

2. TAX EXEMPT TRANSIT PASS

COMMITTEE RECOMENDATIONS AS AMENDED

That Council approve the following:

- 1. That Regional Council endorses the employer provided tax-exempt transit pass;**
- 2. That the Regional Chair, on behalf of the residents of Ottawa-Carleton, request the Federal Government to make employer provided transit passes income tax-exempt;**
- 3. That each member of council writes their own Member of Parliament (MP), asking them to support tax-exempt employer provided transit passes;**
- 4. That each member of council make this issue broadly available to their constituents - for example, including information in community newspapers, encouraging constituents to contact their MP;**
- 5. That Regional Councillors support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by providing French translation of material, one page per Councillor;**
- 6. That Regional Council support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by participating in upcoming meetings with Ministers of Parliament - when possible;**
- 7. That recommendation 7 be deleted.**

DOCUMENTATION

1. Councillor D. Holmes report dated 20 Feb 98s immediately attached.
2. Extract of Draft Minute, Transportation Committee 18 March 1998 immediately follows the report and includes a record of the vote.

Our File/N/Réf. 03 07-98-0095
Your File/V/Réf.

DATE 20 February 1998

TO/DEST. Transportation Committee

FROM/EXP. Councillor Dàne Holmes

SUBJECT/OBJET **TAX-EMEMPT TRANSIT PASS**

REPORT RECOMMENDATIONS

That Transportation Committee recommend Council approve the following:

- 1. That Regional Council endorses the employer provided tax-exempt transit pass;**
- 2. That the Regional Chair, on behalf of the residents of Ottawa-Carleton, request the Federal Government to make employer provided transit passes income tax-exempt;**
- 3. That each member of council writes their own Member of Parliament (MP), asking them to support tax-exempt employer provided transit passes;**
- 4. That each member of council make this issue broadly available to their constituents - for example, including information in community newspapers, encouraging constituents to contact their MP;**
- 5. That Regional Councillors support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by providing French translation of material, one page per Councillor;**
- 6. That Regional Council support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by participating in upcoming meetings with Ministers of Parliament - when possible;**
- 7. That Regional Council discuss and consider the possibility of future funding for the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes.**

BACKGROUND

On 22 January 1997, the Ottawa-Carleton Regional Transit Commission approved the following Motion:

WHEREAS transit ridership has been declining in Canada and North America during the 1990's;

AND WHEREAS increased transit ridership has many positive benefits in terms of reductions in greenhouse gas emissions, traffic congestion, energy consumption, road and parking costs, traffic accidents and contributes to an improved urban environment and quality of life;

AND WHEREAS it is important for all three levels of government, federal, provincial and municipal to take measures which will enhance the cost competitiveness of the public transit and thereby increase the levels of public transit ridership;

BE IT RESOLVED that the OC Transpo Commission strongly encourage the Minister of Finance and the Government of Canada to include in the next federal budget provisions which treat employer contributions toward employee public transit commuting expenses as a tax free benefit;

AND BE IT FURTHER RESOLVED that the Commission forward copies of this Motion to Finance Minister Paul Martin, Environment Minister Sergio Marchi, the Federation of Canadian Municipalities, the Canadian Urban Transit Association, the Transportation Association of Canada, the Amalgamated Transit Union, Ottawa-Carleton area Members of Parliament and major Canadian transit properties.

An editorial article supporting the above Motion is attached at Annex C.

Response to the Motion has been varied as evidenced by the attached correspondence at Annex B.

To this end, the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes has requested an opportunity to present their proposal at Annex A to the Transportation Committee.

*Approved by
Councillor Holmes*



Amalgamated Transit Union Canadian Council

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National Task Force to Promote Employer Provided Tax-Exempt Transit Passes

ANNEX A

To: Members of the RMOC Transportation Committee

The continuing growth in Ottawa-Carleton's population places ever increasing adverse impacts to both the environment and the health of its citizens. If we are to avoid these impacts and those of increased traffic congestion and costly roadway and parking infrastructure, it is essential that the share of travel by public transit must be substantially increased.

An Employer Provided Tax-Exempt Transit Pass is a proven incentive to use public transportation. Unfortunately, this is not yet available in Canada.

We are asking the Transportation Committee to review the enclosed material, and to make the following recommendation to Regional Council:

1. That Regional Council endorses the employer provided tax-exempt transit pass.
2. That Regional Chair, Mr Chiarelli, on behalf of the residents of Ottawa-Carleton, ask the Federal Government to make employer provided transit passes income tax-exempt.
3. That each member of council writes their own MP, asking them to support tax-exempt employer provided transit passes.
4. That each member of council make this issue broadly available to their constituents - for example, including information in community newspapers, encouraging constituents to contact their MP.
5. That Regional Council support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by providing French translation of material up to 20 pages.
6. That Regional Council support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by participating in upcoming meetings with Ministers of Parliament - when possible.
7. That Regional Council discuss and consider the possibility of future funding for the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes.

Thank you for considering these recommendations.



Amalgamated Transit Union Canadian Council

National Task Force to Promote Employer Provided Tax-Exempt Transit Passes

The National Task Force was created to monitor and encourage the efforts of organizations advocating a change in the way Transit Passes are taxed. It includes representatives from the Amalgamated Transit Union Canadian Council (ATU), Canadian Labour Congress (CLC), Canadian Urban Transit Association (CUTA), Federation of Canadian Municipalities (FCM), Ontario Lung Association and Pollution Probe. Our common interest is our belief that the Federal Government should allow employer provided transit subsidies to be an income tax-exempt benefit.

Project managers, Amelia Shaw and D.L. Ahee receive funding from ATU Canadian Council, office space and supplies by ATU local 279, and time off work by ATU local 279 and OC Transpo.

CUTA has pressed for this exemption since 1989. In 1992 FCM unanimously supported CUTA's initiative and wrote to the Minister of Finance to request the pertinent change to income tax regulations. The Regional Municipality of Ottawa-Carleton endorsed this proposal in 1997. Past Chair Peter Clark wrote to the Finance Minister and encouraged Mayors of other Canadian cities to do the same. The Region funded a "post-card campaign" to be distributed on the buses.

Nothing has been successful to date. However, several things happened in 1997-98 that enhances our position. The deficit appears manageable and Mr Paul Martin is considering new spending. Canada agreed to the Kyoto protocol, committing to reduce greenhouse gas emissions 6% below 1990 levels by 2008-2012. Labour, business and health groups are becoming involved to provide broader support.

