How Much Local Fiscal Autonomy Do Cities Have? A Comparison of Eight Cities around the World

Enid Slack
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The Institute on Municipal Finance and Governance (IMFG) is an academic research hub and non-partisan think tank based in the Munk School of Global Affairs at the University of Toronto.

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Author

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Acknowledgements

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Local fiscal autonomy is the extent to which local governments rely on locally raised revenues for funding (rather than receiving transfers from federal or provincial governments) and on their ability to set their own tax rates. A comparison of Toronto, London, Paris, Berlin, Frankfurt, Madrid, Tokyo, and New York reveals that municipal expenditure responsibilities differ among the eight cities; municipal taxes (including local taxes and shared taxes) per capita differ; and, not surprisingly, the extent of local fiscal autonomy also differs.

Benefits of tax autonomy include greater efficiency and accountability in the public sector. Tax autonomy gives voters some ability to decide on tax levels and, in that way, taxpayers are more aware of public-service outcomes. Moreover, for these eight cities, there appears to be a relationship between dependence on own-source revenues and the size of the metropolitan economy, with a couple of exceptions.

Toronto is less dependent on intergovernmental transfers than many other major cities but, with the exception of London, it has fewer tax options than the other cities. New York is less reliant on state transfers and can levy many different taxes, although the City still needs state permission to implement some new taxes. Tokyo and Paris rely heavily on own-source revenues, but may not have much control over their tax sources. Frankfurt and Berlin have access to more tax sources than many of the other cities, but a portion of these are shared taxes over which they have no tax rate-setting ability. Madrid relies relatively heavily on property taxes but also shares in revenues from the personal income tax, value-added tax, and selected excise taxes.

Canadian cities rely largely on the property tax and, although it is a good tax for local governments, it does not grow as the economy grows; it is also highly visible and politically contentious. Moreover, it is not the most appropriate tax to pay for social services or social housing. A mix of taxes would give large Canadian cities more fiscal autonomy, the flexibility to be internationally competitive, and the ability to respond to changing economic and political conditions.
The Mayor of Toronto recently described himself as a “little boy in short pants” who has to go the Province every time he wants to raise new taxes in his city. This statement, which came in response to the provincial government’s turning down a City Council request to implement tolls on two of its major highways, suggests that Toronto has limited fiscal autonomy. Although Toronto and other Canadian cities are responsible for a wide variety of services – fire and police protection, water, sewers, solid waste collection, roads, transit, and more – they depend largely on the property tax and a few smaller taxes. The property tax is governed by provincial legislation and to introduce a new tax, cities have to go to their provincial counterparts for permission.

Major cities across Canada have been asking for more fiscal autonomy so that they can “control their own destiny.” What is fiscal autonomy? Why is it important? How much local fiscal autonomy do cities have? This Perspectives paper attempts to answer these questions by analyzing the municipal finances of eight international cities – Toronto, London, Paris, Berlin, Frankfurt, Madrid, Tokyo, and New York. It begins by asking what fiscal autonomy is and why it matters, then provides some background on the cities in terms of the national context in which they operate, their governance structure, and their finances. The third section compares the extent to which the eight cities enjoy local fiscal autonomy before setting out the implications of greater local fiscal autonomy in the fourth section. Some final observations conclude the paper.

What is local fiscal autonomy and why does it matter?

Although a city that relies more heavily on taxes is assumed to have more local fiscal autonomy than a city that relies more heavily on intergovernmental transfers, local fiscal autonomy also refers to the freedom that local governments have over their own taxes. A truly local tax is one for which the local government can:
• decide whether to levy the tax or not;
• determine the precise base of the tax;
• set the tax rate;
• administer (assess, collect, enforce) the tax;
• keep all the revenue collected;
• grant tax allowances or reliefs to individuals and firms.

The OECD has established indicators that rank local fiscal autonomy for subnational governments ranging from full power over tax rates and tax bases at one extreme to no power over rates and bases at the other extreme (see Table 1). Tax sharing, whereby the central government collects revenue from a tax and shares it with subnational governments, appears towards the bottom of the table, suggesting that it entails little or no local autonomy because the local government has no control over the tax rates or tax base. Tax sharing is virtually the same as an intergovernmental transfer.4

The ability of local governments to set their own tax rates is the most important element of fiscal autonomy.5 We know from international experience that the most responsible and accountable local governments are those that raise their own revenues and set their own tax rates.6 Unless local governments can alter the tax rates, they will not have local autonomy or the accountability that comes with it. Local tax-rate setting also provides predictability for local governments and gives them the flexibility to change rates in response to different circumstances.

