



MEETING: November 29, 2018

FILE: 1920-01

SUBJECT: 2019 Income Tax Act Changes Impacting Elected Officials

1. That “Regional District of Nanaimo Board Remuneration, Expenses and Benefits Amendment Bylaw No. 1770.02” be introduced and read three times.
2. That “Regional District of Nanaimo Board Remuneration, Expenses and Benefits Amendment Bylaw No. 1770.02” be adopted.

The Federal government has stated that effective January 1, 2019 the one-third non-accountable expense allowances that are currently non-taxable to Board members will be eliminated. The Board may amend its remuneration rates to compensate members for the loss of the exemption.

Bylaw 1770.02 (Attachment 1) amends the Regional District of Nanaimo's (RDN) Board Remuneration bylaw (Attachment 2) to ensure net earnings remain unchanged after the loss of the tax-free expense allowance.

As part of the 2017 Federal budget, the Federal government announced that tax exemptions that apply for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies and to certain municipal office-holders would be eliminated. This change is to be effective January 1, 2019, and will directly impact the Regional District of Nanaimo (RDN) Board members and their alternates.

Despite requests from Federation of Canadian Municipalities (FCM) and a resolution at Union of BC Municipalities (UBCM), the Federal government has not altered its intention.

Across Canada, local governments are responding to ensure that their remuneration policies provide that the net income remains the same for elected officials after January 1, 2019.

Bylaw 1770.02 (Attachment 1) would amend the RDN Board Remuneration rates for the base rate and for the per meeting stipends to offset the impact of the loss of the tax-free expense allowance and to ensure net earnings are unchanged after taxes.

A further amendment to Bylaw 1770.02 was made to include public transit ticket fares.

ALTERNATIVES

1. Amend Bylaw 1770 to implement 2019 adjustments effective January 1, 2019 to offset the impact to net remuneration for the loss of the one-third tax-free allowance for Board remuneration.
2. Provide alternate direction to staff.

FINANCIAL IMPLICATIONS

The tax impact to each Board member of the discontinuation of the one-third tax-free exemption varies depending on their own income and tax situation. As well, additional Canada Pension Plan premiums and the loss of the GST rebate on the tax-free allowance must be considered in the calculation of the cost for amending the remuneration. However, assuming the RDN remuneration is the Directors' sole source of income and using combined Canada and BC marginal tax rates, the RDN Board remuneration would require an increase of approximately \$57,000, or 10% of the projected 2019 Board remuneration budget, effective January 1, 2019 to offset the loss of the tax exemption and to maintain net remuneration. This adjustment would be included in the 2019 RDN budget and form part of the requisition.

STRATEGIC PLAN IMPLICATIONS

The Board's Strategic Plan recognizes 'Governance' in its core focus area and to 'Be Fair and Equitable' in relation to sharing costs in its Governing Principles. A review of the impact of income tax act changes on elected official remuneration is consistent with the Board Strategic Plan.



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Reviewed by:

- J. Beauchamp, Director of Finance
- D. Wells, General Manager, Corporate Services

Attachments

1. Proposed Bylaw No. 1770.02, A Bylaw to Amend Board Remuneration, Expenses and Benefits
2. Bylaw 1770, Consolidated to 1770.01 for convenience