriginal Affairs and Northern Development

- The 2002-03 budget stands at \$30 million, which is down \$1 million from \$31 million in 2001-02. There is no change in the number of FTEs, which remains at 61.
For information, contact Peter Tadman (780) 415-0876

Agriculture, Food and Rural Development

- Total Ministry spending for 2002-03, which includes Alberta Dairy Control Board, Safety Net Programs and the Farm Income Assistance Program, is budgeted at \$671 million compared to \$1.2 billion in 2001-02. The reduction is due largely to the discontinued Farm Income Assistance Program, which provided one-time emergency drought and farm assistance payments to Alberta farmers and ranchers. In 2003-04, Ministry spending is targeted to return to the base level of about \$550 million per year, with the divestment of the Alberta Dairy Control Board.
- With lower input costs, higher commodity prices and the need for prudent fiscal management, the special 30 per cent crop insurance premium reduction provided for the last two years has been discontinued. The need for any special drought or agriculture assistance in the current year will be assessed in the context of the province's overall fiscal position.
- The department's FTEs will be reduced by 145 FTEs from 1,170 to 1,025 FTEs. Restructuring of the Industry Development sector to provide increased agri-business support for producers and processors will be the most significant factor in the reduction. In addition, 2002-03 estimates reflect a 34 FTE reduction in Agriculture Financial Services Corporation as a result of program changes and administrative efficiencies from 2001-02. Dairy production and marketing regulation will move to a producer-elected commodity board, resulting in a further seven FTE reduction. In total, Ministry FTEs will be reduced by 186, to 1,606 in 2002-03.

For information, contact Terry Willock (780) 422-7683

Children's Services

- The 2002-03 budget for Children's Services is \$675 million, up from \$648 million in 2001-02. This includes increases for services to children and families in such areas as child welfare and services for

children with disabilities. Family and Community Support Services will also receive a \$15 million increase (36 per cent) from 2001-02.

- The Alberta Response Model is a key initiative to be developed this year. The model includes building on successful child protective services and improving community-based supports for families at risk.
- Total FTEs for 2002-03 is 2,402, down from 2,588 in 2001-02. The reduction of 186 FTEs will largely come through attrition. There will be no reduction in social workers or other front-line staff.

For information, contact Mark Kastner (780) 427-4801.

Community Development

- The budget for 2002-03 is \$580 million, an increase of some \$17 million over 2001-02. This includes an eight per cent increase to Persons with Developmental Disabilities (PDD) and a \$711,000 increase in operating grants for Alberta's 234 library boards and seven regional systems, bringing total funding to \$17.2 million. The funding increase to libraries is to keep pace with Alberta's growing population.
- The Centennial Legacies Grant Program, which provided funding for the construction or renovation of major publicly accessible facilities by municipalities and non-profit groups, was deferred on October 18, 2001. The program will remain on hold until the province's financial situation changes and new provincial monies are allocated.
- Staff reductions of 83 FTEs are planned in 2002-03, with approximately 34 per cent achieved through attrition.

For information, contact Kathy Telfer (780) 427-2395

Economic Development

- The budget for 2002-03 remains unchanged at \$51 million.
- FTEs will increase by four, to 194 in 2002-03 from 190 in 2001-02. This includes positions in new international offices in Germany and Mexico.

For information, contact Mark Erdman (780) 427-0528

Energy

- Energy ministry spending for 2002-03 is \$177 million, down from \$179 million in 2001-02.
- Total FTEs will increase to 1,313 (556 department and 757 EUB), up seven from 2001-02. The seven new EUB positions will work with landowners on energy-related concerns and will provide an increased Board presence at public meetings and in the field, more support for Alternate Dispute Resolution for early resolution of development issues, and additional expertise on public safety and sour gas initiatives.

For information, contact Charlotte Moran (780) 422-3667

Environment

- The 2002-03 budget is \$110 million, an \$18 million reduction over 2001-02. A reduction of six FTEs, from 775 in 2001-02 to 769 in 2002-03, reflects staff reallocated to parks functions in Community Development. Budget variances include one-time spending in last year's budget for a variety of projects.
- The ministry will continue to focus on high-impact areas such as water quality and quantity, climate change, air quality, hazard and risk management and will put increased emphasis on stewardship and innovation.

