

New Century: **Bold Plans.**

Fiscal flexibility reaps big rewards in 2000; new spending targeted to pressure areas

Highlights

- Increase in base program spending, including a 20% increase for health and education over three years
 - **Base spending for both health and education to increase by more than nine per cent in 2000-01**
 - **In 2000-01, revenue is forecast to be \$19.1 billion and total expenses are forecast to be \$17.7 billion.**
 - **Implementation of the single-rate tax system on January 1, 2001, saving Albertan's \$852 million per year**
 - **\$60-million reduction in fees and charges.**

Edmonton, February 24, 2000 -

Budget 2000 marks the beginning of a bold new course for Alberta. The province's first budget of the 21st Century was tabled in the Legislature at 4 p.m. by Provincial Treasurer Stockwell Day.

"This is a good news budget for Albertans," Premier Ralph Klein said. "It is based on a strong economy rooted in sound fundamentals."

"There is significant new spending in this budget, new spending that corresponds to Albertans' priorities and to the tremendous growth Alberta is experiencing," said Klein. "Alberta's population and economy are growing significantly, with resulting pressures on health services, schools, infrastructure and other areas. Budget 2000 addresses these pressures responsibly and affordably."

The province's fiscal plan for 2000-03 breaks new ground in the field of health care, positions Alberta's education system among the best in the world, and implements revolutionary tax reforms.

"The people of Alberta have told us to maintain a healthy climate where people can pursue their hopes and dreams," said Provincial Treasurer Stockwell Day. "So here it is, Budget 2000: limited government, lower taxes, increases for health, education and people in need, reduced debt. Easy to say, tough to do. But we did it."

Day added that Albertans have also made it clear that they want to keep more of their hard-earned money, something that's being achieved through the new tax plan and reductions to many fees and charges.

Budget 2000 projects Alberta's expenditures to reach \$17.7 billion. This includes substantial increases in spending on health, education, seniors and children.

The base budget for Health and Wellness will increase by 9.3 per cent , to \$5.6 billion in 2000-01 and by 21 per cent, to \$6.26 billion by 2002-03. The base budget for Learning is going to go up by 9.2 per cent to \$4.4 billion in 2000-01 and by nearly 19 per cent to \$4.8 billion by 2002-03.

Revenue in 2000-01 will fall to \$19.1 billion from this year's record level of \$19.4 billion. This decline is expected due to anticipated drops in energy prices.

On January 1, Alberta's new personal income tax system will be fully implemented, a move that will save Alberta taxpayers \$852 million a year in 2001. As well, 132,000 low-income Albertans will no longer pay any provincial income tax at all.

And at the stroke of midnight tonight, Albertans will start saving money thanks to \$60-million worth of cuts to provincial user fees. That's when more than 100 fees will be reduced or eliminated for a wide array of services, from corporate registry fees to land title fees to personal property registration fees.

"Albertans are benefiting from our prudent fiscal planning," said Day. "We have the fiscal flexibility to increase spending to key areas, cut taxes and user fees, and continue with our debt payment plans."

As part of that prudent planning, an economic cushion of \$713 million is built in to Budget 2000 to protect against revenue declines or disasters. If that money isn't needed, 75 per cent, or \$535 million, will be going to the remaining accumulated debt and to increase financial assets. The rest can be used for one-time spending or revenue reductions, as set out in the Fiscal Responsibility Act. Under the Act, Alberta's accumulated debt will be paid off within 25 years. And the savings due to debt payment are already being felt. In fact, in 2000-01, Alberta's debt-servicing costs will be under \$1 billion for the first time in 12 years.

Sustainability is another key to the province's fiscal plan. Energy revenues in Alberta are volatile, and that means the province has to remain realistic in its spending plans.

"We can't rely on \$30 oil," Day said. "We have to remember that, on this day last year, oil closed at \$12.61."

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Background

New Century: **Bold Plans.**

**Alberta's tax reforms simplify
system and leave more money in
taxpayers' pockets**

Alberta has entered the new century as Canada's leader in fiscal reform. We are rid of the net debt, we have a plan in place to eliminate the remaining accumulated debt, and we've eliminated the 8 per cent surtax on personal income tax. Now Alberta is leading the country in tax reform with a new single-rate personal income tax system, which will be introduced on January 1, 2001.

Key components of Alberta's single rate tax system:

- the province will unhook from the federal system, taxing Albertans on their taxable income (after all deductions);
- a single rate of 11% will apply on Albertans taxable income, so workers can no longer be pushed into higher tax brackets;
- the basic exemption will be substantially increased from \$7,131 to \$11,620 and the spousal exemption from \$6,055 to \$11,620;
- all other non-refundable credits will still apply; and,
- the basic and spousal exemptions will be fully indexed to offset inflation, making Alberta the only province to end bracket creep.

It's like a raise for all Albertans:

- By 2001, Albertans will see their taxes cut by \$852 million a year. Albertans from all walks of life will benefit. And higher exemptions will mean significant benefits for lower-income families.
- Low-income Albertans get a real break from the new plan. In 2001, families with two children who earn less than \$31,000 a year will pay no provincial income tax whatsoever. In fact, for these families, the refundable Alberta Family Employment Tax Credit exceeds Alberta tax payable.
- The new system reduces the differences in Alberta taxes paid by single and two-income families. Today, a single-income family pays more in personal income taxes than a family at the same income level with two parents working outside the home.
- Under the new system, both types of families will see their taxes go down. But the single income families - which includes single parents - will see their taxes go down more.