Current actions:

- Pollution Probe hosted the Greater Toronto Area Transit Summit. The number one recommended course of action is to pursue tax-exempt status for employer provided transit passes. They have begun lobbying Charles Caccia.
- Rick Krowchuk, VP of CUTA (BC Transit) has made a written submission to the House of Commons Standing Committee on Finance. He is pursuing this issue with Christine Stewart. He has approached Bob Irwin of CUTA (Calgary Transit) to write each Provincial Environment Minister.
- Winnipeg Transit has presented this issue to their city council and received favourable press.
- "Kyoto and Beyond - Meeting the Challenge of Climate Change" a response by the Standing Committee on the Environment and Sustainable Development recommends making employer provided transit passes tax-exempt.
- The Canadian Labour Congress is providing some essential resources such as lobbying information. They have asked that a presentation be made at their Executive Council Meeting.
- Alex Cullen, MPP has invited a presentation to the OC Liberal caucus.
- Canadian ATU locals unanimously endorsed this proposal at the ATU Canadian Council Convention. They have committed to participating in local campaigns.
- A presentation will be made to the Canadian Council of Grocery Distributors in April.
- Lobbying of 20 Federal MPs has begun and will continue throughout 1998.
- Many more presentations and workshops ...

Momentum for this initiative is growing. We believe we can gather enough support to convince the Finance Minister to address this issue. We need the endorsement and support of Regional Council. If we work as a team, we can make things happen.

Task Force Office: 2212 Gladwin Crescent, Unit C9, Ottawa, Ontario K1B 4S6
Telephone: (613) 738-3177 Fax: (613) 526-1696



Amalgamated Transit Union Canadian Council

National Task Force to Promote Employer Provided Tax-Exempt Transit Passes

The National Task Force was created to monitor and encourage the efforts of organizations advocating a change in the way public transit passes are taxed. The Task Force includes representatives from the Amalgamated Transit Union Canadian Council, Canadian Labour Congress, Canadian Urban Transit Association, Federation of Canadian Municipalities, Ontario Lung Association and Pollution Probe. Members of the Task Force are committed to identifying and contacting local representatives that will work together by lobbying the government at the regional, provincial and/or federal level.

Our goal: To convince the Federal Government to make employer provided transit passes tax-exempt. PLEASE JOIN US IN OUR EFFORTS.

We all pay income tax on our earnings. Employer provided benefits are also subject to income tax. Exemptions under income tax legislation and interpretations of the legislation by Revenue Canada allows employers to provide some benefits income tax free.

Employer provided parking is a benefit designated as taxable under the federal *Income Tax Act*. Revenue Canada's interpretation of the *Act* provides exemptions permitting most employees to receive parking income tax free, a significant incentive to drive. One way to address this bias is to provide a comparable tax exemption to public transit users. This provides equity for non-drivers, as well as motivation for drivers to switch to a mode of transportation with lower societal costs.

An employer provided tax-exempt transit pass is a proven incentive to use public transit.

In the United States the opportunity for employers to provide their employees with an income tax free transit subsidy became available under the *Deficit Reduction Act* of 1984 and the *Tax Reform Act* of 1986. On average, transit expenditures among recipients increased by 23%. With a 31% increase in transit use by participating employees in the San Francisco Bay area, an estimated 17 million vehicle miles were removed from their roads, 61 million tons of pollutants avoided, and \$1.6 million of new transit revenue generated.

Employer provided tax-exempt transit passes are NOT AVAILABLE IN CANADA.

The employer provided tax-exempt transit pass has been proposed by a variety of groups, organizations and government committees. Implementation has been denied by the Finance Minister for the following reasons:

- An important principle in taxation is fairness ... an employer provided transit pass is a benefit not available to the vast majority of Canadian employees.

Rebuttal: Employer provided parking spaces are not available to all Canadians. Being able to provide a transit pass provides more equitable benefits to employees.

- The Federal Government cannot afford the shortfalls in revenue that this plan would create.

Rebuttal: This proposal is expected to have minimal impact on Federal revenue. Since this benefit is not currently provided it is possible to ensure no direct impact on tax revenue. Commuters that give up their current untaxed parking will either increase their cash income or increase their employers profit resulting in more tax revenue. Offsetting any potential losses is the economic impact of reduced health services, reduced traffic costs and increased domestic employment. As well, it is estimated that transit revenues would increase by a \$168/recipient annually.

- Transit subsidies fulfill the equity equation and granting this request would set a precedent for the exclusion of additional types of remuneration from taxable income.

Rebuttal: Government subsidies for public transportation have been slashed. Hidden subsidies for autos such as highway construction and road maintenance continue. Income tax law already provides us with many examples of tax adjustments that support federal goals such as reduction in GST on new vehicle purchases, tax deductions to mining corporations for land reclamation costs, etc. The Red Book states that a Liberal Government will “establish a framework in which environmental and economic policy signals point in the same direction.” As well as committing to a policy of sustainable development.

Canada’s Commitment to Greenhouse Gas Reductions.

Under the Kyoto Protocol, Canada has committed to reduce its greenhouse gas emissions to 6% below 1990 levels by 2012. Transportation is the largest single source of Canadian greenhouse gas emissions.

Exemption of employer provided transit passes from taxation is expected to result in a modal shift to transit of 5%. This would reduce emissions or slow the growth of emissions on average by 2%.

Many groups and organizations advocate income tax-exempt transit passes, including:

ATU Local 279	Amalgamated Transit Union Canadian Council
Canadian Urban Transit Association	Federation of Canadian Municipalities
Transportation Association of Canada	Transport 2000 Canada
Pollution Probe	Pembina Institute for Appropriate Development
House of Commons Standing Committee on the Environment and Sustainable Development	
National Round Table on Environment and Economy	
Climate Change Task Force group of the National Air Issues Coordinating Committee	
Task Force on Economic Instruments and Disincentives to Sound Environmental Practices	
Municipality of Metropolitan Toronto	
Regional Municipality of Ottawa-Carleton	

Develop your action plan now. Help encourage the Federal Government to make employer provided transit passes a tax-exempt benefit.

If you need any more information or advice, please contact the National Task Force office.



