

To:	Warden Halliday and Members of Grey County Council
Committee Date:	October 11, 2018
Subject / Report No:	CCR-CW-11-18
Title:	One-Third Taxable Income Changes
Prepared by:	Heather Morrison and Sandra Shipley
Reviewed by:	Kim Wingrove
Lower Tier(s) Affected:	None
Status:	Recommendation adopted by the Committee as presented as per Resolution CW243-18; Endorsed by County Council on October 25, 2018 as per Resolution CC105-18.

Recommendation

That Report CCR-CW-11-18 be received and that council salary be adjusted to reflect the removal of the one-third taxable allowance by keeping the net salary the same as it would have been with the one-third taxable allowance effective January 1, 2019 pending approval of the 2019 budget.

Executive Summary

Changes in federal legislation effective January 2019 to eliminate the one-third tax free exemption currently in place for municipal elected official's salaries will reduce council net compensation. The recommendations in report CCR-CW-08-18 were not approved at the June 28, 2018 meeting and staff was directed to bring back a report on the costings on the removal of the one-third allowance.

Background and Discussion

As outlined in Report CCR-CW-08-18 council members currently receive a salary that covers all council and committee of the whole meetings and all related work associated with these meetings as well as the social obligations associated with being a county councillor.

In March 2017, the federal government announced the elimination of the one-third tax free exemption for municipal officials beginning January 1, 2019.

Councillors' salary will be reduced by the increased taxation. As well, there will be additional costs to councillors and the County for CPP, OMERS and Employer Health Tax contributions. Staff has completed a comparison of net salaries with Table 1 showing the required increases to the Warden and Councillor salaries to bring the current salaries up to the same net salary and

Table 2 showing the contribution impacts.

Table 1-Salary Impacts

	Current One-Third Tax Exempt		Option 1: Do Nothing Loss of 1/3 tax free allowance		Option 2: Adjust for loss of Exemption	
	Head of Council	Councillor	Head of Council	Councillor	Head of Council	Councillor
Annual Remuneration*	\$63,858.85	\$19,106.43	\$63,858.85	\$19,106.43	\$63,858.85	\$19,106.43
Additional salary for equal net pay					\$13,506.00	\$2,544.00
Total remuneration	\$63,858.85	\$19,106.43	\$63,858.85	\$19,106.43	\$77,364.85	\$21,650.43
Taxable earnings	\$42,572.57	\$12,737.62	\$63,858.85	\$19,106.43	\$77,364.85	\$21,650.43
Non-taxable earnings	\$21,286.28	\$6,368.81				
Deductions:						
Income Tax	\$5,394.24	\$0.00	\$10,483.32	\$750.96	\$13,903.08	\$1,300.44
CPP	\$1,934.09	\$457.26	\$2,564.10	\$772.52	\$2,564.10	\$898.45
OMERS	\$3,831.53	\$1,146.39	\$6,226.59	\$1,719.58	\$8,198.47	\$1,948.54
Net Pay	\$52,698.99	\$17,502.78	\$44,584.84	\$15,863.37	\$52,699.20	\$17,503.01
Difference in net pay compared to one-third exempt option			-\$8,114.15	-\$1,639.41	\$0.21	\$0.22

* 2017 Treasurer Statement figures used and amended as follows:

- remuneration for outgoing and incoming Warden was adjusted so that all Warden compensation is reported under Warden column
- base Councillor salary was used for Councillor Jack due to LOA in 2017
- added \$50 tech allowance paid to Grey figures \$7,800.00 (averaged over 18 councillors/warden) or 433.33 per person
- removed provincial association earnings

* Salary and per diem only - taxable mileage and other allowances not included

2017 tax tables used to calculate net pay

Option 2 is approximate same net pay

Table 2-Salary and Employer Contribution Impacts

	Option 1: Fully Taxable - Same Gross Pay		Option 2: Fully Taxable - Same Net Pay	
	Head of Council	Councillor	Head of Council	Councillor
Salary costs	-	-	\$13,506.00	\$43,248.00
CPP	\$630.01	\$5,359.42	\$0.00	\$2,140.81
OMERS	\$2,395.06	\$9,744.23	\$1,971.88	\$3,892.32
EHT	\$415.08	\$2,111.26	\$263.37	\$843.34
Loss of GST/HST Rebate on one-third tax free Councillor expense allowance	\$2,117.33	\$10,769.50		
Subtotal additional costs	\$5,557.48	\$27,984.41	\$15,741.25	\$50,124.47
Total additional cost to County		\$33,541.89		\$65,865.71
Cost of implementing both options	\$99,407.61			

Cost to County - Loss of 1/3 exemption **\$33,541.89**

Cost of Salary Top Up **\$65,865.71**

Total Impact - Loss of 1/3 AND Salary Top Up **\$99,407.61**

Legal and Legislated Requirements

In 2017 the federal budget removed the one-third taxable income exemption for elected officials which requires changes to the way County Council members are paid in order to maintain council compensation at the current levels.

Financial and Resource Implications

The removal of the one-third taxable income exemption will create a significant financial impact to Grey County in order to continue to provide a competitive salary for councillors. Starting in 2019, the impact of the change to the same net pay will be approximately \$99,400. Should the report be endorsed, the 2019 Warden's salary will be \$77,339.72 and the councillor salary for 2019 will be \$20,225.25. These changes would be effective January 1, 2019 but would be paid retroactively pending the approval of the 2019 budget.

Relevant Consultation

Internal CAO, Director of Corporate Services, Human Resources

External

Appendices and Attachments

[CCR-CW-08-18 Council Compensation](#)