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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