

Manitoba 

Budget Paper D

**TAXATION
ADJUSTMENTS**

TAXATION ADJUSTMENTS

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Summary of 2005 Tax Measures

	2005/06	Full Year
	(Millions of Dollars)	
Ongoing Tax Reductions ¹		
Business tax reductions	(12.1)	(12.1)
Personal Tax Measures		
Education Support Levy reduced	(30.0)	(30.0)
Middle bracket rate reduced; basic personal amount increased	(7.5)	(30.0)
Community Enterprise Development Tax Credit extended	(0.6)	(0.6)
Manitoba Equity Tax Credit extended	(0.3)	(0.3)
Political Contributions Tax Credit enhanced	(0.1)	(0.1)
	(38.5)	(61.0)
Business Tax Measures		
General corporate rate reduced	0.0	(25.8)
Small business rate reduced	(1.3)	(11.1)
Manufacturing Investment Tax Credit enhanced	(9.5)	(10.8)
Film and Video Production Tax Credit enhanced	0.0	(2.7)
Research and Development Tax Credit increased	(0.6)	(2.5)
RST exemption for free distribution magazines introduced	(0.8)	(0.8)
Co-operative Education Tax Credit extended	(0.6)	(0.6)
	(12.8)	(54.3)
Farm and Green Tax Measures		
Farmland School Tax Rebate increased ²	(20.0)	(20.0)
RST exemption for slurry tanks and lagoon liners extended	(0.3)	(0.3)
Riparian Tax Credit – new intake	(0.1)	(0.1)
	(20.4)	(20.4)
Changes Pursuant to the Tax Collection Agreement	(0.7)	(1.5)
Net Change 2005 Budget	(72.4)	(137.2)
Net Change 2005/06 and Subsequent Years	(84.5)	(149.3)

¹ Ongoing tax reductions are those that were announced in previous Budgets to take effect in 2005. These are: (a) decrease the general Corporation Income Tax (CIT) rate to 15.0% on January 1, 2005; and (b) raise the CIT small business threshold to \$400,000 in 2005.

² This rebate was announced in the November 2004 Speech from the Throne. The total amount of the rebate for the 2004 tax year was \$13 million. The rebate rises to a total of \$20 million for 2005.

■ Education Support Levy

(2005/06 collections impact: -\$30.0 million)

The Education Support Levy (ESL) is a province-wide property tax. In Budget 2002, Manitoba made a commitment to eliminate the residential ESL over a period of five years, without affecting revenue to school divisions.

For 2005 property tax statements, the residential mill rate falls 47% from 4.56 mills to 2.42 mills. (For technical reasons, the new rate may be slightly different in the City of Winnipeg.) The new mill rate is 69% lower than the 7.92 that applied in 2001.

The total amount of residential ESL collected in 2005, at the 2004 mill rate, would have been \$64 million. With this change, the actual collection will be \$34 million. In 2001, before this series of reductions began, collections amounted to \$98 million.

■ Personal Income Tax

Middle Bracket Tax Rate and Basic Personal Amount

(2005/06 revenue impact: -\$7.5 million)

The tax rate in the middle bracket is reduced from 14.0% to 13.5% for the 2006 tax year. This rate applies to taxable income between \$30,544 and \$65,000. The change saves Manitoba taxpayers \$24.0 million beginning in the 2006 tax year.

The middle bracket was previously reduced from 16.6% in 1999 to 16.2% in 2000, 15.4% in 2002, 14.9% in 2003 and 14.0% in 2004.

The basic personal amount is increased by \$100 to \$7,734. This change saves Manitoba taxpayers \$6.0 million beginning in the 2006 tax year, and eliminates income tax for 2,000 Manitobans.

Community Enterprise Development Tax Credit

(2005/06 expenditure impact: \$0.6 million)

This Budget extends the Community Enterprise Development (CED) Tax Credit to December 31, 2008. The CED Tax Credit, introduced in Budget 2003, encourages Manitobans to invest in business opportunities in their communities and assists community-based enterprise development projects to raise necessary equity capital. The credit is 30% of the eligible investment up to a maximum investment of \$30,000. Unused credits may be carried forward ten years or back three years.

