



REPORT

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EDITORIAL

Legal Tax Revolt

About 3,500 autoworkers from the Flint, Michigan area made newspaper headlines across Canada and the United States by staging a well organized tax "revolt". The "revolt" consisted of filing for tax exempt status on the I.R.S. W-4 form, thus eliminating all income tax deductions from their pay cheques. Advice for filling out the W-4 form was provided by 'We The People ACT', a local tax fighting organization. But now it appears that the workers were too creative in filling out their forms (some workers claimed up to 99 dependents), thus attracting the attention of the I.R.S. A crackdown is

threatened.

The Flint autoworkers acted to defend themselves from tax laws which discriminate against regular employees. These laws demand that a portion of each pay cheque be withheld by the employer and sent to the income tax department. Thus such employees are denied the benefits granted to self-employed individuals who send in their tax payments once every three months. The employer also suffers in that he acts as an unpaid tax collector, an arduous and time consuming occupation, and is subject to reprisal if he refuses to do so. *(continued on page 2)*

FEATURE

Education: Losing Touch

by Paul Geddes

& Heather Engstrom

Property tax hikes have been getting headlines in the Vancouver area, as they have across the country. The main force of the hurricane rages on that portion of the tax assessment that goes to education: small wonder, since greater Vancouver homeowners are facing increases that range from 18 to 406%.

As usual, it is a case of the seen versus the unseen. The visible in this mammoth tax leap consists of two complementary scapegoats. One is the high cost of education itself; the other, an inequitable financing formula. Percipitated into civil war, school board officials find themselves defending budgets, MLA's find themselves defending formulas, and local councilmen fire or fall vacillating between the two. Taxpayers and journalists have entered the foray as well, firing salvos at one scapegoat (and its defenders) or the other.

The unseen real issue is the question of fiscal responsibility, and the efforts of all levels of government to avoid it.

Costs can be minimized by two factors: keen competition and immediate accountability. It is obvious that the cost of public education is out of control partly as a result of the monopoly situation; what is less obvious is that costs have burgeoned as well because of a lack of accountability.

The ideal cost-effective situation exists when the buyer deals directly with the seller. The whereabouts of every penny, every dollar are immediately obvious to both parties. It is for this reason that the free market attempts to eliminate as many middlemen as possible.

But what happens in the case of public education? The process of tracking down the whereabouts of education dollars is unconscionably complicated. Accountability has been

destroyed by the obstacles that have been positioned between the buyer (the parent) and the seller (the school). The people who spend the money are cushioned from those who pay the bills by six major obstacles. Each of these is purely arbitrary and divorced from reality.

What are these six obstacles?

1. The process begins as the Ministry of Education sets the cost of educating a full time student. In 1981, this figure was set at \$1,810. This number does not represent the cost of educating a student. Rather, it is an internal accounting mechanism used to determine whether or not the province will subsidize a local school district. If a school district has higher than average assessment values, some of the revenue raised through the basic levy may be turned over to the province. Ostensibly to define the cost of education, this

(continued on page 2)

EDITORIAL (continued)

Article 4 of the HALT Taxpayers' Charter states that "each citizen has the right to receive payment of wages in full without deduction of taxes by employers." It is time to start implementing that idea without waiting for official sanction from the government. HALT calls on all employees and employers to cooperate in working out a way to eliminate deduction of taxes at source. Take full advantage of any option which increases the amount of an employee's take home pay. Probably the best solution is to become self-employed. If you and your employer can do business on a contract basis, then do so. Both of you will save time and money. Contact a good lawyer or tax expert to assist you.

Tax rules and regulations are open to interpretation, and you should use these interpretations to your benefit. It is your legal right to do so. It is a moral obligation to yourself to try.

Start your own tax revolt today. 

by Richard Bolstler

HALT Head Office Requires CHAPTER ORGANIZERS

How can you build an effective, action-oriented HALT Chapter in your community? Find out at an intensive week-end seminar for chapter organizers.

Friday, April 10, 7:00 p.m. to
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AT

The Rembrandt Hotel
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The seminar will focus on
HALT-A-BLOCK:

- how it fits HALT's long- and short-term objectives
- how you can start with one member — yourself — and quickly amplify that into hundreds of members
- how it can be used to create effective change in your municipality
- how you can make it the foundation for a full-time HALT career

To reserve room on the course or get further information, call (604) 688-2308.

FEATURE (continued)

arbitrary price tag actually takes us one step further away.

2. Next the Assessment Authority of British Columbia classifies and determines market value for property. One is obliged to ask why. Even if the arbitrary value which the Authority declares to be the market value agreed with the owner's value, what would that figure have to do with education cost? Or with the property owner's ability to pay taxes? Why is it assumed that the estimated value of the land is connected somehow with the cost of educating a student? Choosing their irrelevant figure as a starting point for calculating school taxes compounds the error set up by our first obstacle.

3. At this stage, the provincial government further complicates the accountability problem by introducing an "assessed value" based on a percentage of the arbitrary market value. The percentage to calculate assessed value is arbitrary, and to make things worse, varies depending on the land use. In 1981, B.C. residences are assessed at 11% of market value, while industrial land is assessed at 28.6% of market value.

4. These arbitrary assessed values are now used to calculate a basic levy for school purposes in order to determine the proportion of the operating budget supplied by local funds. In 1981, the province set this levy at 41.2 mills (4.12% of assessed value.) Again, we have further removed the cost of education from the education of a student.

5. Next the local school board can ask for more than the basic levy. In 1981, Vancouver plans to levy an additional 8.4 mills.

6. Finally, the province pays the school board, and taxpayers receive a deduction of property tax from a Home Owner's Grant (in 1981, \$380). This grant serves to increase confusion and distort the whereabouts of the dollar even further. It goes only to homeowners who live in their home, i.e. the home is not being rented. The grant is not dependent on the number of children attending school. It is not given to tenants, thus discriminates heavily against renters who typically are poorer than homeowners. Thus accountability is distorted one last notch.

The situation is a far cry from the one

that existed years ago when school boards made it or lost it on their own budgets and method of collecting payment. It was a time when school board officials were directly accountable to their constituents, were required to look the bill payers in the eye, and had to address concerns directly across the table at the school board meeting. In comparison, now when you ask anyone in the process why something has happened, he is able to say with perfect validity, it is "not my fault" or "not the fault of my department" or at least "not entirely the fault of my department".

This year's fiasco is the predictable result of non-accountable taxation. Pressure is being brought to bear on budget-makers and legislators. Will they react by decongesting the system of payment or by adding further bureaucratic entanglements? The sooner education is returned to a user-pay situation, the sooner will the problem be remedied.

Within one year HALT will have begun the implementation of a voucher proposal (see HALT Report, February 1981). Though not perfectly equitable in itself, a voucher system will be a step in the direction of cheap, accountable services. 

HELP NEEDED

If you have been doing your own research in the education field, or would consider doing research we could use your help. If you can give us some time, write to Heather Engstrom at head office volunteering your services.

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FISCAL WATCHDOG

by Robert W. Poole, Jr.

The Greening of Central Park

Jettison city parks to free enterprise as well? New research suggests that herein lies yet another way of paring overweight municipal budgets.

Jimmy Carter came to the South Bronx to announce new programs for aiding cities. Ronald Reagan campaigned there, as well. As a symbol of urban decay, the South Bronx has become a household word. And nothing symbolizes this decay better than Crotona Park.

Once the "central park" of the South Bronx, its lake is silted and stagnant, its benches, lights, fences, and restrooms vandalized beyond repair. But if the New York City Parks Department has its way, Crotona Park will soon become a testbed for its new approach to rescuing parks — largely through the private sector.

To rehabilitate Crotona Park, a new master plan suggests removing (but not replacing) the vandalized benches and equipment and shifting attention to potentially popular facilities. A concessionaire would be hired to refurbish the lake and operate boats for hire; another firm would run the tennis courts. New playing fields would be added — if local user groups would agree to cover maintenance costs.

Rethinking the role of provider.

These ideas are drawn from a 265-page Urban Parks Recovery Plan completed last fall. The plan begins from the premise that never again will the city budget provide lavish funding for parks. To preserve and restore the city's wealth of facilities, therefore, requires rethinking the role of the parks department. Instead of being primarily a *provider* of services, it must become a *coordinator* or *facilitator* of services. Thus, the principle of "load-shedding" — transferring functions to private firms, nonprofit organizations, and neighborhood associations — is basic to the department's planned retrenchment.

At the neighborhood level, the plan relies heavily on participation by community groups. It makes little sense to spend taxpayers' money rehabilitating a park, only to have it vandalized soon after, says the plan. Hence, community groups should agree to take on the responsibility for security and

maintenance before a facility is refurbished. Groups wishing to make regular use of a facility — a soccer team wanting to use a playing field, for example — should sign agreements to be responsible for routine maintenance. Local block associations could establish citizen patrols to ensure personal security and reduce vandalism in their local park.

Another key participant in load-shedding is nonprofit organizations. Recently the parks department turned over the city's three zoos to the New York Zoological Society. The change will result in lower operating costs and more knowledgeable management. Future agreements with groups like the Boys' Club, Girls' Club, YWCA, and YMCA are also possible.

Private concessions.

But perhaps the most important change is to farm out revenue-producing operations to private, for-profit concessionaires. The prototype for this approach is the Wollman Memorial Ice Skating Rink in Central Park. When the parks department ran it, usage kept declining and it operated at a loss. But once turned over to a private operator, usage picked up and the rink is now showing a profit.

The plan lays out an elaborate strategy for attracting concessionaires, putting operations such as boating, bike rental, roller skating, golf, and swimming on a businesslike basis. Besides an aggressive advertising program to solicit concessionaires, the plan recommends two further changes: long-term leasing and market-level pricing.

Past concession agreements have not been very successful, the plan admits, because the operator had no incentive to invest in improving the facility, since the contract could be cancelled on short notice. By following the example of shopping center leasing, however — signing a formal, long-term lease calling for a flat fee plus a percentage of gross sales over a certain figure — the concessionaire would have real incentives to invest in upgrading the operation.