Amalgamated Transit Union Canadian Council

National Task Force to Promote Employer Provided Tax-Exempt Transit Passes

ACTION PLAN

The goal of the Task Force is to convince the Federal Government to make employer provided transit passes a tax-exempt benefit. We plan to educate as many Canadians as possible to gain their support. We are currently tracking attempts to solicit the Federal Government on this issue, as well as the responses from Finance Minister Paul Martin. Many key agencies and organizations are advocating this taxation change. We will make ourselves available to provide whatever advice you may require to support this cause.

WE ENCOURAGE YOU TO ESTABLISH YOUR OWN ACTION PLAN TO PROMOTE TAX-EXEMPT, EMPLOYER PROVIDED TRANSIT PASSES:

- Show your members/colleagues the benefits of public transit. Explain how a tax-exempt employer provided transit pass increases ridership and the effect this has on our health, environment and economy.
- Write your MP (adopt-an-MP) and solicit their support. **Follow-up** on a monthly basis.
- Ask others to adopt-an-MP. Support can be found from Municipal/Regional Councillors, social groups (anti-poverty, women, seniors) transit, health, and environment organizations.
- Contact unions and associations in your area. Many unions would love to negotiate a transit pass for their workers. Don't forget to include your local district labour council.
- Contact businesses. Employers benefit from this proposal. Make sure they understand how. Ask business owners or local boards of trade to write to their MP.
- Include this initiative in any media releases/opportunities
- Write a letter to your editor
- Include this message in your newsletter and on bulletin boards.

THE TASK FORCE IS PREPARED TO ASSIST YOUR EFFORTS! Please contact the Task Force office for any further information including sample letters to your MP, contact names in your community, endorsement letters from environmental and health groups, newsletter articles ETC.

Task Force Office: 2212 Gladwin Crescent, Unit C9, Ottawa, Ontario K1B 4S6
Telephone: (613) 738-3177 Fax: (613) 526-1696

THE COST OF UNSUSTAINABLE TRANSPORTATION

Canadian Transportation Trends

- The increased number of vehicles on the road overwhelms reductions in individual vehicle emissions (due to vehicle technologies, development and use of cleaner fuels).
- Transportation is the largest single contributor to greenhouse gases (32% of total) and the leading source of the precursors of ozone and fine particulates.
- Government responses to date will not meet our international obligations.

The Impact of Unsustainable Transportation

Pollution: One of the greatest economic and environmental challenges facing the world is the control of CO₂ and other greenhouse gases that threaten to destabilize the climate and lead to global warming. Rising sea levels, regional aridity, drought and extreme weather events (floods, fires and cyclones) cause human displacement, severe regional food shortages, and losses exceeding the financing capabilities of the insurance industry. (NRTEE, A Strategy for Sustainable Transportation in Ontario, Nov. 1995)

Health: Ground level ozone (smog) has increased by about 20% over the past decade in urban areas of Canada. Medical research shows that smog is contributing to increased incidence of respiratory illness, higher physician/emergency room visits, and possible increased mortality. The Ontario Ministry of Environment and Energy (MOEE) estimated that the annual discounted present value of the health benefits would range from \$320-\$476 million if we could reach our targets of Nitrogen Oxide and CO₂ reductions.

Congestion: Traffic congestion increases travel time, parking demand, vehicle costs, and pollution. Two forty-foot buses carrying 130 people occupy about 80 feet of single lane. Carrying the same amount of people by car requires an extra 1500 feet of lane. (CUTA, Environmental Benefits of Urban Transit) Improving transit service is a less expensive alternative to adding lanes, widening bridges and intersections, and increasing parking availability. Land devoted to roads imposes losses. It earns neither rent nor taxes.

Social Equity: Generational poverty increases when people have limited access to education and work due to mobility barriers. Adequate mobility is essential for people to participate in society as community members, producers and consumers. Public transit provides safe, affordable, basic mobility for those persons without an alternative, including transit dependent students, lower income workers, seniors, and other persons who either cannot afford or choose not to own an automobile.

Environment: Urban sprawl, an accommodation and reflection of increased auto use, continues to result in the degradation of our environment as well as providing further barriers to the viability of mass transit. Land is lost for agriculture, natural habitat, recreation, residential and other public uses. Crop and forest damage occurs with increased air pollution. Water pollution results from run-off from roads. The environment is further contaminated with by-products of the life cycle (production, use and disposal) of transportation vehicles and infrastructure.

Economy: Converting to public transit reduces costs associated with the impacts of pollution and traffic congestion on health, the environment and society. Public transportation also provides substantial regional economic benefits by channeling transportation dollars back into the community.

Employer provided transit benefits that are not subject to income tax are a proven incentive for people to use public transit. Ask your MP to support Economical, Environmental Transit - Make Employer Provided Transit Passes a Tax-Exempt Benefit.

Economy: Converting to public transit reduces costs associated with the impacts of pollution and traffic congestion on health, the environment and society. Public transportation also provides substantial regional economic benefits by channeling transportation dollars back into the community.

Employer provided transit benefits that are not subject to income tax are a proven incentive for people to use public transit. Ask your MP to support Economical, Environmental Transit - Make Employer Provided Transit Passes a Tax-Exempt Benefit



Marlene Catterall

Deputy Government Whip

M.P., Ottawa West / députée, Ottawa-Ouest

Whip adjoint du gouvernement

OTTAWA CARLETON OFFICE OF THE CHAIR	
Received	MAY 9 1997
FILE	97-97-0102
DOC. #	97-2536
ACTION TAKEN	
TO	PNC

May 5, 1997

Mr. Peter Clark
Chair
OC Transpo Commission
Regional Municipality of Ottawa-Carleton
111 Lisgar Street
Ottawa, Ontario
K2P 2L7

Dear *Peter* Clark:

Thank you for forwarding a copy of the motion by the OC Transpo Commission concerning the taxable status of employer-provided transit passes.

One important basic principle in taxation is fairness. In keeping with this principle, income from employment includes not only salary and wages, but also benefits of any kind received or enjoyed by an employee by virtue of employment.

An employee's transportation costs to and from work are that employee's own personal expense. Consequently, when employers assume the transportation costs of employees between their home and their work, these employees receive a benefit that is not available to the vast majority of Canadian employees who must personally pay for these costs from their after-tax remuneration. It is appropriate, therefore, to include this benefit in income, in order to place the recipient employee in the same tax position as those paying their own transportation costs. Where employers provide transit passes to employees for their personal use for transportation to and from work, an identifiable employment benefit is received by the employees enjoying the privilege. Similarly, employees who receive employer-paid parking must also pay tax on this benefit.

