

## **If it Moo's – Tax it**

### **The School of Public Policy Weighs in on Lethbridge County's Feedlot tax – Identifies more equitable options**

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A new business tax on confined feeding operations (CFO), or feedlots, in Lethbridge County was expected to bring in \$2.5 million for county road maintenance in 2017. However, this kind of tax would have a detrimental impact on feedlot owners and is not the fairest way to amass revenue for road repairs. This according to a new report by Bev Dahlby, Mel McMillan and Mukesh Khanal of The School of Public Policy.

This paper examined three alternative methods for financing Lethbridge County road maintenance. The alternatives would ensure the tax burden is more equitably shared.

According to one author, "this tax is based on livestock storage capacity, rather than on production volume. It's counter-productive in the long run because the feedlot's fixed costs of production are increased, while its variable costs remain unaffected. This permanent increase in fixed costs, estimated to be as high as 20 per cent of the average operating margin per head of cattle, lowers the return on feedlot investments. Thus, the new tax could result in some feedlots being closed for lack of a high enough return on investment – ironically reducing the amount of revenue to the county for road maintenance while hurting feedlot operators. It's a bad tax", said Bev Dahlby.

A more equitable revenue source for road maintenance would be user fees imposed on the trucking industry. This system is already in use in Oregon and New Zealand. Lethbridge County could also implement a usage levy that would be based on how much it spends on roads, combined with a feedlot's capacity plus its distance from a provincial highway. The third option would be a tax based on an equation of how many livestock per feedlot exceed the actual capacity of that farm's own crops to feed them

These alternatives are fairer, more equitable and more efficient than the CFO levy. In the interests of maintaining both county roads and a healthy feedlot industry, Lethbridge County should replace the CFO levy with one of them.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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