Free market solutions.

The plan also calls for a reversal of long-standing city policy, by urging that concessionaires be allowed to charge

market rates. It's the only way to generate the revenues needed to maintain and upgrade the facilities, says the plan. To assist low- and moderate-income users, it recommends that monthly or annual passes be sold, at lower rates. (The National Park system already uses this approach.) Thus, tourists would pay more than regular neighborhood users.

The plan recognizes that some facilities are unlikely to generate enough revenues to be self-supporting. In those cases, it proposes attracting large corporate sponsors who would pay fees to help support the activity in exchange for advertising space and goodwill. That's an approach that has a long, successful history at Walt Disney World.

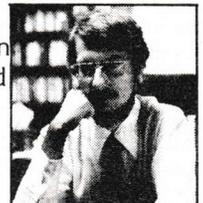
For the long term, the plan recommends a major legal restructuring of the parks department. At present, while it receives substantial funding from city tax revenues, it must turn over its concession income to the city general fund — hardly a businesslike way to operate. Either the city charter should be amended to allow the department to keep its revenues or — preferably — the department should be converted to a public corporation with its own sources of revenue, akin to the highly successful Port Authority.

These are radical thoughts to emerge from a city bureaucracy. But they are thoughts well worth pursuing. New York City's brush with bankruptcy has forced it to take a new look at such "public goods" as parks and recreation. That this new look suggests privatization is a very hopeful sign. Other cities facing tight budgets should go and do likewise.

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Robert Poole is chairman of the Local Government Center, an organization dedicated to cutting the cost of local government. He is author of "Cutting Back City Hall".



WHO'S WHO IN HALT Heather Engstrom

Heather Engstrom has always considered herself to be an idealist of the Ayn Rand tradition. Influenced by Rand's works in her teen years, Heather saw most of mankind's problems stemming from a lack of clear-cut, workable ideals. This helped to motivate her to become a high school teacher in her home province of Alberta. She soon found that her ideals were not held by everyone. Clashes with parents and the school board occurred after she suggested Rand's "The Fountainhead" as outside reading for her students. Heather held

EASY COME, EASY GO

In its eagerness to further entrench itself in the oil industry, the Canadian government is spending money with all the restraint that a fireman uses in hosing down a burning house.

A report by the Toronto-based brokerage firm Wood Gundy estimated Petrofina Canada's net asset value at less than \$82 a share last December, down from over \$99 a share before the announced 1981 federal budget with its punitive price-setting measures. But Petro-Canada, knowing a bargain when it doesn't see one, has leaped forward waving cash to the tune of \$120 a share for all the Canadian subsidiary's outstanding shares. Was Petro-Canada (paying about \$467 million over the firm's net value) motivated by a fear of being outbid?

In a desperate move by the right-hand of the federal government to replenish the wealth being squandered by its left hand, the Yukon territory will be treated as a *foreign state* in terms of its energy "imports" from Vancouver.

The Yukon receives 83% of its fuel requirements by sea-lift from Vancouver through the Alaskan ports of Skagway and Haines. As of April 1 the Yukon's seaborne deliveries, which clear customs at Vancouver, will be treated as deliveries to a foreign port. And, of course, as deliveries to a foreign port, the oil products *must* be taxed at a rate which will add 56% to the price.

Yukon residents, chilled by their treatment from Ottawa, must wonder if, as citizens of a "foreign state", they may



HEATHER ENGSTROM

firm and her students continued to become aware of the existence of Rand's works.

Increasing reservations about the public education system led her to look

for work in the private sector after 10 years of teaching. She subsequently moved to Vancouver and in early 1979 became involved with HALT full time. At first, she held the office together administratively, and later headed the area of Research and Product Development. In addition, Heather is the editor of the HALT Report.

January 30, 1980, marked the introduction of a new dimension to her life, as she and husband Rick Bolstler became the proud parents of son Michael. In keeping with her belief that people cannot credibly oppose the intervention of government while accepting its largesse, Heather does not accept the baby bonus. Even for young Michael there is no free lunch.

It was the matching of Heather's ideals to those of HALT that brought Heather to us. The joy she experiences in her work is expressed in her optimistic attitude towards HALT's success and in her tireless efforts in bringing that success about. Heather believes that ideals and reality must be the same if they are to be meaningful. She proves it by her actions. 

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PRINTED MATTER

appeal to the U.N. for relief from hyperinflated fuel bills.

OTTAWA— The federal government made public the results of 129 opinion polls conducted during the past year and a half, costing taxpayers \$5 million. And what matters of national importance did they have to find out about? These:

- ★ the psychological impact of windows on office workers (big stuff)
- ★ problems arising from having women

police officers (couldn't govern without that)

- ★ what happens to people who take government job training (you mean they don't know?)
- ★ public awareness of wartime sacrifice (are they trying to tell us something?)

Federal officials refused to release the results of twelve other surveys, including ones on public attitudes towards postal service. It must be one of those national secrets. 