Manitoba Equity Tax Credit

(2005/06 revenue impact: -\$0.3 million)

The Manitoba Equity Tax Credit assists in the development of capital markets in Manitoba by encouraging Manitobans to invest in Manitoba companies. In the 2002 Budget, the eligibility period for companies to issue qualifying shares was extended from 2002 to 2005. This Budget extends the eligibility period for a further three years to June 30, 2008.

Political Contributions Tax Credit

(2005/06 expenditure impact: \$70,000)

For eligible political contributions made in 2005 and subsequent years, an individual may claim a tax credit equal to 75% of the first \$400, an increase from \$200. Contributions above \$400 and up to \$750 are eligible for a 50% credit, and contributions above \$750 are eligible for a 33.33% credit. The maximum credit an individual can claim increases from \$500 to \$650. The Manitoba credit is now comparable to the federal credit. The full-year cost of this measure is expected to be \$70,000.

■ Corporation Income Tax

Tax Rates

(2005/06 revenue impact: -\$1.3 million)

Effective July 1, 2006 the general corporate rate is reduced from 15.0% to 14.5%, and effective July 1, 2007 it is further reduced to 14.0%. The small business rate is reduced on January 1, 2006 from 5.0% to 4.5% and is further reduced to 4.0% on January 1, 2007.

Reduction in Corporation Income Tax Rates since 1999

Taxable Income	1999	2005	2006	2007
Up to \$200,000	8.0%	5.0%	4.5%	4.0%
\$200,000 to \$400,000	17.0%	5.0%	4.5%	4.0%
Over \$400,000	17.0%	15.0%	14.5% ¹	14.0% ²

¹ Effective July 1, 2006 ² Effective July 1, 2007

The full-year cost of these measures is expected to be \$36.9 million.

Research and Development Tax Credit

(2005/06 revenue impact: -\$0.6 million)

This Budget announces a 33% increase to the Manitoba Research and Development Tax Credit, from 15% to 20%. The increase provides further needed support for innovation in Manitoba's knowledge-based industries. This non-refundable credit helps to offset the costs of research and development. Unused credits may be carried forward ten years or back three years. The increase takes effect after March 8, 2005. The full-year cost of this measure is expected to be \$2.5 million.

Manufacturing Investment Tax Credit

(2005/06 revenue impact: -\$9.5 million)

The Manufacturing Investment Tax Credit is broadened to include used buildings, machinery and equipment as qualifying property. The inclusion assists businesses to improve productivity in the increasingly competitive manufacturing and processing sector. This 10% credit helps to offset the capital costs for plant and equipment investments. Unused credits may be carried forward ten years or back three years.

This Budget also provides for one-fifth of the credit to be refundable. Converting the first 2% to a refundable credit accelerates the benefit of the credit to firms.

These measures take effect after March 8, 2005. The full-year cost of these measures is expected to be \$10.8 million.

Film and Video Production Tax Credit

(2005/06 revenue impact: nil)

This Budget provides enhancements to the Film and Video Production Tax Credit:

- the tax credit is increased from 35% to 45% for productions that begin principal photography after March 8, 2005
- the pre-production period is extended for productions that start principal photography after March 8, 2005
- serial productions and producers are now recognized under the frequent filming incentive, retroactive to April 20, 2004
- the rural and Northern incentive is extended to encompass more of Manitoba, retroactive to April 20, 2004.

The full-year cost of the measures is expected to be \$2.7 million.

Co-operative Education Tax Credit

(2005/06 revenue impact: -\$0.6 million)

The Co-operative Education Tax Credit is extended to December 31, 2008. The credit encourages employers in Manitoba to provide work placements to co-op students in post-secondary institutions. The credit is equal to 10% of the wages paid to a student to a maximum of \$1,000 per student per placement. Unused credits may be carried forward ten years or back three years.

