



# REPORT TO COUNCIL

To: **Mayor Schaffer and Councillors**

Subject **Provincial Employer Health Tax**

Report #: 18-29

File #: 1610.00

From: Darrin Leite, CPA, CA

Doc #: 156637

Date: May 7, 2018

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## RECOMMENDATION:

THAT Council endorse the following motion to be sent to the Provincial government to amend the implementation of the Employer Health Tax:

**WHEREAS** the Province of BC has introduced an Employer Health Tax (EHT) in the form of a new 1.95% payroll tax starting January 1, 2019 in order to replace the Medical Service Plan (MSP) premiums which will not be fully phased out until January 1, 2020;

**WHEREAS** in 2019, the City of Langley will be required to pay approximately \$236,000 for the EHT in addition to the \$55,000 for the MSP which will require a 1.0% property tax increase to fund the additional costs;

**WHEREAS** the EHT will transfer the tax burden from individuals to businesses causing unintended consequences on the local taxpayers as the primary source of revenue for local governments is through property taxation;

**THEREFORE BE IT RESOLVED THAT** the Province of BC exempt local governments, regional districts and school boards from the imposition of the EHT to lessen the financial burden on local taxpayers, especially those that are on fixed incomes.

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## PURPOSE:

The City of Langley is expressing concern on behalf of the local property taxpayers about the implementation of a new payroll tax being introduced by the Province of British Columbia.

**POLICY:**

None.

**COMMENTS/ANALYSIS:**

The Provincial government announced that they will be implementing, starting January 1, 2019, an employer health tax to replace the Medical Services Plan premiums that individual's currently pay. The UBCM surveyed local governments in British Columbia to determine what the impact of the new 1.95% payroll tax would have. The City of Langley is significantly impacted.

In 2017, the City paid \$110,000 for MSP premiums and the payment reduced in half to \$55,000 in 2018. However, in 2019, the EHT will cost the City approximately \$236,000 in addition to the \$55,000 MSP premiums that will not be fully eliminated until January 1, 2020. The City will have to pass on this new financial burden to the taxpayers in the City resulting in a 1% property tax increase in order to fund the additional cost.

The City of Langley believes it is unfair to be required to pay both the EHT and MSP premiums in 2019, the transition year, until the MSP premiums are fully eliminated in 2020. In addition, it is a concern when an increase in property taxes is being required to fund provincial healthcare services.

**BUDGET IMPLICATIONS:**

The City's expenses will increase to \$291,000 in 2019 from the \$55,000 spent in 2018 on MSP premiums. This \$236,000 will require a 1% property tax increase to balance the budget.

**ALTERNATIVES:**

Forgo the opportunity to write a letter to the Province to express the concern over the implementation of the new EHT.

Respectfully Submitted,



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Darrin Leite, CPA, CA  
Director of Corporate Services

Attachment(s): UBCM Employer Health Tax Impact on Local Government Survey  
Results and Analysis

**CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:**

I support the recommendation.



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Francis Cheung, P. Eng.  
Chief Administrative Officer