



Corporation of the Municipality of Temagami

Memo No.
2019-M-020

Memorandum to Council

Staff
 Committee

Subject: Non-Tax Allowance

Agenda Date: January 10, 2019

Attachments:

RECOMMENDATION

BE IT RESOLVED that the Council of the Municipality of Temagami receives Memo 2019-M-020;

AND FURTHER THAT Council authorizes a 1.75% increase in Council honorariums, effective January 1, 2019, to counter the effect the change in federal policy regarding the non-taxable allowance for elected officials.

INFORMATION

Due to a change made by the Government of Canada, there is no longer a non-taxable portion to Council remuneration. Prior to the start of 2019, one-third of the honorarium paid to Council was not subject to income taxes while now all of the honorarium paid is considered to be taxable income.

For illustration purposes, in 2018, for every \$300 paid as an honorarium, \$200 was considered to be taxable income and the remaining \$100 was considered to be a non-taxed allowance for elected officials. In theory, this allowance provided remuneration for out of pocket expenses such as travel within the municipality, home office costs etc. Travel outside of the municipality was, and continues, to be reimbursed in accordance with municipal travel expense policies.

The effect to Members of Council is the tax paid on what used to be non-taxed. The honorarium is not being reduced but rather the whole amount is now being considered as taxable income. While each Member of Council may be effected differently dependent on their own personal tax situation, in general terms, this change has the effect of lowering the net honorarium by 1.75% or about \$165 per year based on Council honorariums with income taxes withheld at the standard rates.

While Council may have different thoughts, the options as I see them are: (no particular order)

1. Do nothing – the effect is that the after tax amount received as an honorarium would be lower after the change in federal policy;
2. Increase honorariums paid, in addition to any cost of living adjustment applied in normal course, by 1.75% - this would, in essence, negate the effect of the federal policy change for standard deductions.
3. Provide a budget for out of pocket expenses – this option would not adjust the honorariums but rather allow Council with a budget amount to be claimed for mileage and operation of a home office. If these are reimbursed with the provision of receipts or claims for mileage, this would be considered to be a non-taxable expense reimbursement. If this option is selected, the budget amount can be discussed through the municipal budget process.

As noted above, there may be different options that Council may wish to consider. The recommendation made is an attempt to ensure the standard after-tax amount received by Council remains the same.

**Prepared by: Craig Davidson,
Treasurer/Administrator**

Reviewed by: