

## *Facts and Talking Points on C-201*

Please find below some facts and talking points that you may wish to add to your letter or to use when calling your MP.

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In October 2013, there were some comments made in the first hour of debate by Conservative members (and subsequently to media from Minister Flaherty's office) which do not take all of the facts of the situation into account. These comments and talking points were as follows:

1. Myth: This legislation would be subject to abuse and fraud.

**As with any new tax measure the Government will design the system to make integrity a key component. There is a system to promote integrity in the special tax treatments provided in remote worksite and subsistence allowances on remote worksites. Bill C-201 measures could be easily managed through these regulations.**

2. Myth : \$60 million "cost" too much in a time of fiscal restraint (which ignores the stimulus side of employment income taxes paid)

**\$60 million is not the true cost of a labour mobility measure to the Consolidated Revenue Fund. A small pilot proposal as suggested by the Canadian Building Trades is estimated to be \$4 million with a payback in the \$12 million range in economic benefits. If a full national program is implemented, it is estimated \$180 million would be returned to the Consolidated Revenue Fund.**

3. Myth: No way to distinguish between lifestyle choices of living far away from work and real employment expenses.

**This Bill is not about lifestyle choices construction workers make. This Bill is designed to help workers get off employment insurance and go to where the work is. This Bill is about tax fairness with other kinds of workers like sales people who can write off travel expenses. This Bill has nothing to do with having a cottage. It is travelling to the where the work is over long distances to build Canada's economy. Mobile workforces have supported communities facing employment challenges for decades.**

4. Myth: People who have these expenses anyhow will have a tax windfall

**The Moving Expenses deduction in the Income Tax Act does not assist skilled tradespeople who may travel three or four times a year for temporary work. There is no "windfall" here whatsoever. If an employer pays the travel expense there would be no deduction. Currently, when a worker travels she gets the amount of subsistence, travel allowances etc recorded and reported to CRA on the T4 and employer T4 summary. Any deduction will have to be claimed, documented and submitted. The system prevents windfalls.**

5. Myth: This doesn't help all Canadians and puts certain groups at an advantage over others

**Economic policy decisions single out all kinds of special treatment for certain industries, types of businesses and similar. The decision to address labour mobility through tax incentives makes sense given the nature of the workforce. Construction employs more than 1million Canadians. The Standing Committee HUMA and FINA both supported this measure after careful consideration.**

## *Background on Bill C-201*

### **THE CASE FOR A CONSTRUCTION MOBILITY TAX CREDIT**

Canada's Building Trades Unions have been urging the federal government to introduce a Construction Mobility Tax Credit for decades. Now industry is joining us in calling for change.

- The Canadian Construction Association represents more than 17,000 construction companies across Canada.
- Construction Labour Relations–Alberta (CLR-A) represent construction companies throughout Alberta.

### **What is the Construction Mobility Tax Credit?**

The Construction Mobility Tax Credit would give skilled construction workers a personal tax exemption for expenses they incur to temporarily relocate for work. The exemption would allow workers to deduct any work-related travel expenses not reimbursed by their employers.

### **Why is mobility important?**

Construction is Canada's largest private-sector industry. Its direct impact on the economy is immense:

- Construction accounts for 12 percent of Canada's GDP.
- The industry has more than 260,000 businesses.
- It employs more than a million Canadians.
- It is responsible for installing, repairing and renovating more than \$150 billion worth of infrastructure every year.

Canada's construction industry faces two major human-resources challenges: labour shortages and barriers to labour mobility.

### **The labour shortage challenge**

Between 2013 and 2021 the construction industry needs to recruit 252,000 new construction workers to meet expansion and replacement demand. The industry is expected to attract 152,000 entrants through sustained programs aimed at traditional and non-traditional groups including women, Aboriginal people and immigrants. It will still need an additional 100,000 workers to avoid labour shortages.

Even if the construction industry succeeds in recruiting sufficient workers, mobility will continue to be an issue

## **The labour mobility challenge**

Access to a highly skilled construction workforce is particularly important to the resource industry. The industry is pivotal to the Canadian economy and many large resource projects are located in remote, sparsely populated areas of the country.

Over the coming decade demand for skilled construction workers is expected to be strongest in the resource sector, with peak demand shifting from one region to another as large projects start up and wind down.

- Resource projects in Newfoundland and Labrador
- Shipbuilding in Nova Scotia and British Columbia
- Mining projects in Northern Ontario's Ring of Fire area
- Utility construction in the Greater Toronto Area
- Mining projects in Northern and rural Saskatchewan
- Oil Sands and infrastructure projects across Northern Alberta
- Mining and utility projects in Northern British Columbia

These projects will recruit and train new workers, both locally and from across the country. They will, however, still rely heavily on experienced, skilled workers who are willing to temporarily relocate.

### **Why institute a Construction Mobility Tax Credit?**

The construction industry can partially solve skills shortages by encouraging more workers to temporarily relocate.

Construction workers are used to leaving their homes and families to work at distant sites for periods of time. A 2007 Construction Sector Council study found that 70 percent of surveyed tradespeople travelled to find work at least once in their careers. It also found that the cost of temporary relocation is the one of the biggest impediments to working mobile.

Figures compiled on behalf of Canada's Building Trades Unions show that the average mobile worker spends approximately \$3,500 of his or her own money to temporarily relocate. Employers rarely reimburse workers for these costs.

A Construction Mobility Tax Credit would remove one of the largest barriers to labour mobility and pave the road for workers to move more freely between regions of the country where their skills are in most demand.

## **Legislative background**

The federal government has had two opportunities to consider a construction mobility tax credit. The Member for Hamilton-Mountain, introduced the credit in a Private Member's Bill C-227 in 2006, and reintroduced it as Bill C-201 in 2013.

The bill would give skilled construction tradespeople a personal tax exemption on travel and accommodation expenses incurred for working at job sites more than 80 kilometres away from their homes. The credit would only apply to costs paid for by workers and not reimbursed by employers.

The Standing Committee on Human Resources, Social Development and the Status of Persons with Disabilities supports the concept. In 2008, the committee recommended that the Income Tax Act be modified to provide for a tax credit for workers who must leave their principal residence to work on a temporary basis, provided that they maintain their primary residence.

## **Who would benefit?**

Workers would benefit from reduced relocation costs and increased employment opportunities.

Employers would benefit from access to larger pools of qualified workers, and reduced costs relating to participation in programs such as the Temporary Foreign Worker program.

The Government of Canada would benefit from increased long-term income tax revenues and reduced dependence on costly social programs. The tax credit could yield a return on investment of nearly 5:1 for the Government of Canada.

## **What should government do?**

We propose that the Government of Canada adopt a construction mobility tax credit, similar to the one proposed in Private Member's Bill C-201, on a trial basis through 2015. (The Member for Hamilton-Mountain has agreed to withdraw her bill if the government agrees to create similar legislation of its own or if included in Federal Budget 2014.)

We expect that a three- or four-year pilot project to test this initiative will demonstrate conclusively that a Construction Mobility Tax Credit is sound public policy that will yield significant benefits for workers, employers and government alike.