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Date: February 4, 2019
To: Mayor and Council
Author: Ryan McLeod, Director of Financial Services
RE: Councilor Remuneration – Impact of 1/3 Tax Exemption Changes
Report No.: FS-2019-04

AIM

To update the Town's council remuneration by-law in response to Bill C-44, which eliminates the ability for municipal elected officials to earn 1/3 of their salaries 'tax free'.

BACKGROUND

For many years, members of council have received 1/3 of their remuneration as a non-taxable benefit. The Federal government has enacted legislation to eliminate this 1/3 exemption in 2019. This change in tax policy will have a significant impact on the 'after-tax' compensation individual council members receive. In response to this change, many municipalities are reviewing their councilor remuneration to ensure that it remains appropriate and fair.

DISCUSSION

Administration recognizes that a position on Council can be demanding and require a significant time commitment. It is also recognized that compensating elected officials appropriately is critical to attracting a diverse and representative pool of candidates who will seek election for municipal office. As Bill C-44 reduces the 'after-tax' compensation that members of council receive, Administration would support an adjustment to councilor remuneration to make them whole on an after-tax basis.

In Ontario, the effective income tax rate for any income earned between \$42,960 and \$85,923 is 29.65%. Using this tax rate, members of council's current 'after tax compensation' is calculated as follows:

| | Municipal Income* (3-Average) (A) | 1/3 Exemption (B) | Taxable Income (C = A-B) | Income Tax at 29.65% (D) | 'After-tax' Compensation (A - D) |
|--------------|-----------------------------------|-------------------|--------------------------|--------------------------|----------------------------------|
| Council | \$22,565 | \$7,521 | \$15,044 | \$4,461 | \$18,104 |
| Deputy Mayor | \$27,046 | \$9,015 | \$18,031 | \$5,346 | \$21,700 |
| Mayor | \$41,213 | \$13,738 | \$27,475 | \$8,146 | \$33,067 |

Based on the above, the “Top-up Pay” in column B of the table below would be required to provide the average member of council with the same after-tax compensation.

| | Original Municipal Income* (3-Average) (A) | Top-up Pay (B) | New Taxable Income (C = A+B) | Income Tax at 29.65% (D) | 'After-tax' Compensation (C - D) |
|--------------|--|----------------|------------------------------|--------------------------|----------------------------------|
| Council | \$22,565 | \$3,170 | \$25,735 | \$7,630 | \$18,104 |
| Deputy Mayor | \$27,046 | \$3,799 | \$30,845 | \$9,146 | \$21,700 |
| Mayor | \$41,213 | \$5,790 | \$47,003 | \$13,936 | \$33,067 |

*Municipal income includes committee pay

LINK TO STRATEGIC PLAN

Effectively manage corporate resources and maximize performance in day-to-day operations.

FINANCIAL CONSIDERATIONS

The “top-up pay” noted above has been reflected in the 2019 budget.

CONSULTATIONS

Diane Broda, Payroll & Billing Supervisor

Various Municipal Reports – including the Municipality of Leamington, Centre Wellington, City of Brantford

AMO

RECOMMENDATION

To adopt by-law 18-2019 which reflects an increase in council remuneration in response to the elimination of the 1/3 tax exemption provisions for elected officials.

Ryan McLeod

Ryan McLeod, CPA, CA
Director of Financial Services

Peggy Van Mierlo-West

Peggy Van Mierlo-West, C.E.T.
Chief Administrative Officer