Tax reform removed several measures of preferred treatment under the Income Tax Act provisions. Nonetheless, I am supportive of "leveling the field" between public and private transportation as endorsed by the House of Commons Standing Committee and the National Round Table on the Environment and the Economy.

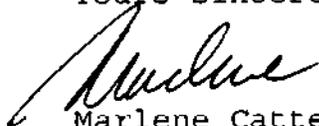
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Enclosed is a letter I have written to the Minister of Finance asking him to review the whole matter.

Thank you for letting me know your views.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Marlene".

Marlene Catterall, M.P.,
Ottawa West

lp/pcla



Marlene Catterall

Deputy Government Whip

M.P., Ottawa West / députée, Ottawa-Ouest

Whip adjointe du gouvernement

April 15, 1997

The Honourable Paul Martin, P.C., M.P.
Minister of Finance
L'Esplanade Laurier
21st Floor East Tower
140 O'Connor Street
Ottawa, Ontario
K1A 0G5

Dear Colleague:

Enclosed is a letter from Regional Councillor David Pratt, concerning a proposal that employer-provided transit passes be non-taxable.

I understand from his letter that this tax exemption proposal is endorsed by the Standing Committee on the Environment, the National Round Table on the Environment and the Economy and the Climate Change Group of the National Air Issues Co-ordinating Committee. Mr. Pratt also draws to our attention the Red Book comment that "federal policies and funding continue to favour private transportation over public transportation and energy use over energy conservation," and that "a Liberal government will establish a framework in which environmental and economic policy signals point the same way."

Realizing that fairness has been an important objective of our government's tax policy, I ask nonetheless that you again review this issue. At a minimum, the principle should be established that employer-provided parking or vehicle use will be taxable, at least for the same value as equivalent public transit in the same region or municipality. This would overcome the difficulties that now exist in calculating the value of these benefits and would help in a small way to put public and private transportation on a more even basis.

Thank you for your consideration of this matter.

Sincerely,

Marlene Catterall, M.P.
Ottawa West

Encl.

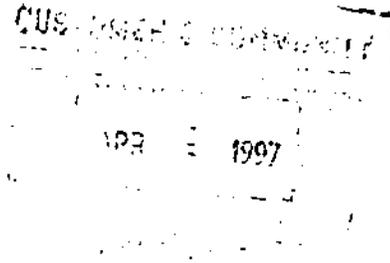
pc2/pmar





GO Transit

(416) 869-3600 Fax (416) 869-3525



1 April 1997

Mr. Peter D. Clark
Chair
Ottawa Carleton Transit Commission
1500 St. Laurent Boulevard
Ottawa, Ontario
K1G 0Z8

Dear Mr. Clark:

Subject: Exemption of Employee Transit Passes from Taxation

This is to advise that at the 14 March 1997 meeting of GO Transit's Board the Members endorsed the resolution from OC Transpo's Commission on the above noted issue.

GO Transit supports the recommendations of the Commission and recognized its value in terms of support to public transportation.

Sincerely,

Eldred King
Vice-Chairman

c. Hon. Al Palladini, Minister of Transportation
Board Members



President
of the Treasury Board



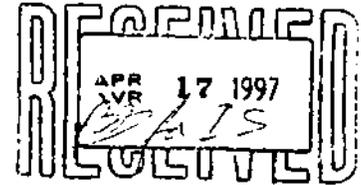
Président
du Conseil du Trésor

Ottawa, Canada K1A 0R5

APR 11 1997

Mr. Peter D. Clark
President
Ottawa-Carleton Regional Transit Commission
1500 St. Laurent Boulevard
Ottawa, Ontario
K1G 0Z8

GENERAL MANAGER



Peter,
Dear Mr. Clark:

Thank you for your letter of January 30, 1997, and the attached copy of the motion adopted on January 22 by the Ottawa-Carleton Regional Transit Commission concerning the issue of tax exemptions for public transport. Please accept my apology for the delay in responding.

I agree that there are many benefits to be gained from the use of public transit and any initiatives which could encourage its use should be considered. However, I believe it is important to keep in mind that the federal government must pursue initiatives which are in the best interest of all Canadians, and it must do so in a manner that is fair, transparent and equitable. When considering any change, we must ensure that this balance is maintained and that all possible outcomes are taken into account.

As you are aware, tax policy issues fall under the jurisdiction of my colleague, the Honourable Paul Martin, Minister of Finance, who I understand has also been sent a copy of the Commission's motion. I trust Minister Martin will give your request his careful consideration.

Once again, thank you for writing and for bringing the Commission's views to my attention.

Yours sincerely,

Marcel Massé

c.c. The Honourable Paul Martin, P.C., M.P.

Canada



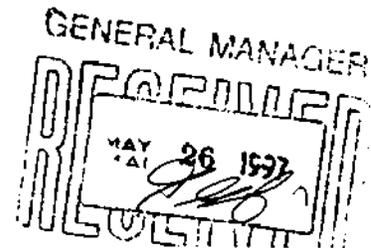
THE CITY OF WINNIPEG · VILLE DE WINNIPEG
TRANSIT DEPARTMENT · RÉGIE DES TRANSPORTS

421 OSBORNE STREET
421, RUE OSBORNE
WINNIPEG, MANITOBA
R3L 2A2

Tel: 986 5724
Fax: 986 6863

May 19, 1997

Mr. Peter D. Clark
Chairperson
Ottawa-Carleton Regional Transit Commission
1500 St. Laurent Boulevard
Ottawa Ontario
K1G 0Z8



Dear Mr. Clark:

Please excuse my delay in responding to your letter of January 30, 1997 requesting support from Winnipeg Transit for your initiative to have the Government of Canada include in the next federal budget, provisions which would treat employer contributions toward employee public transit commuting expenses, as a tax free benefit.

In this regard, I am pleased to advise that Winnipeg City Council, at its reconvened meeting of March 27, 1997 adopted a resolution in support of your initiative. By letter dated April 30, 1997 Mayor Susan Thompson wrote to the Minister of Finance, advising of City Council's decision in this regard.

For your information, I am attaching the following:

Letter from Mayor Susan Thompson to the Minister of Finance dated April 30, 1997
Minute from the reconvened Council meeting of March 27, 1997

I hope this action will be of assistance. Please accept my congratulations for taking this initiative.

Yours truly,

Rick Borland
Director of Transit

c. M. Charlebois - CUTA

QUELLE BELLE VILLE! WINNIPEG ONE GREAT CITY!