For information, contact Val Mellesmoen (780) 427-2848

Executive Council

- The budget for 2002-03 remains unchanged at \$15 million.
- FTEs will be reduced by three, from 180 in 2001-02 to 177 this year. This reflects the transfer of one position to Alberta Corporate Service Centre and staffing efficiencies achieved through the

combination of Calgary RITE telephone service and Queen's Printer Bookstore offices.
For information, contact Fay Orr (780) 427-4350

Finance

- Spending in 2002-03 will be \$442 million, compared to \$432 million in 2001-02 to reflect ministry operations.
- FTEs increased to 351 from 331, which reflect increased service levels to Albertans in the area of pensions administration.

For information, contact Ed Greenberg (780) 427-5364

Gaming

- Gaming's expenses in Budget 2002 are almost \$216 million, an increase of about \$12 million over the 2001-02 forecast of \$204 million.
- The discontinuation of the Community Lottery Board Program will reduce spending by about \$51 million.
- \$2.5 million will be provided to the Community Facility Enhancement Program, returning that program to total funding of \$25 million for 2002-03 with further increases in funding to CFEP in future years. As well, \$5.4 million will flow through to Alberta's two NHL teams from the "Breakaway to Win" ticket lottery and \$3.2 million to bingo associations through the introduction of electronic bingo and keno. Other lottery funded initiatives are budgeted to increase about \$4 million dollars. An additional \$17 million will flow through the Racing Industry Renewal Initiative from increased gaming revenues generated at Racing Entertainment Centres. Operating costs of the Alberta Gaming & Liquor Commission are budgeted to increase about \$31 million primarily as a result of increased equipment costs, and increased liquor, gaming and tobacco enforcement activities.
- FTEs will remain at the previous year's level of 32.
- Revenue is expected to be almost \$1.8 billion in 2002-03, an increase of about \$140 million over the 2001-02 forecast of \$1.6 billion. This increase reflects higher gaming and liquor profits.

For information, contact Marilyn Carlyle-Helms (780) 447-8719

Government Services

- The 2002-03 operating expense budget for Government Services will be \$58 million, up from the 2001-02 forecast of \$52 million reflecting increased spending to begin renewal of the motor vehicles, land titles and personal property registry systems. Excluding the 1,133 FTEs associated with the Alberta Corporate Service Centre, the Ministry's FTEs will increase, from 414 in 2001-02 to 426 in 2002-03, to support the registries system upgrade.

For information, contact Megan Parker (780) 415-6051

Health and Wellness

- Funding for 2002-2003 will reach \$6.8 billion, up \$468 million or 7.3 per cent over the 2001-2002 forecast. Ministry FTEs will change from 1,188 to 1,197.
- Of the \$468 million increase, health authorities will receive additional operating funds totaling \$247 million for an overall increase of 6.9 per cent. Funding for Province Wide Services such as cardiovascular surgery, major organ transplants and renal dialysis will increase by \$21 million or 5.3 per cent. The remaining \$200 million will provide for an increase of \$177 million (14.1 per cent) for physician compensation as part of the agreement negotiated last year with the AMA, an additional \$16 million for use of blood products, \$9 million for AADAC to implement a tobacco reduction program, and \$25 million to commence implementation of the recommendations of the Premier's Advisory Council on Health. Cost containment strategies total \$28 million.

For information, contact Michael Shields (780) 427-7164

Human Resources and Employment

- The budget will rise by 3.7 per cent, from \$1.022 billion in 2001-02 to \$1.059 billion in 2002-03.

Monthly benefits for Albertans receiving social assistance, including single parents, widows, and the severely disabled, will remain at current levels. There will be a 0.9 per cent decrease in funding for skills programs.

- The number of staff in the ministry, which includes Personnel Administration Office, will increase from 1,900 to 1,940 FTEs to accommodate the reallocation of staff for the commission responsible for workers' compensation appeals.

For information, contact Laurie Collins (780) 427-5649

Infrastructure

- Program expense and capital investment spending on government-owned and supported infrastructure is down from the 2001-02 forecast of \$2.3 billion to \$835 million in 2002-03, primarily due to capital project funding deferrals and completion of the provincial energy rebate program. There is a net reduction of 2 FTEs, from 955 in 2001-02 to 953 in 2002-03. This reflects the transfers to Alberta Transportation.

For more information, contact David Bray (780) 422-0506

Innovation and Science

- The combined 2002-03 operating and capital budget will increase to \$320 million, from \$230 million in 2001-02. FTEs will increase to 787 this year, up 10 from 2001-02.

