

September 29, 2017

Honourable John Horgan, MLA
Premier of British Columbia
West Annex, Parliament Buildings
Victoria, BC V8V 1X4
Via Email: Premier@gov.bc.ca

Dear Premier Horgan,

When I last wrote you in July, I expressed how the BC Chamber of Commerce values our work with the provincial government to grow the people who power our strong and vibrant provincial economy and that there is no better organization to engage with when one wants to know *what's on the mind of B.C.* in both urban and rural jurisdictions.

I'm writing today to share with you that the significant changes to federal tax policy is very much on the mind of small business owners from top to bottom, east to west. These proposed changes could derail the ongoing economic growth which has been so positive for B.C.

At the upcoming First Minister's meeting on October 3rd, the BC Chamber and its network of local Chambers of Commerce and Boards of Trade – from every corner of the province – urge you and your provincial colleagues to put the federal government's proposed tax changes at the top of the agenda with the Prime Minister.

The federal government has proposed the most radical changes to our tax system in 50 years, focused squarely at small businesses. As you know, these changes include: (1) a new tax – effectively a 65%-73% rate – on investment income in a corporation, (2) a much higher tax rate for compensation in a family business deemed “unreasonable,” and (3) new, tougher rules for converting income to capital gains that would make it difficult to pass a business along to family members.

The Chamber network believes the tax changes will:

- Lead to lower savings within small businesses, eroding sustainability and future investment for business growth;
- Make it more difficult to pass down ownership of family-run businesses to the next generation – only exacerbating the issues around succession planning;
- Discourage entrepreneurship;
- Reduce venture capital available to Canadian business;
- Send foreign investors away to friendlier markets; and
- Reduce economic growth and job creation in B.C.

Small businesses are the lifeblood of our economy. B.C.'s small businesses account for 98% of all businesses and 55% of all private sector employment. We have a rate of 83 small businesses per 1000

residents – the most of all the provinces – and substantially higher than the national average of 70.3. There is little doubt these proposed federal tax changes will likely have a disproportionate impact on B.C.'s economy.

In a recent op-ed I wrote, I told the story of just two of the many small businesses who will be impacted. I want to share their stories with you as you head into the First Minister's Meeting.

Melissa Dobernigg and her husband are third-generation apple growers, and the owners of BX Press Cider and Orchard in Vernon. They were only able to inherit the farm through the Lifetime Capital Gains Exemption, without which it would have been impossible for her father-in-law to pay the taxes required to pass on the farm. As they put it: "We literally 'risked the farm' and were even turned down by several lenders."

Dan Reader is the President of MLP Machinery from Surrey. The company itself will be celebrating its 100th year in operation in 2018. MLP Machinery is a diverse, custom manufacturing company servicing industries such as forestry, oil and gas, natural resources, as well as government. The company employs 160 people and brings in millions to the economy. Speaking to income sharing, Dan says "It is not just my risk, it is a risk for my spouse, and my family as well. To buy into the business, I mortgaged the house. From the point of view of me and my spouse, we are in this together. This affects me, my wife, and our whole family. These are the risks you take as a business owner."

There is no need for the federal government to rush into these sweeping tax changes. That is why we urge you to convince Prime Minister Trudeau to take these proposals off the table, and launch meaningful consultations with the business community to address any shortcomings in tax policy without unfairly targeting small businesses.

Thank you for your consideration of this matter. Should you or your staff have any questions in the meantime, please do not hesitate to contact Dan Baxter, Director of Policy Development, Government and Stakeholder Relations at 604-638-8116.

Sincerely,
The British Columbia Chamber of Commerce



Val Litwin
President and CEO

CC: Perrin Beatty, President and CEO, Canadian Chamber of Commerce, pbeatty@chamber.ca