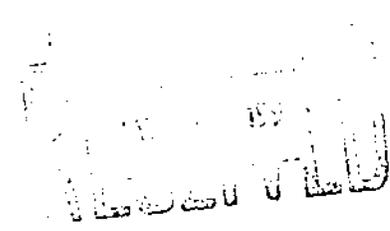
CITY OF WINNIPEG
CITY HALL
510 MAIN STREET
R3B 1B9
(204) 986-2196
FAX: (204) 949-0566

VILLE DE WINNIPEG
HÔTEL DE VILLE
510, RUE MAIN
R3B 1B9
(204) 986-2196
TÉLÉC. : (204) 949-0566

SUSAN A. THOMPSON
MAYOR • MAIRE

April 30, 1997

The Honourable Paul Martin,
Minister of Finance,
Government of Canada,
House of Commons,
111 Wellington Street,
OTTAWA, Ontario,
K1A 0A6



Dear Mr. Minister:

Please find attached a copy of Clause I of the Report of the Committee on Works and Operations, dated March 11, 1997, regarding a resolution from the Ottawa-Carleton Regional Transit Commission with respect to Federal tax exemption for employer contributions toward employee public commuting expenses, which clause was adopted by Council on March 27, 1997.

You will note that Council strongly supports the initiative contained in the resolution to include in the next federal budget, provisions which treat employer contributions toward employee public transit commuting expenses as a tax free benefit.

Your consideration of this matter would be greatly appreciated.

Yours truly,

ORIGINAL SIGNED
BY
Mayor Susan A. Thompson

Susan A. Thompson,
Mayor.

Att.

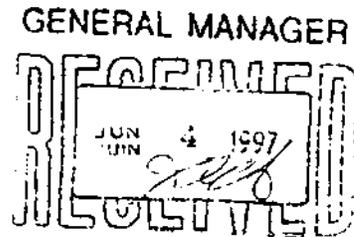
cc: Mr. W. D. Carroll, Commissioner of Works and Operations,
Mr. D. Kalcsics, Director of Business Liaison and Intergovernmental Affairs,
Mr. R. Borland, Director of Transit,
Mrs. D. Browton, City Clerk,
Mr. R. K. Dowdall, Director of Corporate Finance.



Ottawa, Canada K1A 0H3

MAY 23 1997

Mr. Peter D. Clark
 Chair
 Ottawa-Carleton Regional Transit
 Commission
 1500 St. Laurent Boulevard
 Ottawa, Ontario
 K1G 0Z8



Dear Mr. Clark:

Thank you for your letter regarding the OC Transpo Commission's motion to exempt from taxation employer-provided transit passes.

Increased use of public transit plays an important role in addressing the problem of emissions from the transportation sector. That is why Environment Canada provided funding support for the cost/benefit study of the proposal concerning employer-provided transit passes conducted by Transport 2000 Canada.

As you know, the Department of Finance is reviewing this proposal to ensure that it is consistent with existing tax policy. I understand the Honourable Paul Martin, Minister of Finance, will be responding directly to you with respect to this review. The challenge is to develop proposals that provide effective incentives to encourage the use of public transit while, at the same time, respecting other important government policy initiatives.

The government has taken action on a number of fronts to combat the problem of emissions from the transportation sector. We are committed to the creation of a national sustainable transportation system. A key element of this initiative will be a set of sustainable transportation principles that will provide policy and decision-makers, at all levels, with a framework for setting policy. I will continue to work with my Cabinet colleagues to ensure that environmental considerations are integrated into the federal government's decisions.

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Canada

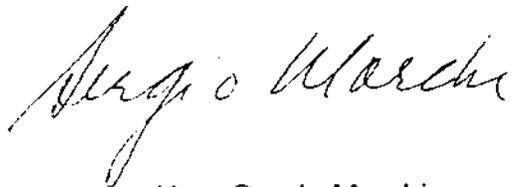


One specific initiative is our plan to publish late this spring new regulations to limit the content of benzene to half of its current level. They are scheduled to take effect on January 1, 1999. These regulations, combined with tougher standards for vehicle emissions scheduled to take effect for the 1998 model-year vehicles, will help to ensure cleaner air for Canadians. It is estimated that together they will result in emissions reductions of approximately 30 per cent of total exhaust hydrocarbons and 60 per cent of exhaust nitrogen oxides from current levels.

In addition, Environment Canada is working with other federal departments, provincial governments and municipalities to support transportation demand management (TDM). The TDM measures include car pooling, walking and cycling, increased use of mass transit, and public awareness campaigns on the health and environmental impacts of automobile use.

I appreciate your having taken the time to express your views on this important issue.

Yours sincerely,

A handwritten signature in cursive script that reads "Sergio Marchi". The signature is written in black ink and is positioned above the printed name.

Hon. Sergio Marchi



TORONTO TRANSIT COMMISSION



PALL CHRISTIE
CHAIR

HOWARD MOSCOE
VICE-CHAIR

BRIAN HARRISON
BLAKE KINAHAN
CASE OOTES
JOE PANTALONE
ALAN TONKS

COMMISSIONERS

DAVID L. GUNN
CHIEF GENERAL MANAGER

VINCENT RUDD
GENERAL SECRETARY

March 6, 1997

The Honourable Paul Martin
Ministry of Finance
Room 515-S
Centre Block
House of Commons
Ottawa, Ontario
K1A 0A6

GENERAL MANAGER

RECEIVED
MAR 26 1997
928

OTTAWA CARLETON OFFICE OF THE CHAIR	
Received	MAR 19 1997
FILE #	77-0102
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ACTION TAKEN	
TO	

Dear Mr. Martin:

At its meeting on Tuesday, March 4, 1997, the Toronto Transit Commission considered a communication dated January 30, 1997 from the Ottawa-Carleton Regional Transit Commission regarding the following motion:

"Whereas, transit ridership has been declining in Canada and across North America during the 1990's;

And whereas, increased transit ridership has many positive benefits in terms of reductions in greenhouse gas emissions, traffic congestion, energy consumption, road and parking costs, traffic accidents and contributes to an improved urban environment and quality of life;

And whereas, existing taxation rules especially regarding free or subsidized parking favour the private automobile over public transit, inefficient travel modes over efficient travel modes and the economically more advantaged car driver over the economically more disadvantaged bus rider;

And whereas, it is important for all three levels of government, federal, provincial and municipal, to take measures which will enhance the cost competitiveness of the public transit and thereby increase the levels of public transit ridership;

Be it resolved that the OC Transpo Commission strongly encourage the Minister of Finance and the Government of Canada to include in the next federal budget provisions which treat employer contributions toward employee public transit commuting expenses as a tax free benefit;

And be it further resolved that the Commission forward copies of this motion to Finance Minister Paul Martin, Environment Minister Sergio Marchi, the Federation of Canadian Municipalities, the Canadian Urban Transit Association, the Transportation Association of Canada, the Amalgamated Transit Union, Ottawa-Carleton area Members of Parliament and major Canadian transit properties.