The new system is fair

- About 132,000 low-income Albertans will no longer pay income tax and the rest will see their taxes reduced. This is in addition to the benefits families receive under the Alberta Family Employment Tax Credit.
- The new system will be fully indexed to inflation so there will be no more hidden tax increases, no more bracket creep.
- And for individual Albertans, including those with easily transportable skills, the new tax plan rewards initiative and makes Alberta an even more attractive place to live and work. It's a plan to reduce the brain drain.

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Comparison of Alberta Tax - Old and New Systems

Single Income Family, Earning \$50,000 with Two Children (Age 7)

2008-2009 FEDERAL TAXES
 2008-2009 FEDERAL TAXES

Total Income	50,000
Minus RRSP Contribution	2,000
Variable Income	48,000
Minus Tax-Free Federal Tax	
Quarterly Tax	1,650
Less on Total Income and 20,000	
17%	
Less Federal Tax	2,800
Transfer Income over \$20,000, 17%	
over 20,000, 17%	
Plus Federal Tax	-
Transfer Income over \$20,000, 25%	
Provisional Federal Tax	8,000
Interest from Refundable Div. Gr. Corp.	
Div.	2,100
Dividend	1,800
Employment Insurance Premiums	300
Charitable Payments (Char. Credits)	1,400
Other Amounts	-
Total Amounts	5,600
Total Federal (17% + 25% + 17%)	9,400
Basic Federal Tax	
Provisional Federal Tax	9,400
Minus Federal Credits	2,800
Basic Federal Tax	6,600

2008-2009 ALBERTA TAXES
 2008-2009 ALBERTA TAXES

Income Tax	6,000
Income Tax (on Income Tax)	
Spouse	11,000
Spouse	11,000
Other Income & Credits	2,000
Income Tax	25,000
Income Tax (on Income Tax)	3,000
Income Tax (on Family Employment)	
Tax Credit	2,700
Total Alberta Tax	4,000

2008-2009 ALBERTA TAXES

2008-2009 ALBERTA TAXES
 2008-2009 ALBERTA TAXES

Basic Federal Tax (25%)	6,600
Basic Federal Tax (25% x 40%)	2,640
Basic Alberta Tax	
Transfer Income over \$20,000	1,000
Other Taxes (Income Tax, etc.)	
Provisional Federal Tax	7,640
Minus Federal Credits (Tax Defer.)	-
Basic Alberta Tax (Employment as Credit)	1,100
Total Alberta Tax	8,740

Backgrounder

New Century **Bold Plans.**

Albertans to benefit from \$60 million cut to user fees

The savings start immediately for Albertans as a result of the province's fees and charges review. Effective midnight tonight, a number of Alberta's fees and charges will drop, meaning Albertans will collectively pay \$60 million less for these services.

Since the spring of 1999, the Fees and Charges Review Committee has been closely examining Alberta's fees and charges. The Alberta government will act on a number of the committee's recommendations to lower fees on services provided by Alberta Government Services and its registry agent network and Alberta Justice, including reductions of:

- \$3.3 million in Surrogate Court fees for letters of probate and administration
- \$34.5 million in Land Titles Registry fees
- \$1.9 million in Land-Related Information System fees
- \$10.8 million Corporate Registry fees; and
- \$8 million in Personal Property Registry fees

A comprehensive review

In October 1998, the Supreme Court of Canada determined that, for a compulsory government fee to be constitutionally valid, the amount charged must reflect the cost of the service provided. While other provinces decided to protect their fees in legislation instead of reducing them. Alberta viewed the Supreme Court's decision as an opportunity to conduct a one-year, full-scale review of all user fees, charges and premiums and pledged to reduce fees following the review.

The Fees and Charges Review Committee, chaired by St. Albert MLA Mary O'Neill, was established with a one-year mandate to review all government fees and charges to determine whether the amounts charged are appropriate. The committee was also authorized to review the government's general policy on fees and charges, and to comment on fees and charges levied by other government entities.

A comprehensive final report will be provided to the Provincial Treasurer by the spring of 2000. The report will detail the committee's review and outline recommendations on the government's general fees and charges policy. It will also serve as the foundation for any subsequent changes to policy on fees and charges and the recommendations will guide the government's review of any changes in future years.

Reductions will mean considerable savings for Albertans

Individual savings as a result of the reductions recommended by the committee will be substantial. For instance, under the old fee schedule, a homebuyer was required to pay \$365 in Land Titles fees when purchasing a \$150,000 house with a \$140,000 mortgage. Under the new fee schedule, this charge has been reduced by 64 per cent to \$133 (see table below).

Service	Old Fee (\$)	New Fee (\$)
Transfer of Title (\$150,000)	185	65
Registration of Caveat	15	15
Registration of Mortgage (\$140,000)	155	43
Discharge of Caveat	5	5

Discharge of Mortgage	5	5
Total	365	133

Alberta businesses, small and large, will benefit from reductions in Corporate Registry fees. For instance, a Certificate of Incorporation will now cost 66 per cent less with a reduction from \$300 to \$100. Certificates of a Limited Partnership have been reduced from \$150 to \$50.

Registry agents will continue to charge nominal fees to cover their own cost of delivering these services.

For more details on the new registries fee schedule, visit the Alberta Government Services website at www.gov.ab.ca/gs.

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