

Errata Fiscal Arrangements User model

March 31, 2004

Spreadsheet Model Category	Issue
"Options" Sheet Saving Results	New save results button has been included on Options page. As well, new protection level allows users to highlight and copy results sheets to a new worksheet where values can be saved.
"Input" Demographics Row 13	A note has been added to inform users that totals in the User Adjustment section may not equate due to rounding
"Input" Capital Row 1	Row height had been increased needs to be larger so that you can read the text in column H.
"Input" sheets "Results" Sheets	Later versions of excel can now format all cells General protection levels on most sheets have been relaxed to allow users to format the cells, rows and columns.
"Results Budget" debt starting balance in year 1	Existing debt data now shows only in the initial year of the loan account in the "Results Budget" sheet
"Results Tax and Employment"	Results indicating the possibility for a First Nation to concurrently have product sales tax and a full GST regime at the same time have been suppressed in the final 5 years of tax calculations
"Results" Sheets	Formula references now point to a new set of result pages rather than the model calculation sheets that generated the results.
Tax, Demographics	All inputs have been updated for 2001 census
Settlement Trust income retention	The formula on the percentage funds remaining within the settlement trust has been repaired
"Results Budget" Sheet	Titles to rows in investment account expanded, error in row 63 repaired
Tax Explanation	Further detail on the underlying tax methodology has been added See attachment A

Attachment A

Tax Agreements

The model uses methodologies set out below to estimate, for modeling purposes, the potential tax revenue that a First Nation government might receive pursuant to entering into a tax agreement with Canada or British Columbia. While the FRWG model provides a ballpark estimate of tax revenue, interested First Nations should work directly with the Department of Finance to generate more accurate estimates of the revenues that would be associated with the exercise of their tax powers. These estimates provided by the Department of Finance could possibly be used with other outputs of the fiscal model. Tax sharing arrangements with Canada will be bilateral agreements between the federal Department of Finance and individual First Nations and will incorporate the federal Department of Finance revenue estimation methodologies.

Personal income tax estimates for on reserve status Indians are derived using demographic data, employment characteristics (participation rates, unemployment rates, type of employment) and long term trends in these variables as provided by the user. This base employment characteristic data is combined with data obtained from the 2001 Census for BC (average employment income for full and part-time male and female employees and wage distributions) to obtain an estimate for employment income.

Average BC on reserve household data obtained from the census is used as an input to obtain on reserve family composition characteristics.

An estimate of personal income tax is then generated by combining information on wages and family composition by household and applying the relevant BC and Canada personal income tax rates to each wage earner by household allowing for the relevant allowable deductions, these deductions were obtained from the Dept. of Revenue Greenbook.

Finally the assumptions regarding the period of tax exemptions and percent of population (or revenue) exempted are used to generate the final personal income tax time series. See model display 8, row 2.

Specific references for data are: Census of Canada, catalogue number 97F0011XCB01054; 97F0011XCB01052; and 97F0019XCB01048

Personal Income tax from non status residents is provided by the user. See model display 9, row 2.

Corporate income tax are only generated if the user selects the corporate forestry model approach, no other corporate tax estimates are made by the model.

Consumption tax (First Nations Goods and Services Tax "FNGST")

estimates are derived using a simplified approach that identifies the consumption of individuals living on TSL and estimates an amount of tax revenues associated with their consumption. There are limitations associated with this estimation methodology as it does not account for the consumption of non-durable goods on TSL by non-residents.

Provincial Sales tax estimates are derived by using post income tax employment income along with income projections from personal transfer programs (e.g., income assistance, employment insurance, family bonus) and applying the relevant sales tax rate on the proportion of income spent on taxable goods and services, a propensity to save of zero is assumed.

Finally the assumptions regarding the period of tax exemptions and percent of population (or revenue) exempted are used to generate the final provincial sales tax time series. See model display 8, lines 2, 10 and 11.