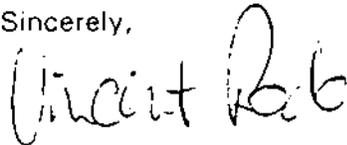


RECYCLED PAPER

The Toronto Transit Commission strongly supports the foregoing motion and would formally request that the Government of Canada give due consideration to the possibility of initiating legislative change in the next federal budget that would treat employer contributions for employee public transit commuting expenses as a tax free benefit.

The foregoing is forwarded for your information and consideration.

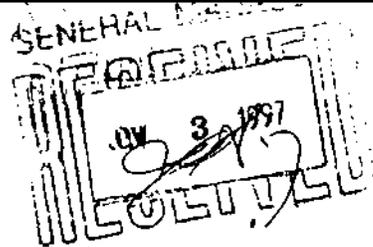
Sincerely,



Vincent Rodo
General Secretary
1-64

Copy: Chair P.D. Clark
Ottawa-Carleton Regional Transit Commission





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October 29, 1997

To: Honorable Marlene Catterall
Honorable Mac Harb
Honorable Christine Stewart, Minister of the Environment
Honorable Paul Martin, Minister of Finance
Right Honorable Jean Chretien, Prime Minister of Canada

Members of Parliament.

While reviewing minutes of municipal council in preparation for the upcoming municipal elections, I found the following in the Regional Municipality of Ottawa-Carleton minutes from 28 May 1997.

15. Marlene Catterall, M.P. Ottawa West, responding to OC Transit Commissions motion concerning the taxable status of the employer-provided transit passes. The vast majority of Canadians must pay for their transportation expenses to and from work. Therefore, she feels that it is more appropriate to include this benefit in income, so the recipient employee is in the same tax position as those who pay for their own transportation costs.

First, is this quote accurate?

I have two comments, and I hope that you will agree with at least one of them and act promptly on my suggestions.

1. All levels of government currently subsidize both roads, buses and urban rail systems. The extent of the subsidy varies with the mode. In Ottawa-Carleton, the region alone spends \$2495/person on auto travel, \$195/person on transit (bus), and \$78/person on pedestrian and bicycle modes. (according to *Total Cost of Travel in Ottawa-Carleton, Regional Municipality of Ottawa-Carleton, Ottawa, 1993.*)

It is not clear how one can suggest that the "vast majority of Canadians must pay

for transportation expenses" when in fact auto travel is as heavily subsidized as it is.

Further, it is very clear to many, including the Ministry of the Environment that we have a problem with congestion, smog, and urban sprawl. The ministry's recent "Action 21" initiative includes information on the vicious circle that the car has gotten us into. See <http://www.ec.gc.ca/action21/transport/en/circles.html>. It is also clear that auto travel is a major contributor to CO₂ emissions. This country is far behind in its commitments under the *United Nations Framework Convention on Climate Change*, and unless we wish to embarrass ourselves at the Kyoto summit in December, we need some active (i.e. tax related) initiatives to curb the growth in auto use.

(I think that these issues are very familiar to MP Catterall: her recent support for the "No third lane" (on Champlain Bridge in Ottawa) was presumably explained by an understanding of these issues. I can not explain MP Harb's support for the third lane. It was mystifying to most of us, and many chose not to vote for him last June due to this.)

Making bus passes tax deductible would be a strong, and bold statement to the citizens about this government's commitment to the environment. I would suggest that it be done in the form of a non-re fundable tax credit (students could transfer the credit to their parents, like they do with their tuition) to people who belong to some kind of transportation co-op. This would include car-sharing, some kind of registered car-pooling (to be determined), as well as all forms of transit. The amount would have to be around \$800 per year/person.

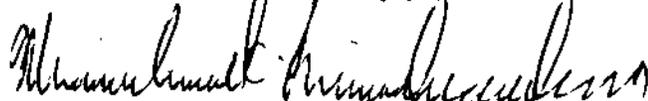
(I should note that amount is not much larger than the current exemption for labour sponsored mutual funds)

2. Revenue Canada currently defines parking as a taxable benefit. If one receives parking as part of one's employment, then one is expected to pay taxes on the value of it. Unfortunately, most employers, *including the federal government* currently assign the value of their free parking to be zero. The result is that employees do not remit taxes on the cost of the parking they consume. This has many effects, one of which is that we get increasing amounts of urban sprawl as employers seek to find the cheapest land possible on which to put free parking for their employees.

I would urge the Minister of Finance and the Treasury Board to inform Revenue Canada to start assessing employees a taxable benefit for parking used at their employers.

I would like to hear back from you on which choice you decide to support prior to the Kyoto summit.

A concerned citizen and taxpayer,



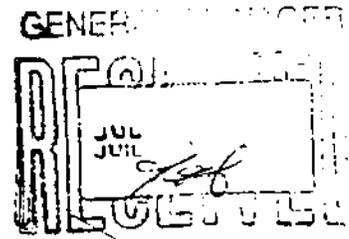
Michael C. Richardson

cc: Citizens for Safe Cycling
OC Transpo
David Pratt



June 9, 1997

City of Edmonton
Mayor Bill Smith



Honourable Paul Martin
Minister of Finance
House of Commons
Confederation Building
Room 512
Ottawa, Ontario K1A 0A6



2nd Floor, City Hall
1 - Sir Winston
Churchill Square



Edmonton, Alberta
T5J 2K7



Phone: 435-496-8100
Fax: 435-496-8292

Dear Minister Martin:

The City of Edmonton supports the need for an amendment to federal income tax legislation which would result in changes to employee taxable benefits with respect to transit passes. The proposed legislation change would mean that employer purchased transit passes would cease to be treated as a taxable benefit to the employee, and would allow employers to claim, as a business expense, all or part of the cost of purchasing transit passes for employees.