For more information, contact Glenn Guenther (780) 427-0285

International and Intergovernmental Relations

- The ministry's budget for 2002-03 is \$6.08 million, a \$20,000 reduction from 2001-02. The reductions are not expected to have an adverse impact on ministry priorities. These priorities focus on providing leadership in the management of Alberta's international and intergovernmental relationships. The number of FTEs stands at 53, unchanged from 2001-02.

For more information, contact Beryl Cullum (780) 422-2465

Justice and Attorney General

- Alberta Justice will spend \$236 million in 2002-03 - an increase of \$9 million over the 2001-02 forecast of \$227 million. Changes in anticipated expenditures include:
 - Some \$12.7 million for additional prosecutors and prosecution support staff, additional staff for traffic ticket processing and general manpower costs.
 - A \$1 million increase in Legal Aid funding, and
 - A reduction of about \$4.7 million in Court Services, Legal Services, Criminal Justice and Maintenance Enforcement.
- Total FTEs will increase from 2,066 in 2001-02 to 2,123 in 2002-03. This includes 34 new FTEs for additional prosecutors (15 announced in fall 2001 and 19 to be added in 2002-03), as well as prosecution support staff and court staff for highway traffic ticket processing.

For more information, contact Bart Johnson (780) 427-8530

Learning

- Total program spending will increase by \$208 million, or 4.7 per cent to almost \$4.7 billion in 2002-03, and by \$557 million, or 12.5 per cent, over the next three years. By 2004-05, Learning program spending will exceed \$5 billion. Ministry FTEs for 2002-03 are unchanged at 984.

For more information, contact Jerry Bellikka (780) 427-0965

Municipal Affairs

- The estimated budget for 2002-03 is \$132 million, which is a decrease of approximately \$38 million

from 2001-02 forecast of \$170 million. The decrease is from the Underground Petroleum Storage Tank Site Remediation Program. The ministry's commitment to municipalities through its grant programs is not affected.

- FTEs in 2002-03 will be 311, down from 317 in 2001-02. This is due mainly to voluntary staff retirements and changes in the staff complement to meet ministry priorities and objectives.

For information, contact Jay O'Neill (780) 422-8817

Revenue

- In order to continue effectively managing the investments of approximately \$39 billion in funds, make certain technology meets rapidly-changing investment industry standards, and ensure the integrity of collection of over \$8.4 billion dollars of revenue, the Revenue Ministry has received funding for a 2002-03 spending increase to \$158 million, up from \$153 million in 2001-02.
- The additional funding will allow for an increase in FTE's to 296, up from 268 last year. The increase in FTEs will address pressures in tax administration through allocation to tobacco tax audit, assessment, corporate tax assessors and auditors; and contracted services required to ensure compliance with tax programs.
- The Alberta Securities Commission will use industry-funded reserves for an increase of one FTE to 126 from 125 last year, salary adjustments, investor and industry education initiatives, and enforcement proceedings.

For information, contact Gordon Vincent (780) 422-4591

Seniors

- Consolidated program expense for 2002-03 is \$283 million, down from \$298 million in 2001-02. While the reduction is due primarily to the ending of the Health Aging Partnership Initiative, additional funds have been transferred to the ministry to help cover increases in long term care rates and optical and dental services for low-income seniors. Seniors will continue to receive support through a variety of programs, including the Alberta Seniors Benefit. FTEs will increase from 225 in 2001-02 to 232 in 2002-03. The increase in FTEs is due to program transfers from other ministries.

For information, contact Jan Berkowski (780) 427-2201

Solicitor General

- The 2002-03 budget will increase to \$268 million, up from \$259 million in 2001-02. The \$9 million increase includes an additional \$1.8 million for overall spending on policing in Alberta, as well as salary and classification adjustments for more than 2,000 employees in corrections facilities, probation officers and other staff in community corrections, as well as court and prisoner security staff.
- FTEs will be unchanged at 2,090 in 2002-03.

For information, contact Jean Olynyk (780) 427-6153

Sustainable Resource Development

- The \$191 million budget for 2002-03 is a change from \$297 million in 2001-02. The decrease reflects the elimination of some one-time spending and a further savings of \$4 million from streamlining processes and cost-saving initiatives.
- FTEs will decrease to 1,879 in 2002-03, down from 1,899 last year. Reductions will be achieved primarily through attrition. Reductions are not expected to impact service levels at this time.

For information, contact Susan McManus (780) 427-8636

Transportation

- Alberta Transportation's program expense and capital investment will decrease to \$893 million in 2002-03 from the 2001-02 forecast of \$1.2 billion due to transportation project deferrals. Funding for highway maintenance and traffic safety programs will be maintained and funding for the Municipal Water and Wastewater program will be sustained at \$25 million.

- Funding for Premier's Task Force on Infrastructure initiatives will be reduced or deferred.
- Ministry FTEs for 2002-03 will increase by two to 819. This reflects a transfer from Infrastructure and also the fact that services are delivered through consulting agencies and contracting companies.
For information, contact Cheryl Mackenzie (780) 427-7674

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Background

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The Alberta Advantage

The Economy

- Alberta's economy is expected to be one of the strongest in the nation.
- **In 2002, Alberta's economic growth is projected at 2.5 per cent.**
 - Over the past five years, **Alberta's average unemployment rate** of 5.3 per cent was the **lowest among the provinces** and well below the national average of 7.8 per cent.
- **Employment is expected to grow by an average of 2.2 per cent per year over the next four years.**
 - In 2002, we estimate the Alberta economy will create over 35,000 new jobs.

Sound Fiscal Management

- The Alberta Government is committed to maintaining the balance between fiscal responsibility and meeting Albertans' priorities.
- **Alberta has had eight consecutive balanced budgets.**
- **Per capita, the province's accumulated debt of \$6 billion is the lowest in Canada and is being paid down at a rate that is nine years ahead of the government's 25-year legislated schedule**
- All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) rank Alberta as 'Triple A', the top province in Canada for credit worthiness on Canadian dollar debt, exceeding even the federal government.

The Tax System

- Alberta has the lowest overall taxes in the country and is the only province that doesn't have a provincial sales tax.
- In 2001, Albertans saved more than \$1 billion in personal income taxes from the province's single rate tax.
- Alberta has the lowest top marginal personal income tax rate among the provinces at 39 per cent - 29 per cent federal and 10 per cent provincial.

Operating Costs

- Alberta has low operating costs for businesses and households.
- Edmonton is the least expensive city in which to do business out of 86 major cities in nine countries, according to a study by KMPG on business costs.
- Calgary and Edmonton are ranked in the top five among major cities for initial investment cost.
- Based on the Fraser Institute's 2001 *Survey of Senior Managers*, **Alberta has the best investment climate in the country.**

Interprovincial Tax and Health Care Insurance Premium Comparison for 2002

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Employment Income of \$30,000 – One Income Family – No Tax Deductions										
Provincial Income Tax	(798)	134	711	501	131	711	1,206	1,111	1,112	1,441
Provincial Sales Tax		745	500	700	1,117	707	1,000	989	1,262	1,077
Health Care Premium	304	303								
Payroll Tax				111	117	110				170
Fuel Tax	270	111	411	546	447	410	390	405	390	495
Tobacco Tax	706	711	411	411	111	113	363	401	448	550
	482	1,537	1,124	1,177	1,611	1,301	2,968	2,906	3,212	3,733
Alberta Advantage		2,105	1,642	1,895	1,121	1,408	2,486	2,424	2,730	3,251
Employment Income of \$60,000 – Two Income Family – No Tax Deductions										
Provincial Income Tax	2,171	1,345	1,111	1,100	1,031	1,114	3,206	3,404	3,312	3,645
Provincial Sales Tax		1,111	745	1,111	1,111	1,110	1,511	1,469	1,879	1,600
Health Care Premium	747	304								
Payroll Tax				411	111	170				330
Fuel Tax	405	411	171	511	501	114	585	608	585	743
Tobacco Tax	706	711	411	411	111	113	363	401	448	550
	4,029	3,117	2,171	2,742	2,117	2,177	5,665	5,882	6,224	6,886
Alberta Advantage		1,108	1,041	1,713	632	2,342	1,636	1,853	2,195	2,857
Employment Income of \$100,000 – Two Income Family – No Tax Deductions										
Provincial Income Tax	5,476	4,111	3,441	3,178	4,717	5,111	7,596	7,969	7,528	8,500
Provincial Sales Tax		1,111	1,111	1,111	1,117	1,110	2,258	2,193	2,818	2,393
Health Care Premium	747	304								
Payroll Tax				771	177	1,170				565
Fuel Tax	405	411	171	511	501	114	585	608	585	743
Tobacco Tax	706	711	411	411	111	113	363	401	448	550
	7,334	6,427	5,022	5,201	6,414	6,311	10,801	11,161	11,379	12,820
Alberta Advantage		1,135	2,329	4,187	1,500	6,999	3,467	3,827	4,045	5,486

Calculations are based on other provinces' tax parameters known as of February 28, 2012.

