

# Canadian Parking Taxes:

## *A Look over the Border*

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**A**s a company that does extensive business in both Canada and the U.S., we are often faced with different challenges on either side of the border. How different can the business climate in a single industry be between two neighboring economies, you ask? As a matter of fact, the business landscape is significantly different—especially in terms of taxation. For starters, payroll and corporate taxes are appreciably higher in Canada than in the majority of the American states. Compounding this are specialized taxes, or levies, that specifically target parking. What is similar, however, is our common concern about increased taxation, and the strategies we employ to confront it.

Over the past decade, parking operators in several major Canadian cities have been faced with a myriad of taxation levels ranging from sales taxes to parking stall levies, each designed to increase the cost of doing business for owners and operators. This increase is often difficult to pass on to the consumer without compromising traffic levels at specific locations or commercial areas. Add to that the enormous cost to repeal or reduce these tax initiatives (lawyers, consultants, etc.), each operator could easily justify the creation of a department that strictly deals with these ongoing issues. The NPA's plan to monitor federal legislation in the U.S. on matters affecting the parking industry through its Legislative Affairs Committee is the first proactive, coordinated effort of its kind.

In Canada, several measures to increase taxation have been challenged; some are being challenged even as this article is written. Rigorous proposals to impose or

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increase taxes related to parking, and in some cases to curb parking operations altogether, have become permanent fixtures in each of the major Canadian markets.

In the early '90s, the Government of Ontario imposed what was deemed to be a devastating levy in Metro Toronto taxing commercial space, rented or vacant. This had the effect of targeting parking facilities, and extracted an estimated \$22 million per year from our industry alone. With a downturn in the economy at that time (which led to the near collapse of several business districts in Toronto), business and property owners, together with the parking industry, organized to repeal this tax. Finally, after a multi-year campaign, the

business groups and the parking industry, a more equitable taxation level was agreed upon. Nevertheless, the net effect was still a considerable tax increase on parking lots.

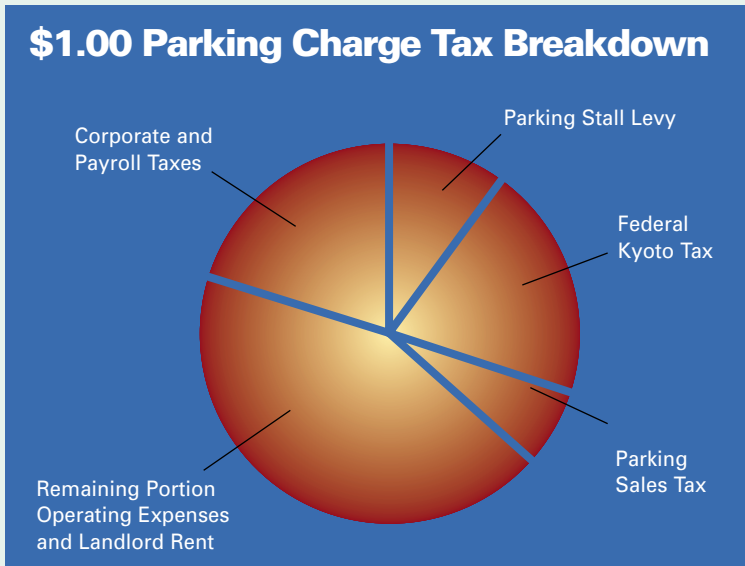
Recently, the City of Montreal commissioned a study to eliminate surface parking lots in an effort to “beautify” the city and push commuters to public transit. Although there is strong opposition to this initiative, Montreal is nevertheless intent on initiating the elimination of approximately 240 surface parking facilities this year. This proposal may come in the form of an inequitable levy or tax, or potentially through rigorous permit applications to force the demise of surface parking lots.

The most extreme tax examples are in Calgary, where the municipal administration increased business taxes on parking operations to as much as 500 percent from the previous year!

Today, the parking industry in Calgary accounts for nearly four percent of all business taxes collected from more than 22,000 businesses, which is budgeted to generate nearly \$160 million annually. For the past three years, business tax assessments have been mailed to operators of

parking facilities, and the same appeal process is initiated each year. The municipality each year aggressively fights the appeal process, relying on an ambiguous business tax bylaw to justify its actions and retain what seems to be a discriminatory tax on parking lots.

The latest in a series of challenges was a



*The residual Net Available Income projected to be generated on \$1 worth of parking.*

Toronto Commercial Concentration Tax was revoked in 1994.

Six years ago, the City of Edmonton embarked on an exercise to categorize its business taxes and, as a result, created a class specific to parking lots, with a net effect that tripled existing business tax levels. Again, with the assistance of local busi-

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proposal in 2003 to triple the sales tax on parking fees in Vancouver from seven percent to 21 percent. The purpose of this tax was meant to fund the local transportation infrastructure, with a majority of the money going to subsidize the transit system. This was the second such attempt in five years by the managing transportation commission for Greater Vancouver (Translink) to increase this tax.

To defeat the tax, the parking industry partnered with representatives from groups most affected by the tax increase: the Downtown Vancouver Business Improvement Association (DVBIA) representing downtown business owners, retail tenants, and commercial landlords; and the local Building Owners & Managers Association (BOMA) chapter. The hoteliers' association and a number of major landowners were also active and contributing supporters. A small, working group representing these various stakeholders coordinated a campaign whose overall strategy consisted of two goals: 1) to enlist public and stakeholder support in expressing opposition to the politicians involved at the regional transit authority; and 2) to maintain a dialogue with politicians to convince them to go with other, less damaging, forms of funding.

With the assistance of two hired experts, a strategist and a former politician, the proposed initiative to increase the parking sales tax was repealed. After a three-month campaign and numerous meetings, the transit authority met with the working group to announce that it had dropped the concept of tripling the parking tax. The transit authority indicated however, that it is now considering an

alternative funding initiative that taxes each parking stall in Greater Vancouver, slated to be introduced by 2005.

On the heels of the Kyoto Accord, which addresses global climate changes with a commitment to reduce greenhouse gases, the Canadian Federal Government will also target the parking industry with a proposal to introduce a special tax. Although the amount or nature of the tax is currently speculative, its intent is to reduce the use of vehicles to attain a national greenhouse gas emission target that is six percent lower than emissions were in 1990. The Canadian Government has already singled-out a parking tax as key to the success in reducing the use of private vehicles. Early indications suggest that the tax could be as high as \$2.00 per day. Therefore, for someone living in Vancouver in 2006, nearly 40 percent of the cost of their parking will include some form of tax.

What does all this mean to the parking industry in Canada and the United States? As we have seen on both sides of the border, tax initiatives tend to spread from one city to another as municipalities attempt to balance budgets and provide services. Canada has a long history of parking taxation, as do many U.S. cities. As an industry, we should be proactive with local and federal jurisdictions to ensure we have a voice in taxation and assessments in our industry. The National Parking Association is exploring options through its Legislative Affairs Committee. The Canadian Parking Association has also recently agreed to support tax fight initiatives in Canada. Together, we must work with local and federal governments to develop plans that promote vibrant downtown environments without excessive pressure on parking and real estate. <sup>P</sup>