Tax autonomy can also lead to greater efficiency in the public sector. It provides voters with some ability to decide on tax levels and, in that way, makes them more aware of public-service outcomes. Some limited empirical research on the impact of tax autonomy suggests that it also has a positive impact on the efficiency of municipal spending.7 With tax autonomy, local decision-makers are inclined to use their own resources more wisely than if their funding comes from another level of government and, thus, local government is expected to be smaller.8 Using panel data for 19 OECD countries, Liberati and Sacchi have shown that tax decentralization based on taxes used solely by local governments (i.e. the property tax) facilitates local spending

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**Table 1: Taxonomy of Taxing Power for Sub-Central Governments (SCGs)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.1</td>
<td>The recipient SCG sets the tax rate and any tax reliefs without needing to consult a higher-level government.</td>
</tr>
<tr>
<td>a.2</td>
<td>The recipient SCG sets the rate and any reliefs after consulting a higher-level government.</td>
</tr>
<tr>
<td>b.1</td>
<td>The recipient SCG sets the tax rate, and a higher level of government does not set upper or lower limits on the rate chosen.</td>
</tr>
<tr>
<td>b.2</td>
<td>The recipient SCG sets the tax rate, and a higher level of government does set upper or lower limits on the rate chosen.</td>
</tr>
<tr>
<td>c.1</td>
<td>The recipient SCG sets tax reliefs – but it sets tax allowances only.</td>
</tr>
<tr>
<td>c.2</td>
<td>The recipient SCG sets tax reliefs – but it sets tax credits only.</td>
</tr>
<tr>
<td>c.3</td>
<td>The recipient SCG sets tax reliefs – and it sets both tax allowances and tax credits.</td>
</tr>
<tr>
<td>d.1</td>
<td>There is a tax-sharing arrangement in which the SCGs determine the revenue split.</td>
</tr>
<tr>
<td>d.2</td>
<td>There is a tax-sharing arrangement in which the revenue split can be changed only with the consent of the SCGs.</td>
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<tr>
<td>d.3</td>
<td>There is a tax-sharing arrangement in which the revenue split is determined by legislation, and may be changed unilaterally by a higher level of government, but less frequently than once a year.</td>
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<tr>
<td>d.4</td>
<td>There is a tax-sharing arrangement in which the revenue split is determined annually by a higher level of government.</td>
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<tr>
<td>e</td>
<td>Other cases in which the central government sets the rate and base of the SCG tax.</td>
</tr>
<tr>
<td>f</td>
<td>None of the above categories a, b, c, d, or e applies.</td>
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</tbody>
</table>

**Note:** This is the classification used in the data collection exercise, but there may be need for clarification in the future. For example, the sub-division of the “c” category cannot be applied to sales taxes (including the value-added tax, or VAT) where the concepts of allowances and credits (in the sense that they are used in income taxes) do not exist. Also, it may be more appropriate to qualify the definition of the “d.3” category to say that the change is normally less frequent than once a year, as specific legal restrictions on frequency may not exist.

control, but this is not necessarily the case for taxes where the base is shared with other levels of government (e.g., income and sales taxes).  

As noted earlier, local governments that depend on transfers from senior levels of government have less fiscal autonomy than those that rely more heavily on own-source revenues (taxes, user fees, etc.). Even with transfers, however, there can be more or less local autonomy depending on the size and type of transfer. The main focus of transfers is to stimulate spending on specific services or to equalize fiscal disparities, or, in some cases, both. Transfers can be unconditional (non-earmarked) or conditional (earmarked). Unconditional transfers have no strings attached to the use of funds; they can be spent on any expenditure function or used to reduce local taxes.

Conditional transfers must be spent on specific functions, such as roads or parks. They can be lump-sum transfers (also known as block grants), which do not require the municipality to provide matching funds, or they can be matching transfers, which require the recipient to match donor funds. A donor may offer a transfer that covers 30 percent of the cost of road construction, for example. Under this type of transfer, municipalities would have to raise the funds to cover the remaining 70 percent of the cost. Matching transfers stimulate local spending and, by extension, local taxes. They also distort local decision-making by providing an incentive to spend on the service being subsidized even if that service is not a local priority.

