

## **Tax Policy Principles**

The following principles form the basis of an effective framework for evaluating tax systems and tax reforms. Each of these principles should be considered as different programs or policies are evaluated.

### **Fairness: Ability to Pay**

Fairness in the property tax system is based primarily on the ability to pay and the ability to pay is based on the concepts of horizontal and vertical equity. Horizontal equity means that people in similar circumstances pay a similar amount of tax. Vertical equity means that people in differing circumstances with different abilities to pay, pay a different amount of tax.

### **Fairness: Benefits**

Fairness is also related to the benefits principles, that people should pay taxes according to the benefits they receive from services (where the beneficiaries can be identified and where the service is not primarily redistributive in nature).

### **Neutrality**

Taxes should impact economic and locational decisions as little as possible. This principle covers both The City of Calgary and the broader regional context. This means that, to the extent it is possible given the different service levels offered by different municipalities, The City should offer a competitive tax/service offering.

### **Stability & Predictability**

The tax should provide a stable and predictable revenue source for The City. Taxpayers should be able to understand, and The City should telegraph as much as possible, the impacts that arise from reassessment.

### **Accountability, Simplicity & Transparency**

The tax system should be designed in such a way that is clear to all stakeholders which taxpayers pay the tax. Tax systems designed in such a way encourage more accountability from City Council and City Administration in their determination of the balance between service levels and taxation levels. Tax rules should be as clear and simple to understand as the complexity of the subject of taxation allows, so that taxpayers can anticipate in advance the tax consequences of a transaction including knowing when, where and how the tax is to be accounted.

### **Efficiency & Ease of Administration**

The tax system should be easy to administer, resulting in minimized compliance costs for the taxpayer and minimized administrative costs for The City.