Assumptions:

- Business is assumed to bear between 25% and 50% of the provincial sales tax, depending on the provincial tax regime.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 5,000 litres per year for one income family and 4,000 litres for two income families.
- Tobacco tax is based on estimated consumption of 5,000 packs per year.
- RRSP/RPP contributions of \$1,000, \$7,000 and \$15,000 are included in the calculation of the provincial income tax for the \$30,000, \$60,000 and \$100,000 families, respectively.
- For two income families, income and RRSP/RPP contributions are split 50/50 between the two spouses.
- The children in each family are assumed to be 3 and 10 years old.

For more information, contact:

Ed Greenberg - Alberta Finance - (780) 427-5364 - cellular (780) 718-5699

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NHL Players Tax

The Alberta government has responded to a proposal from the Alberta NHL teams that will provide the teams with additional revenue for operational purposes, while not costing the general public any money.

Q. How much revenue is expected to be collected from NHL players?

It's expected the NHL Players Tax will take in about \$6 million per full year, which will be split between the two teams, once administration costs have been subtracted.

Q. When will the money start flowing to the teams?

It is expected the levy will take effect at the start of the 2002-03 NHL season. The two Alberta teams will start receiving revenue by the spring of 2003. The tax will be in place until December 31, 2005.

Q. How much is this tax going to cost to administer?

Annual administration costs will be about \$150,000. Once again, these costs will be recovered from the revenue collected from the NHL players.

Q. How will this Tax work?

All NHL hockey players who provide a service to their team in a hockey facility on a game day in Alberta will have to pay the tax. The tax will be calculated as 12.5 per cent of the income they earn from performing services on game days at Skyreach Centre or the Pengrowth Saddledome. This includes NHL players who live in Alberta, Canada, the United States and other countries. All players will be subject to the same formula, no matter where they live.

Q. How is the tax calculated?

For each game in Alberta, the individual player's tax will be calculated as follows:

$$12.5\% \times \text{player's income}^* \times \frac{1}{\text{Duty Days}^{**}}$$

* A player's income A player's income is the base salary from the hockey team.

** Duty days are the total number of days in a tax year contained within an NHL regular season (each tax year will contain days from two separate regular seasons).

Q. What happens if a player only plays half a game or just practices with the team and doesn't dress for an actual game?

The tax will apply to all players who are active team members. The tax will not apply to individuals on the disabled list unless they are required by their team to be at the hockey facility during a game in Alberta. Practices will not be taxed.

Q. How does Alberta compare with other provinces that have NHL teams? Is there any indication

they are going to follow with a similar program?

Alberta is the only province so far to bring such a tax forward. However, other provinces where there is NHL hockey could introduce a similar initiative.

Q. Who would provide the tax credit for foreign players?

The United States would likely provide a foreign tax credit for U.S. residents. Credits for players resident in other countries would be dependant on tax laws in their respective countries.

Q. Will Canadian players receive a tax credit?

Canadian players will not receive a tax credit. There will be a provision in Legislation that allows the introduction of a tax credit system with other provinces that introduce a similar tax. The exact nature of the credit would be subject to negotiation.

Q. How will this tax be collected?

Alberta Revenue, Tax and Revenue Administration, will be responsible for administration of the tax. It is very likely that the NHL teams will be required to withhold the tax from the players and remit the withheld amounts to Alberta Revenue.

Q. Why doesn't this new tax violate NAFTA?

All NHL players are being treated in the same fashion, which complies with NAFTA.

Q. How does this tax compare to what American hockey jurisdictions have in place?

In U.S. jurisdictions that impose a tax on NHL hockey players, the tax is part of their regular income tax system. These jurisdictions tax the income of both resident and non-resident hockey players. They also tax other non-residents, such as plumbers and nurses. In Alberta, this will be a separate tax that applies only to NHL players.

Q. What does this new levy do to the tax load for NHL players residing in Alberta?

Most NHL players in Alberta will still face the lowest top marginal rate in Canada and will still be paying less tax than prior to the introduction of Alberta's single rate tax plan in 2001. The NHL Players Tax does not harm Alberta's position of having the lowest overall tax load in Canada.

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For more information, contact:

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