The following resolution was accepted by and submitted on behalf of the City of Edmonton initially through the 1993 session of the Alberta Urban Municipalities:

WHEREAS the Government of Canada has acknowledged that reduced air pollution is an important national objective and has subsequently initiated programs in conjunction with provincial authorities to reduce air pollution and emission levels, and reduce traffic congestion significantly;

WHEREAS public transit systems have the potential to significantly reduce emissions, air pollution levels, and problems associated with traffic congestion by enabling and encouraging commuters to utilize more efficient and environmentally sound vehicles;

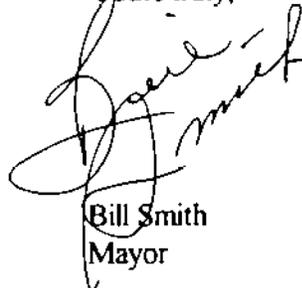
WHEREAS the Government of the Province of Alberta acknowledges an aging population with an increasing disposable income resulting in increased competition between public and private transportation modes;

BE IT RESOLVED that the City of Edmonton urges the Minister of Finance, the Minister of Transportation, and the Government of Canada to therefore treat employers' contributions toward employee public transit commuting expenses as a tax free benefit.

Further, at the Edmonton City Council meeting of April 22, 1997, the following motions were passed:

1. That Edmonton City Council strongly encourage the Minister of Finance and the Government of Canada to include in the next federal budget provisions which treat employer contributions toward employee public transit commuting expenses as a tax free benefit, and
2. That City Council forward copies of this motion to Finance Minister Paul Martin, Environmental Minister Sergio Marchi, the Federation of Canadian Municipalities, Edmonton Transit, the Transportation Association of Canada, the Amalgamated Transit Union, Edmonton Members of Parliament and major Canadian transit properties.

Yours truly,



Bill Smith
Mayor

- c. Environment Minister Sergio Marchi
Federation of Canadian Municipalities
Transportation Association of Canada
Amalgamated Transit Union
All Members of Parliament
Major Transit Properties

Federal Budget Should Exempt Employee Transit Passes From Taxation
by David Pratt

In the aftermath of the OC Transpo strike, attention has once again focused on bus ridership and the measures needed to get more people using public transit. The problem of declining ridership during the 1990's is one which has bedevilled transit commissions across North America. It has been blamed on many factors ranging from demographic shifts and the recession to fare increases and the relative cost-competitiveness of the car over the bus.

Although Ottawa-Carleton's ridership figures are not nearly as bad as other North American cities, neither have we escaped the general trend. In 1990, OC Transpo carried almost 81 million passengers. By 1995, that figure had dropped to just under 72 million.

The unabated popularity of the private automobile and the decline of public transit are part of a wider global problem which, if left unchecked, will have dire environmental consequences. At the United Nations Earth Summit in 1992, many countries including Canada promised to stabilize greenhouse gas emissions at 1990 levels by 2000.

Rather than contributing to a solution, however, Canada and others are aggravating the problem. Canadians are the number one per-capita producers of greenhouse gases. We are now producing 9.4 per cent more greenhouse gases than we did in 1990 and emissions are expected to climb 13 per cent above the target by 2000 and 19 per cent above the target by 2010. While Britain and Germany are on course to honour their greenhouse gas commitments, Canada has been cited by international environmental groups as one of the worst performers.

During the last federal election, the Liberal Party recognized the problem. Their campaign document, the Red Book, stated: "Although Canada promises to fight climate change, federal policies and funding continue to favour private transportation over public transportation, and energy use over energy conservation. A Liberal government will establish a framework in which environmental and economic policy signals point the same way."

If the federal government's participation in the global response to climate change is to be effective, it is crucial to involve municipalities. One area where immediate action can and should be taken is to use the tax system to encourage transit ridership nation-wide.

A recent study by Todd Litman of the Victoria Transport Policy Institute for Transport 2000 Canada entitled "Employer Provided Transit Passes: A Tax Exempt Benefit" argues very convincingly that making employer contributions to transit passes tax exempt would help to improve the cost competitiveness of public transit in relation to the private automobile. The study notes that "a typical commuter who owns an automobile and receives free, tax exempt parking at their worksite pays approximately the same to drive as to ride a bus."

The value of free or subsidized parking to employees is calculated at approximately \$1,772 in average pre-tax income for an urban employee. This includes \$1,200 in direct costs and \$572 in tax exemptions. The study also observes that, while Revenue Canada "ostensibly collects taxes on parking benefits, it provides exemptions under which the majority of employees qualify."

Federal Budget Should Exempt Employee Transit Passes From Taxation, continued . . .

From a policy standpoint, the existing tax rules favour the private automobile over public transit, inefficient over efficient travel modes and the economically more advantaged auto driver over the economically more disadvantaged transit rider.

A number of organizations have thrown their support behind the transit benefit tax exemption proposal including the Canadian Urban Transit Association, the Federation of Canadian Municipalities, the Transportation Association of Canada, the House of Commons Standing Committee on the Environment and Sustainable Development, the National Round Table on Environment and Economy and the Climate Change Task Group of the National Air Issues Co-ordinating Committee.

How has the federal government responded to the proposal? The Department of Finance and Revenue Canada have opposed the idea of tax exempt transit passes citing lost revenues and insignificant reductions in automobile travel. In a 1995 letter to the Canadian Urban Transit Association, Finance Minister Paul Martin estimated lost revenue at \$140 million or \$2,550 for each new transit user.

According to the Litman study, experience in the United States where these tax exemptions have been available for ten years suggests that our federal government may be grossly over-estimating lost revenues. The federal analysis assumes that transit benefits would be available to 50% of all transit riding employees, although the American experience indicates that less than 10% of employers provide such subsidies. However, where such benefits are available, reductions of auto-commuting of between 10 - 30 per cent are possible.

The report is careful to note that results can't be expected immediately. However, as coverage of transit tax exemption is gradually extended to more employees, the benefits in terms of reductions in traffic congestion, greenhouse gas emissions, energy consumption, road and parking costs and traffic accidents can be significant. Over all it adds up to an improved urban environment, lower costs and a better quality of life.

As the federal government prepares its last budget before the election, it should reflect upon Canada's commitments at the 1992 Earth Summit, the rising concerns about global warming, its past election promises and the need to embark upon policies which, however modest, begin the long arduous process of putting our environmental balance sheet in order. If tax breaks are being considered, Mr. Martin, let's have one which gives a boost to bus riders and the environment.

