
Fiscal Chapters and Ratification

AIP & FA

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Fiscal Overview AIP vs FA

Principles, areas of agreement and for further negotiation

are in the

AIP



**Capital Transfer
Chapter**

Guiding principles
are in the

Final Agreement



**Capital Transfer
Chapter**

**RRS
Chapter**

*Side Agreements
Contains details
Outside of Treaty*

**Fiscal Relations
Chapter**

**Fiscal Relations
Chapter**

*Fiscal Financing
Agreement

Own Source Revenue
Agreement*

**Taxation
Chapter**

**Taxation
Chapter**

*Tax Treatment Agmt

Property Tax Agmt

Other Tax Sharing
Agreements*

Show us the Money

Item	AIP	Final Agreement
Land/Cash	Near final offers	Slight additions/changes to AIP offers are possible
Resource Revenue Sharing	Usually a minor provision indicating possible FA negotiation	RRS models explored and negotiated
On-going funding (programs and services)	No \$ tabled	\$ negotiated and finalized
One Time Funds (Fish, Ec dev)	May have markers for future negotiation, rarely includes \$ amount	\$ negotiated and finalized
Implementation funding (training, law making, capacity building)	No \$ tabled	\$ negotiated and finalized
Other funding (enrollment and eligibility, communications, ratification)	No \$ tabled	\$ negotiated and finalized



AIP vs FA

- At AIP
 - We have 2 of 4 Chapters near completion
 - No money tabled other than the Capital Transfer
 - No side agreements drafted
- Leading up to AIP ratification we typically go through the Chapters, lay out what we know and what we expect to see
 - Focus on information sessions, Q&A's, many process questions
 - Far more questions than answers as much of the details are to be negotiated
- At Final
 - We are expected to know it all
 - Once the community understands the arrangements they start asking planning questions
 - Focus changes from what are we negotiating and why to what are we going to do with it and when



AIP vs FA: Communication Context

- The AIP context sets the stage for further negotiations
 - That the AIP ratification is a signal to Canada/BC to get a SG mandate,
 - That there is still a lot of work to do
 - You have hard lines upon which to plan to negotiate
 - You are seeking a mandate from the community to complete the work
- The FA context consolidates the treaty package and set out a path
 - How successful was our negotiation
 - How do the pieces (land, revenues, ec dev opportunities) fit
 - Why does the future hold and how long until we see changes
 - There is a vision
 - You are seeking a mandate from the community to move to that vision

The Capital Transfer and Negotiation Loan Repayment Chapter

- At AIP it's all we know so:
 - Make a land/cash total comparison between the offer the FN has received and other AIP's
 - Some Members like to know how offers compare to one another However, some don't!
- Chapter is generally easy to explain except: Negotiation Loan Support
- Many questions arise:
 - First concern is how much do we owe!
 - Where did the money go?
 - How much more will this cost?
- Need the a higher authority to respond to this – usually the CN
 - Highlight the benefits of the negotiation to-date
 - Capacity building, TRM's, other studies and benefits, etc.
 - Discuss the difference between repayment portion and grant
 - Often the CN speaks to what will be asked for to offset Loans



The Capital Transfer and Negotiation Loan Repayment Chapter

- During FA ratification
 - Chapter discussion is very limited as community has been hearing about the amount of the Capital Transfer for some time
 - Focus is on management and investment
- Misconceptions and concerns

Arise during both AIP and FA discussions

 - The CT is all the funding that will be received and needs to pay for P&S
 - The CT will be misspent and we have no protection against mismanagement

Resource Revenue Sharing Chapter

- Little can be said at AIP as all we usually have is a small provision in one of the Chapters pointing to further negotiation.
- Usually discuss:
 - What resources revenues are
 - Which FAs have RRS components to them and which do not and why
 - What models of RRS payments have been negotiated
- Community feedback is often negative:
 - What to know why there is no compensation for what has already been removed from traditional lands
 - What to know why the payment models are time-limited



Resource Revenue Sharing Chapter

- During FA ratification
 - Reiterate the AIP discussion
 - Focus on the RRS payments and management
 - Community feedback is still generally negative – not enough money, time limited, etc.

- Misconceptions and concerns
 - The rationale behind the Chapter, many members believe and assess the amount as reflecting a fair share of resource revenues on traditional territories and not linked to any mandates
 - The purpose of the revenue stream
 - What do we have to spend the money on?

Fiscal Relations Chapter

- Major change in language in ~2011
 - Has gone from a constitutionally protected obligation to negotiate and reach agreement on funding for programs and service to punt language that acknowledges that Canada is reviewing the policy
 - All that is know for certain is that some type of OSR contribution will continue to be included in the funding determination.