■ Farmland School Tax Rebate

(2005/06 revenue impact: -\$20.0 million)

In 2004 the Farmland School Tax Rebate was introduced to provide a 33% rebate of the school division Special Levy on farmland, saving the farm community \$13 million. In 2005 the rebate increases to 50% of the Special Levy on farmland, bringing the annual tax saving to \$20 million. The rebate does not reduce the amount of tax collected for school divisions. The rebate is a payment by the province to help offset the impact of the Special Levy on the owners of farmland.

■ Retail Sales Tax

Farm Manure Slurry Tanks and Lagoon Liners

(2005/06 revenue impact: -\$0.3 million)

To promote environmentally safe handling of animal waste on farms, this Budget extends the exemption for manure slurry tanks and lagoon liners for use in farm livestock operations to June 30, 2007.

Free Distribution Magazines

(2005/06 revenue impact: -\$0.8 million)

Effective April 1, 2005, free distribution magazines are exempted from Retail Sales Tax. This brings Manitoba in line with other provinces.

■ Riparian Tax Credit

(2005/06 expenditure impact: \$0.1 million)

The Riparian Tax Credit promotes environmentally sound management of lakeshores and of river and stream banks in agricultural areas. Since inception of the credit in 2003, about 90 kilometres of water's edge have been protected. In the third intake during 2004/05, benefits were significantly increased and the term of the commitment was lengthened from three years to five. A fourth intake of applications for this program allows agricultural operators to apply during 2005/06 to receive tax credit benefits during calendar years 2006 through 2010. To qualify, an operator must commit to maintain specific management practices on designated riparian land throughout those years. Riparian land enrolled during the 2002/03 intake becomes eligible for re-enrollment for the increased benefits and extended term of the 2005/06 intake.

■ Changes Pursuant to the Tax Collection Agreement

These measures parallel federal income tax changes announced in the 2005 Federal Budget.¹

Personal Tax Measures

(2005/06 revenue impact: -\$0.4 million)

- The contribution limits for Registered Retirement Savings Plans and Registered Pension Plans are increased in each of the years 2006 through 2009.
- Various tax measures benefiting persons with disabilities are enhanced.
- The Medical Expenses Tax Credit is enhanced.
- Individual members of agricultural co-ops are allowed to defer taxation on patronage dividends received as eligible shares until the shares are redeemed.

The full-year cost of these measures is expected to be \$700,000.

Business Tax Measures

(2005/06 revenue impact: -\$0.3 million)

- Capital cost allowance rates are increased for specified property.
- Several enhancements are introduced for efficient and renewable energy generation equipment, including higher capital cost allowance rates and the inclusion of additional types of equipment.
- Corporate members of agricultural co-ops are allowed to defer taxation on patronage dividends received as eligible shares until the shares are redeemed.

The full-year cost of these measures is expected to be \$800,000.

■ Income Trusts

Income trusts have become an important investment vehicle for both small and institutional investors. Manitoba based income trusts are now a significant part of our economy. For the protection of investors, legislation will be introduced in 2005 to limit the liability of investors in such trusts.

¹ Manitoba voluntarily entered into a Tax Collection Agreement with the federal government in which Manitoba agrees to parallel certain federal income tax provisions in return for federal administration and collection of Manitoba income taxes.

■ Technical and Administrative Measures

Amendments are being introduced to combine the administrative and compliance provisions of the provincially administered tax statutes under Part 1 of *The Revenue Act*.

Legislation will be introduced to reduce the portioning percentage on university property to zero starting in 2006.