- 30 -

David Pratt is a Councillor with the Regional Municipality of Ottawa-Carleton, an OC Transpo Commissioner and a Member of the National Board of Directors of the Federation of Canadian Municipalities.

For more information, please contact: David Pratt, (613) 560-1206

Article is 900 words.

TAX EXEMPT TRANSIT PASS

- Councillor D. Holmes report dated 20 Feb 98

Mike Sheflin, Environment and Transportation Commissioner indicated that Council is in favour of this initiative and has endorsed this position in the past. He supported the recommendations brought forward, but noted Recommendation 5 may cause some difficulty because this is only one request and a precedent may be set which councillors may or may not be able to meet. The Commissioner did not support Recommendation 7 because there are already a number of agencies that are supportive of this initiative and it is not necessary to provide Regional funding to a special purpose body.

Amelia Shaw, Donna-Lynn Ahee, Fiona Deller, National Task Force to Promote Employer Provided Tax Exempt Transit Passes provided a brief overview of the establishment and purpose of their group. Ms. Shaw referred to "The Cost of Unsustainable Transportation" as detailed in their brief and highlighted the various impacts including pollution, health, social equity and congestion.

Ms. Ahee stated that employer provided tax exempt transit passes are an incentive to use public transit just as free tax exempt parking is an incentive to use a car. It has been proven in the United States to increase transit use between 20% and 30%. Employees benefit from this because the cost is cheaper than using a car. She made reference to the response to this initiative from the Minister of Finance and their rebuttal to those comments as detailed in their brief.

Fiona Deller, who is also a policy analyst for the Federation of Canadian Municipalities (FCM) indicated the FCM have been involved in this initiative since 1990 and have raised this issue with Minister of Finance and in pre-budget presentations with successive Ministers of Transport and Environment. For most part their response has been very supportive except from the Minister of Finance. She indicated the FCM supports this initiative because it is environmentally-friendly. They are committed through its Standing Committees on Environment, Transportation and the 20% Club to lessening greenhouse gas emissions and encouraging the use of public transit over automobiles moves them closer to that goal. In addition, anything that increases public transit use and decreases car use, reduces wear and tear on roads which in turn reduces the cost for maintenance and upgrading. The FCM see this as an economic development initiative and have started a campaign to encourage affiliated members to support this measure. She noted there appears to be enormous support from the business community for this initiative.

Extract of Draft Minute
Transportation Committee
18 March 1998

Ms. Shaw stated this issue was first raised several years ago by the Canadian Urban Transit Association and the response they received from the Minister of Finance then and the response the Task Force has received more recently, are virtually identical and she was quite concerned about bureaucratic involvement and believed it was quite possible the current Minister of Finance is unaware of the growing support for this. She indicated the Task Force is well aware of the importance of including businesses and therefore have solicited interest from a variety of organizations such as Nortel, the Canadian Chamber of Commerce and Imperial Oil. They are currently meeting with Members of Parliament to generate further interest and the issue is currently a Private Members Motion. They are seeking endorsement from the Region in writing, stating their support for an employer provided tax exempt transit initiative.

With respect to Recommendation 7, Ms. Shaw explained it was not their intention to request the Region fund the National Task Force, but rather, if Council decided to create public awareness to support this initiative, while the Task Force would be appreciative of such a move, it would be funded solely by the Region. They would also be very appreciative of anything the Region can do to create awareness on this issue and would appreciate being kept informed in this regard.

Councillor Cantin indicated his support with respect to offering bilingual services to the group. He suggested that rather than asking for a tax exemption, he preferred to see if they can create an environmental tax credit. He questioned whether staff have approached the Minister of Environment with respect such a suggestion. The Commissioner advised he has been very active in this area through the Transportation Association of Canada, and remarked that everyone in the transportation business supported this and that support went forward to the Minister of Finance. He believed the effort should be focused on the Minister and Ministry of Finance and with the reduction in the deficit, he thought it may be an opportune time for that agency to consider this again. On a personal note, he opined that it was not a positive approach to pursue this through a Private Members Motion and felt a voice coming from the Region touting the broad public support would be more effective.

Ms. Shaw believed the tax exemption would be more effective because an employee who is given a pass as opposed to a credit, would probably be more apt to use it. Councillor Cantin was concerned there was no method of ensuring the person who receives the pass is in fact the one who uses it. With respect to gaining support from the Finance Minister he believed the Region should say that if he is not interested in doing it to eliminate car use, then at least implement this initiative to improve the environment.

In response to the councillor's initial concern, Councillor Davis believed that even if the pass was given to another user, it is still helping to increase transit ridership. She looked very favourably at this initiative and suggested a fast way of getting government support would be through the Liberal Party convention.

Councillor Legendre indicated he too would be willing to assist in a bilingual capacity for the Task Force. He was somewhat surprised that many of the national organizations who support this initiative do not, as a matter of course, translate the information, and Ms. Shaw confirmed that everything from their office is translated. The councillor believed it was an opportunity for additional support from these organizations and Ms. Shaw recognized the importance of having the information in both official languages.

Councillor Doucet supported their initiative, but agreed that the Minister of Finance is very resistant to any intrusion into his tax policy. He too did not believe a Private Members bill is the best route and suggested the Task Force approach the Ministry of Transport and the Ministry of the Environment. In addition, he supported Councillor Davis' proposal to bring this initiative forward via a Liberal convention.

The Committee agreed to delete Recommendation 7. Councillors Cantin, Doucet, Legendre and McGoldrick-Larsen indicated they would be willing to meet with Members of Parliament to further this initiative along.

That Transportation Committee recommend Council approve the following:

- 1. That Regional Council endorses the employer provided tax-exempt transit pass;**
- 2. That the Regional Chair, on behalf of the residents of Ottawa-Carleton, request the Federal Government to make employer provided transit passes income tax-exempt;**
- 3. That each member of council writes their own Member of Parliament (MP), asking them to support tax-exempt employer provided transit passes;**
- 4. That each member of council make this issue broadly available to their constituents - for example, including information in community newspapers, encouraging constituents to contact their MP;**

Extract of Draft Minute
Transportation Committee
18 March 1998

- 5. That Regional Councillors support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by providing French translation of material, one page per Councillor;**
- 6. That Regional Council support the National Task Force Promoting Employer Provided Tax-Exempt Transit Passes by participating in upcoming meetings with Ministers of Parliament - when possible;**

CARRIED as amended