



THE SCHOOL OF PUBLIC POLICY

Recent Corporate Income Tax rate cuts are putting Alberta back on the right path. New School of Public Policy report

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Calgary – Shortly after the election in May 2019, the new Alberta government began fulfilling its promise to reduce the provincial corporate income tax (CIT) rate. The rate cut began in July 2019, when the government dropped the CIT rate from 12 to 11 per cent. A further 1 point reduction is slated for Jan. 1, 2020, while the years 2021 and 2022 will each see a further one-percentage-point rate drop.

Today, The School of Public Policy with author and noted economist Dr. Bev Dahlby (Blue Ribbon panel) released a report examining the longer term impacts of the provincial CIT reduction.

According to Dahlby “If the federal CIT rate remains constant at 15 per cent, then the series of rate cuts will create a situation in Alberta in which the growth rate of real per capita GDP will be 2.5 per cent in 2022 and 6.5 per cent in 2029, with an increase in employment totalling approximately 58,000 in 2022 and 172,000 by 2029. The results of this model support the conclusions of an earlier study we did that also found a CIT rate cut would increase provincial growth rates. That study used a different data set, time period and different methodology, but its findings confirm the outcome of the latest research model.”

Skeptics may point out that a four-percentage-point reduction in the CIT will cause a \$350 million drop in total tax revenues annually in the longer term. However, the resulting expansion of the province’s economy and corporate tax base will offset that figure. What’s more, the drop in revenue is actually small when considered in the context of the province’s 2018-2019 deficit of \$6.7 billion.

Even though there is an urgent need to reduce the provincial fiscal deficit, cutting the CIT is a smart move, that will prove highly beneficial to Alberta’s economy, including employment prospects, over the next decade.

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

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Media contact:

Morten Paulsen

morten.paulsen2@ucalgary.ca

403.220.2540