■ Further Information

For further information, view Bulletin 105 at the Manitoba Finance website: www.gov.mb.ca/finance/taxation, or contact the appropriate office as listed below:

Retail Sales Tax

Taxation Division

Manitoba Finance

Telephone: 204-945-5603 in Winnipeg

Telephone: 204-726-6153 in Brandon

Toll Free: 1-800-782-0318 (Winnipeg)

Fax: 204-945-0896

E-mail: mbtax@gov.mb.ca

Manitoba Film and Video

Production Tax Credit

Manitoba Film and Sound

Recording Development Corporation

Telephone: 204-947-2040

Facsimile: 204-956-5261

E-mail: explore@mbfilmsound.mb.ca

Education Support Levy

Schools Finance Branch

Manitoba Education, Citizenship and Youth

Telephone: 204-945-6910

Facsimile: 204-948-2000

E-mail: mbedu@merlin.mb.ca

www.edu.gov.mb.ca/ks4/finance/

Farmland School Tax Rebate, Riparian Tax Credit

Manitoba Tax Assistance Office

Manitoba Finance

Telephone: 204-948-2115 in Winnipeg

Toll-free: 1-800-782-0771

Facsimile: 204-948-2263

E-mail: tao@gov.mb.ca

Manitoba Equity Tax Credit

Financial Services Branch

*Manitoba Industry, Economic Development
and Mines*

Telephone: 204-945-1453

Facsimile: 204-945-1193

E-mail: amunia@gov.mb.ca

Community Enterprise

Development Tax Credit

Regional Development Services

Manitoba Intergovernmental Affairs and Trade

Telephone: 204-945-2427

Facsimile: 204-948-2362

E-mail: lprince@gov.mb.ca

Economic Development Initiatives

Manitoba Agriculture, Food and

Rural Initiatives

Toll-free: 1-800-567-7334

www.manitoba.ca/agriculture/ri

Personal and Corporation Income Tax, Income Trusts, Political Contributions Tax Credit, Research and Development Tax Credit, Manufacturing Investment Tax Credit, Co-operative Education Tax Credit

Federal-Provincial Relations

and Research Division

Manitoba Finance

Telephone: 204-945-3757

Facsimile: 204-945-5051

E-mail: fedprov@gov.mb.ca

■ Personal Tax Savings since 1999

Personal Income Taxes, Education Property Tax Credits, Education Support Levy and Farmland School Tax Rebate

	Implemented in Tax Year:							Cumulative Annual Totals
	2000	2001	2002	2003	2004	2005	2006	
	(Millions of Dollars)							(Millions of Dollars)
Income Tax Reductions								
2000 Budget	9	68	34					111
2001 Budget		29	7	18				54
2002 Budget			15					15
2003 Budget					39			39
2005 Budget							30	30
Total								249
Property Tax Reductions ¹								
2000 Budget	26							26
2001 Budget		27						27
2002 Budget			10					10
2003 Budget				19				19
2004 Budget					23			23
2005 Budget						37		37
Total								142
Annual Totals	35	124	67	37	62	37	30	
Cumulative Annual Totals	35	159	226	262	324	361	391	391

Totals may not add due to rounding.

¹ Property Tax Reductions result from increases to the Education Property Tax Credit, reductions to the Education Support Levy, and the Farmland School Tax Rebate.

Manitoba Income Tax Savings for Typical Taxpayers

Income	Tax in 1999	Tax Savings		2006 Savings over 1999	Cumulative Savings over 7 Years
		in 2005	in 2006		
	(Dollars)			(Percentage)	(Dollars)
SINGLE PERSON					
10,000	178	101	112	62.9	622
20,000	1,369	178	189	13.8	1,120
40,000	4,012	471	529	13.2	2,548
70,000	9,153	1,248	1,431	15.6	6,264
100,000	14,572	1,447	1,630	11.2	7,590
SENIOR COUPLE					
30,000	571	491	513	89.9	2,950
40,000	1,632	467	489	30.0	2,868
60,000	4,542	693	742	16.3	4,063
80,000	7,844	962	1,078	13.7	5,204
FAMILY OF FOUR – ONE EARNER					
25,000	591	374	385	65.1	2,284
40,000	2,891	706	765	26.5	3,961
60,000	6,625	1,446	1,604	24.2	7,656
75,000	9,435	1,666	1,849	19.6	8,793
100,000	13,951	1,582	1,765	12.7	8,399
FAMILY OF FOUR – TWO EARNERS					
30,000	691	323	333	48.2	2,007
40,000	1,453	416	427	29.4	2,557
60,000	4,107	728	777	18.9	4,295
80,000	7,169	1,160	1,269	17.7	6,437
100,000	10,188	1,481	1,663	16.3	7,835

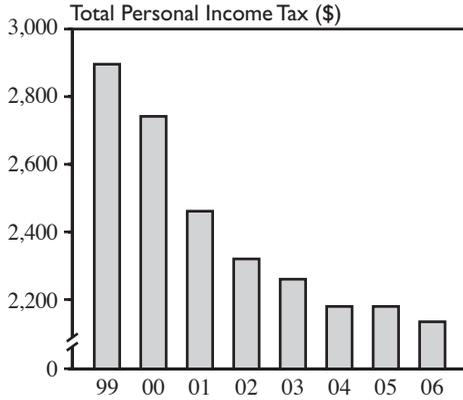
Two of the figures under Tax in 1999 are different from the previous year's presentation. The differences reflect a modification to methodology.

For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40% of the total private pension amount.

It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income and the other earns 40%.

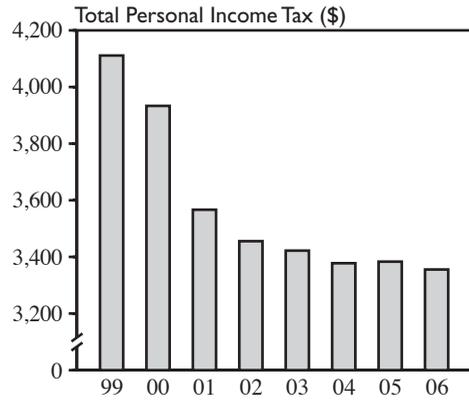
Manitoba Income Taxes since 1999

One-Earner Family of Four at \$40,000



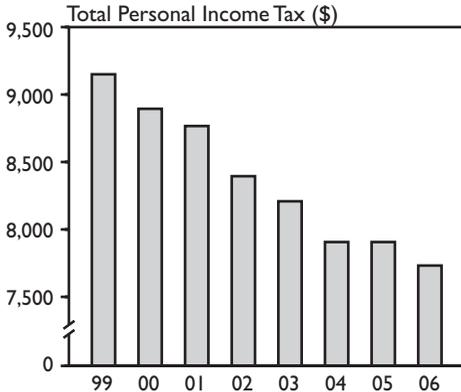
Source: Manitoba Finance

Two-Earner Family of Four at \$60,000



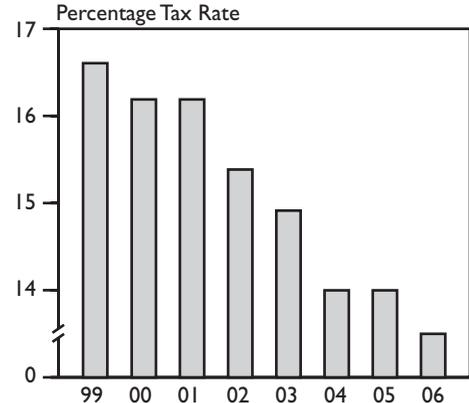
Source: Manitoba Finance

Single Individual at \$70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

■ 2005 Interprovincial Comparison of Tax Rates

	<u>BC</u>	<u>AB</u>	<u>SK</u>	<u>MB</u>	<u>ON</u>
Personal Income Tax					
Top Marginal Rate (%) ¹	14.70	10.00	15.00	17.40	17.41
Health Care Premiums (\$) ²	1,296	1,056	–	–	0 to 900
Corporation Income Tax (%)					
Small Rate ³	4.50	3.00	5.00	5.00	5.50
General Rate	13.50	11.50	17.00	15.00	14.00
Capital Tax (%) ⁴	–	–	0.60	0.30	0.30
Banks	3.00	–	3.25	3.00	0.90
Employer Payroll Tax (%) ⁵	–	–	–	2.15	1.95
Sales Tax (%) ⁶	7.00	–	7.00	7.00	8.00
Diesel Fuel Tax (¢/l) ⁷	15.00	9.00	15.00	11.50	14.30
Gasoline Tax (¢/l) ⁸	14.50	9.00	15.00	11.50	14.70
Tobacco Tax (¢/cigarette) ⁹	17.90	16.00	17.50	17.50	11.73

Rates in effect as at March 8, 2005. Only British Columbia and Manitoba have presented budgets as at March 8, 2005.

- Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.
- The premiums for the QC Prescription Drug Plan are based on income and are a maximum of \$494 for a single person and \$988 for a family. The premiums for BC and AB are the family rates; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of \$20,000 or less the premium is zero and the maximum premium of \$900 is reached at an income of \$200,600.
- QC has a rate of 8.9% grossed up by a 1.6% surcharge for an all-in rate of 9.04%.
- MB has a \$5 million deduction and a 0.2% surtax on taxable paid-up capital in excess of \$10 million. SK has a \$10 million deduction, a \$10 million supplemental deduction based on a company's wage allocation to SK and a 3.6% surcharge for resource companies. NB and NS have a \$5 million exemption. QC has a \$1 million exemption and graduated rate reductions for the range between \$1 million and \$4 million. ON has a \$7.5 million deduction.

2005 Comparison of Federal and Manitoba Income Tax Rates

Personal Income Tax Rates

Federal		Manitoba	
<u>Rate</u>	<u>Taxable Income Range</u>	<u>Rate</u>	<u>Taxable Income Range</u>
16%	\$0 - \$35,595	10.9%	\$0 - \$30,544
22%	\$35,596 - \$71,190	14.0%	\$30,545 - \$65,000
26%	\$71,191 - \$115,739	17.4%	over \$65,000
29%	over \$115,739		

<u>QC</u>	<u>NB</u>	<u>NS</u>	<u>PE</u>	<u>NL</u>	
					Personal Income Tax
19.22	17.84	17.50	18.37	19.64	Top Marginal Rate (%) ¹
988	–	–	–	–	Health Care Premiums (\$) ²
					Corporation Income Tax (%)
9.04	2.50	5.00	7.50	5.00	Small Rate ³
9.04	13.00	16.00	16.00	14.00	General Rate
0.60	0.30	0.30	–	–	Capital Tax (%) ⁴
1.20	3.00	4.00	5.00	4.00	Banks
4.26	–	–	–	2.00	Employer Payroll Tax (%) ⁵
7.50	8.00	8.00	10.00	8.00	Sales Tax (%) ⁶
16.20	16.90	15.40	16.50	16.50	Diesel Fuel Tax (¢/l) ⁷
15.20	14.50	15.50	17.00	16.50	Gasoline Tax (¢/l) ⁸
10.30	11.75	15.52	17.45	16.00	Tobacco Tax (¢/cigarette) ⁹

5 NL exempts firms with payrolls of less than \$600,000. ON exempts firms with payrolls of less than \$400,000. MB exempts firms with payrolls of less than \$1 million. QC has graduated rates for firms with payrolls of under \$5 million.

6 Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

7 Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST.

8 Vancouver, Victoria and Montreal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST.

9 SK, MB, NB, NS and NL apply sales tax to all tobacco products.

Corporation Income Tax Rates

	<u>Federal</u>	<u>Manitoba</u>
Basic Rate*	21.00%	15.00%
Surtax	<u>1.12%</u>	
Total	22.12%	

Small Business Income Tax Rates

	<u>Federal</u>	<u>Manitoba</u>
Basic Rate	12.00%	5.00%
Surtax	<u>1.12%</u>	
Total	13.12%	
Threshold	\$300,000	\$400,000

* After provincial abatement and general rate reduction

Appendix:

TAX EXPENDITURES 2004/05

■ Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results.

A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions) or events (ex: involuntary dispositions).

■ Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the legislature and are published annually in the public accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well.

Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives. Tax expenditure accounts should not be associated with identifying tax loopholes or areas where reform is needed.

■ Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results.

1. There are no formal accounting guidelines for tax expenditures.
2. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures.
3. The values in the account are estimates.

Point two can best be illustrated by example. Changing something that is a deduction from income (ex: RRSP contributions) would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

■ Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2004/05 fiscal year. They do not include measures announced in the 2005 Budget, or measures announced in previous budgets for implementation after 2004.

Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's *Estimates of Expenditure*. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

Credit	\$ Millions
Education property tax credit (including the homeowners' advance)	179.4
Personal tax credit	48.2
Farmland school tax rebate	20.0
School tax credit for homeowners	2.7
Community enterprise development tax credit	0.6
Political contributions tax credit (for individuals only)	0.5
Riparian tax credit	0.1

■ Manitoba Tax Expenditures, 2004/05

(Millions of Dollars)

(A) PERSONAL INCOME TAX – DEDUCTIONS FROM INCOME

(federal legislation – mandatory under tax collection agreements)

Contributions to RRSPs	118.9
Capital gains inclusion rate	61.8
Contributions to RPPs.....	58.6
Lifetime capital gains exemption.....	27.9
Social assistance, WCB, and OAS/GIS (non-taxable income).....	16.8
Union dues and professional fees.....	12.5
Child care expenses	9.4
Northern residents deduction.....	4.4
Moving expenses.....	1.5

(B) PERSONAL INCOME TAX – NON-REFUNDABLE TAX CREDITS

(basic credits provided federally and by all provinces)

Basic personal	531.3
CPP/EI.....	92.1
Charitable donations.....	50.1
Age	27.0
Spousal	21.7
Tuition fees and education amount (\$400/month).....	21.5
Medical expenses	17.0
Eligible dependent.....	12.5
Private pension	10.4
Disability	7.5
Foreign tax credit.....	2.3
Caregiver.....	1.3
Student loan interest.....	0.9
Infirm dependents	0.1

(C) OTHER MANITOBA TAX MEASURES

Personal Income Tax

Labour-sponsored funds tax credit.....	6.3
Mineral exploration tax credit.....	0.4
Overseas employment tax credit.....	0.3
Manitoba equity tax credit.....	0.1

Corporation Income Tax

Low rate for small business.....	109.3
Manufacturing investment tax credit.....	24.5
Film and video production tax credit.....	12.0
Research and development tax credit.....	9.5
Co-operative education tax credit.....	0.6
Odour-control tax credit.....	0.5

Payroll Tax

\$1 million exemption	107.2
Exemption for extra-provincial commercial carriers.....	11.4

Retail Sales Tax Exemptions

Groceries.....	193.0
Farm machinery and repairs.....	40.0
Farm and organic fertilizer.....	20.4
Prescription drugs and medicine.....	16.8
Farm pesticides and herbicides.....	15.5
Books, free newspapers and school yearbooks	14.5
Natural gas for residential heating.....	14.2
Electricity for residential heating.....	11.8
Medical supplies, appliances and equipment.....	10.6
Electricity used for manufacturing or mining.....	10.1
Purchased water.....	9.4
Children's clothing and footwear	8.8
Vehicle trade-ins.....	6.0
Custom software & computer programming.....	5.7
Toll-free calls	4.5
Vehicle private buy/sell refunds	4.0
Direct agents.....	2.1
(manufacturing & service industries, drill bits & explosives used in mining industry)	
Municipal exemptions	1.4
(including ambulances, fire trucks and related equipment, gravel/sand for own use)	
Feminine hygiene products	1.0
Mobile, ready-to-move and modular homes.....	0.8
Films for public broadcast.....	0.4
Farm manure slurry tanks and lagoon liners	0.3
Qualifying geophysical survey & exploration equipment and prototype mining equipment.....	0.1

Fuel Taxes

Marked gasoline and diesel	47.2
Gasohol taxed at lower rate	2.2

Corporation Capital Tax

\$5 million deduction	30.1
Credit unions and caisses populaires exemption	3.3
Co-operatives exemption	0.7