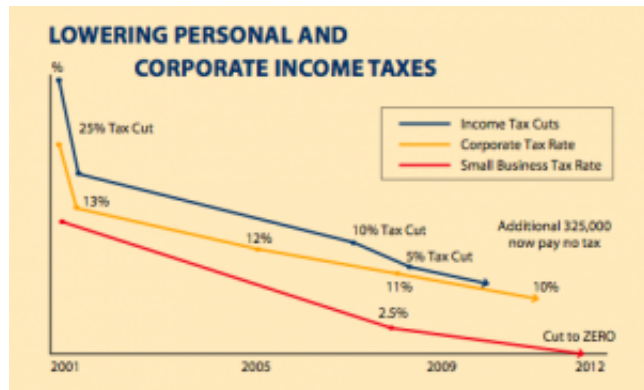


Massive Increase in the Rich and Corporations Paying No BC Income Tax

by Stephen Elliott-Buckley - Thursday, October 28, 2010

<http://politicsrespun.org/2010/10/massive-increase-in-the-rich-and-corporations-paying-no-bc-income-tax/>



BC is truly becoming a Caribbean tax haven for corporations and the rich. From 1999-2008,

- the number of corporations paying no income tax in BC is over 5 times higher
- the number of people making \$100-200k/year yet paying no income tax is over 8 times higher
- the number of people making over \$200k/year yet paying no income tax is almost 3 times higher.

[A few weeks ago I wrote about](#) how the BC government's new financial documents show a history of intense tax cuts in the last decade. Based on information I received this week from a freedom of information request to the Ministry of Finance, we can explore how the BC Liberals are intentionally defunding the government through tax cuts, which starves public services and motivates privatization and a whole host of other socio-political diseases.

Further, you'd think that with such massive tax cuts, businesses would be able to afford an increase in the minimum wage at least once in the last nine years. I guess not.

Corporations Paying No Taxes

Here is the 10-year breakdown of "corporations with a permanent establishment in BC that filed tax returns and paid no BC Corporate Income Tax":

<u>Year</u>	<u>Corporate Tax Rate</u>	<u>Number of Corporations with over \$500k in Revenue</u>

		<u>Paying No Tax</u>
1999	16.5%	<50
2000	16.5%	61
2001	16.5%	96
2002	13.5%	115
2003	13.5%	116
2004	13.5%	165
2005	12%	169
2006	12%	199
2007	12%	254
2008	11%	266
2009	11%	No data
2010	10.5%	
2011	10%	
2012	10%	
	39% Decline	Increased by over 430%

What do we learn here?

From less than 50 in 1999 to 266 in 2008, we see a more than fivefold increase in the number of corporations paying no tax. While their taxes will decline by 39% from 1999 to 2011, that drop does not cause the increase in the number of corporations paying no tax since there are many variables that lead to tax freedom. But, gosh, does it sure correlate strongly in describing a defunding tax regime.

Small Businesses Paying No Taxes

Here is the 10-year small business breakdown of "corporations with a permanent establishment in BC that filed tax returns and paid no BC Corporate Income Tax":

<u>Year</u>	<u>Small Business Revenue Ceiling</u>	<u>Small Business Tax Rate</u>	<u>Number of Small Businesses with under \$300k in Revenue Paying</u>	<u>Number of Small Businesses with \$300-400k in Revenue Paying</u>	<u>Number of Small Businesses with \$400-500k in Revenue Paying</u>

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			No Tax	No Tax	No Tax
1999		8.5%	135,165	<50	<50
2000		4.75%	125,450	<50	<50
2001		4.5%	134,820	<50	<50
2002	\$300,000	4.5%	137,246	<50	<50
2003	\$300,000	4.5%	144,400	53	<50
2004	\$300,000	4.5%	145,424	<50	<50
2005	\$400,000	4.5%	147,852	68	<50
2006	\$400,000	4.5%	147,295	98	<50
2007	\$400,000	4.5%	152,826	147	51
2008	\$400,000	2.5%	140,947	133	67
2009	\$400,000	2.5%	No data	No data	No data
2010	\$500,000	2.5%			
2011	\$500,000	2.5%			
2012	\$500,000	0%	<i>All of them</i>	<i>All of them</i>	<i>All of them</i>
		100% Decline		Increase d by over 160%	Increase d by over 33%

What do we learn here?

We learn that the backdoor tax cut in 2005 when the government increased the small business ceiling from \$300,000 to \$400,000 meant a great deal of businesses dropped from a 12% tax rate to a 4.5% tax rate that year, which while not causing the rise in the number of corporations paying no tax, it reinforced the defunding priority.

Not only will corporations with revenues below the new \$500,000 small business ceiling pay no income taxes in BC in 14 months, but larger businesses will pay no taxes on the first half million in revenue. Look out, Cayman Islands!

But in 2012 it will be clear that a 0% tax rate will then actually cause all businesses earning less than half a million dollars to pay no taxes.

Sitting through Gordon Campbell's condescending TV address last night was a flashback to the idiotic campaigning they did to get elected in 2001: tax cuts along with service improvements. That's inherently contradictory, but people bought it. And they've bought it twice more this decade despite the carnage the BC Liberals have visited upon us all. How can we be so foolish? It's because ["we" have been socialized into this way of crazy thinking](#). How else would we explain why people vote for tax cuts when anyone who can balance their own chequebook can see that a decline in income leads to a decline in spending.

But we also learn that well over 100,000 businesses pay no tax. In discussing this very high number with a BC Finance Ministry official, it became clear that many of these are businesses set up that are designed to earn no money to be write-offs for people, so the sheer size and flux in that number is of little significance for my purposes here.

Individuals Paying No Taxes

"Individuals who filed a BC tax return and paid no BC Personal Income Tax."

<u>Year</u>	<u>Tax Cut</u>	<u>Number of Individuals under \$100k in Income Paying No Tax</u>	<u>Number of Individuals with \$100-200k in Income Paying No Tax</u>	<u>Number of Individuals with over \$200k in Income Paying No Tax</u>
1999		952,756	92	58
2000		993,427	128	58
2001	25%	1,070,020	139	56
2002		1,130,013	201	65
2003		1,144,123	269	97
2004		1,148,479	280	68
2005		1,398,577	325	74
2006		1,380,328	491	124
2007	10%	1,360,101	690	176
2008	5%	1,414,854	776	169
2009		No data	No data	No data
2010				
2011	15%			
		<i>Increase d by almost 50%</i>	<i>Increase d by over 740%</i>	<i>Increase d by over 190%</i>

What do we learn here?

We learn that it's harder to criticize the government for massive tax cuts for the rich and for corporations when they increase the number of poor people who pay no taxes, which is what the 3rd column describes. Shockingly, this is even true in a province where the government has chosen to not increase the minimum wage in over 10 years.

We also know that massive tax cuts have been matched with clawbacks through MSP increases and a decline in services for the poor, so in the end, there is no real gain for those in poverty.

So if you're fine with corporations paying no income tax, for whatever reason, you ought to be quite thrilled right about now, even more so in 2012. But if these facts disturb you, it's time to find ways of changing the culture shift that has brainwashed enough people so that the premier can feel confident getting on TV when his approval rating is 9%, then pander to these core instincts with tax cut rhetoric as if it were 2001 again and people have forgotten the real cost of tax cuts.

If you would like the raw spreadsheet file with all these numbers, just email me and I'll send it along.