- What is presented is typically
 - The Fiscal model used at other tables
 - A discussion of the state of federal policy development
 - The fact that members will continue to be eligible for all P&S
 - Discussion on new authorities
 - Examples on how funding changed in other agreements
 - Note that there is still a lot of work to do

Fiscal Relations Chapter

- During FA ratification
 - We can talk about funding and program delivery
 - A major challenge is that members do not know how P&S are currently funded and any discussion must start at the status quo and then speak to the changes brought about by the Chapter and side agreements – this is a big education process.
- Misconceptions and concerns
 - The CT and RRS has to pay for all P&S
 - No longer eligible for many programs
 - No longer a status Indian
 - The fact that Canada no longer provides oversight to expenditures - is only a perceived benefit to FN administrators – most members see this as a bad outcome
 - What are the benefits for off-Settlement land residents?
 - A major challenge as there are no new benefits
 - OSR is not usually a hot community issue

Taxation Chapter

- At AIP, this Chapter is usually in near FA language
- The Chapter is of major benefit to the FN but Tax is a 4 letter word.
- Most of the community discussion is around the benefits of the Chapter
 - Law making
 - Exemptions
 - Tax Treatment Agreement
 - Tax Co-ordination Agreements
 - New revenues
- The controversial part of the Chapter is the “Indian Act Transition Section”
 - At AIP this section can be drafted in 2 ways
 1. Clearly set out the time period for the phase out of the s.87 tax exemption (e.g., 8 & 12)
 2. Insert punt language that says that the transition provisions will be negotiated later

Taxation Chapter

- The second option seems to be more common
 - Allows negotiators to say they have not given up the s.87 discussion
 - More importantly, it prevent the AIP ratification from being focused on tax along
- However the impact of s.87 is still a major discussion topic
 - What is typically done is to try to dispel myths
 - 30% of my income will be taxed away
 - I will have to pay \$3,000 in property tax
 - Homes will be taken away from elders who can not pay property tax
 - This is done by working through tax examples, looking at property assessments and talking about property tax mitigation options.
- Somewhat surprisingly, members are far more worried about property tax then they are income or sales tax
 - Exception are communities with a significant number of resource workers (fishers)



Taxation Chapter

- Another group that is very concerned about income taxes are band employees as they are most impacted by the removal of the s.87 exemption
 - This is an important group to address and reassure, as you do not want all the band employees talking down the FA
- Sales taxes are not generally a major concern except:
 - In communities with or near on reserve shopping opportunities
 - In communities with on-reserve gas/ convenience store stations
- We also publish a lot of tax Q&A's news letter articles, and so on to ensure that all the information is available
- Presentations – especially at FA - are done over and over again until there are no more questions
- We offered one-on-one meetings with members upon request – this was very popular and reassured many members
- Do not let home visit teams attempt to address the Tax Chapter or issues!



Taxation Chapter

- During FA ratification
 - We talk about tax Chapter benefits but
 - The main focus is on the S.87 phase out
- Misconceptions and concerns
 - The tax exemption is an aboriginal right
 - Property taxes will cost too much and they will take my house away
 - 30% of my income will be taken away through taxation
 - Elders will bear the burden
- Of all the fiscal issues s87 yield the most questions and fear followed by the loss of programs and services.
- Some tools to use:
 - Property tax:
 - Discuss how property is taxes and discuss mitigation options.
 - Point to what has been done in other communities
 - We can not say for certain what will occur as it is a function of future FN government policy.

Personal Income Tax (2012)

Total Income	Fed. Tax	Prov. Tax	Refundable Benefits	Net Tax Payable
Single Individual				
10,000	0	0	1,742	-1,742
20,000	1,035	41	752	325
40,000	3,832	1,400	137	5,094
60,000	7,951	2,909	0	10,860
One-Earner Family of Four				
10,000	0	0	12,731	-12,731
20,000	0	0	12,905	-12,905
40,000	1,911	967	7,230	-4,352
60,000	6,030	2,476	4,618	3,888



Tax Revenues

If the treaty and tax agreements were all in effect today

on reserve	members currently pay	Non Status residents currently pay	Members pay additionally	New Tax money for Nation
Federal Sales Tax	175,000	250,000	75,000	500,000
Provincial Sales Tax	275,000	na	125,000	200,000
Federal Income Tax	50,000	600,000	150,000	800,000
Provincial Income Tax	20,000	na	70,000	45,000
Total	520,000	850,000	420,000	1,545,000

Closing Comments

- There are different challenges at the AIP and FA stages.
 - The AIP has little information and hard facts and, on the fiscal side, the focus is asking for a (community, C&C) mandate to continue the negotiations and get the answers to all the questions.
 - The FA ratification process has many of the financial answers but little in the way of future FN policy or guarantees.
- Many of the new features re P&S (less reporting to Canada , no funding recoveries, no program audits) are only perceived as a benefit to FN admin and band employees, members are usually concerned.
- There is a major fear that revenues will be mismanaged – need to be clear on how new regulations, laws, constitution will work together to protect against mismanagement and fraud.
- Plan on repeating the messages over and over
- Finally, off-reserve members are a huge challenge – there is little in the Fiscal Chapters of any direct benefit to them – all we can say is that the few existing P&S they receive (PSE) will continue.