

Municipal gas tax payments not impacted by drop in prices

By Mark Pavilons

While plummeting gas prices can be a double-edged sword, it won't impact the municipal share of federal gas tax payments. Reduced gas prices do not affect the federal Gas Tax Fund payments that the Association of Municipalities of Ontario (AMO) delivers to local governments.

According to Judy Dezell, gas tax implementation project manager at AMO, the federal Gas Tax, along with all other taxes collected by the federal government, is put into one 'general revenue' account. Government programs and services are funded from that general account. The federal Gas Tax Fund is currently set at \$2 billion per year across Canada. This \$2 billion is drawn from the general account 'it's not taken directly from the taxes collected on gasoline sales. The Fund is permanent in federal legislation and AMO's administrative agreement with the federal government has been extended to 2023.

While lower fuel prices won't affect the municipal Gas Tax allocation, the government will have less tax dollars to fund all programs and services.

'This calls into question the government's future ability to balance the budget in light of all of its fiscal commitments, including the federal Gas Tax Fund,' Dezell said.

The federal Gas Tax Fund will provide Ontario's municipalities with \$3.8 billion between 2014 and 2018. AMO delivers the Fund to all Ontario municipalities, except the City of Toronto, on a per-capita basis, without the need for an application or matching funding. The Fund is one of the only permanent, stable, and predictable sources of funding for municipal infrastructure.