Conditional transfers offer less local autonomy because the donor government determines where the funds will be spent. Conditional grants are fungible, however, in the sense that, even though they come with strings attached, there is no guarantee that the recipient will spend the funds on what the donor government intended. This is particularly true for large cities, which are more likely to be spending substantial funds already in the area specified by the donor government.

Unconditional transfers result in more local fiscal autonomy but, as with any type of transfer, still raise concerns about accountability. When the level of government that makes the spending decisions (the local government) is not the same as the level of government that raises the revenues to pay for them (national or provincial government), accountability is blurred. The importance of establishing a clear linkage between expenditure and revenue decisions (often referred to as the Wicksellian Connection after Swedish economist, Knut Wicksell) has been emphasized by other authors as well. Local governments are more likely to carry out their expenditure responsibilities in a responsible manner if they have the autonomy to raise the revenues to pay for them.

Finances of eight international cities

The remainder of this paper compares the extent to which eight international cities enjoy fiscal autonomy – Toronto, London, Paris, Berlin, Frankfurt, Madrid, Tokyo, and New York. Because the extent of local fiscal autonomy depends on the characteristics and context for each city, Table 2 highlights some background information on population, structure, governance, and roles and responsibilities for each of the eight cities. In general, one must be exceptionally careful in comparing local fiscal autonomy, or any other feature, across countries – not only because the definition of the city and the package of taxes and spending are different, but also because of the very different institutional, economic, and political contexts within which each operates. One can certainly learn from comparisons, but one can seldom simply copy one feature from any one country and apply it to another.

Population in the eight cities ranges from under 1 million people in Frankfurt to 13.5 million in the Tokyo metropolitan area. Three of the eight cities (London, Paris, and Tokyo) are single-tier cities like Toronto (e.g., New York) while others are two-tier cities (e.g., London). Tokyo has the powers and revenues of two tiers of local government – a prefecture and a municipality. Berlin is a city-state, meaning that it takes on the responsibilities of the city and the state government and can collect the revenues assigned to both the city and the state. It is thus not surprising that, depending on their structure or whether they are in a federal or unitary country, some cities carry out more functions and have more revenue sources than others.

Table 2 shows that municipal expenditure responsibilities differ among the eight cities; Table 3 shows that per-capita operating expenditures range from a low of $2,051 in the City of Madrid to more than $10,000 in New York and Berlin. Expenditures in Toronto are lower than most of the other cities (with the exception of Madrid) largely because the other cities are responsible for education, whereas in Toronto, education is delivered by school boards, not the City.
Problems with Data Comparability

Although it is possible to find comparable information on the revenues and expenditures of all local governments within a country in sources such as the OECD’s Revenue Statistics 2015 (Paris: OECD, 2015) and the IMF’s Government Finance Statistics Year Book 2014 (Washington, D.C.: International Monetary Fund, 2015), there is no comparable research on the municipal finances of individual local or metropolitan governments. As a result, the information in this paper has been taken from local budgets and financial statements as well as data from national statistics offices. A number of problems of comparability have arisen:

- Capital and operating expenditures/revenues are treated differently in different cities. For this report, the focus is on operating expenditures and revenues, since these are the most readily available and the most straightforward to compare across cities. Operating expenditures also give an indication of the range of services delivered in a municipality.
- The categories of expenditure are different in different cities and it is not always clear what is included in each category. Moreover, the information is more disaggregated in some cities than others.
- In a number of cities, selected services are delivered by special-purpose bodies (e.g., transit commissions, water utilities). In some cities, the budgets of these agencies are consolidated with the municipal budget (for example, the Toronto Transit Commission budget is consolidated with the city budget), but in other cities, transit authorities are separate. In some cases, only the subsidy from the City to the separate agency is included in the municipal budget. For example, urban transport in the Paris region (Île de France) is delivered by the Transport Syndicate of the Île de France (STIF). The City of Paris contributes to the financial resources of STIF, along with the Region and other local authorities. STIF also receives revenues from a transport tax and fares. In Frankfurt, waste collection and disposal, economic development, culture, and parks and recreation are all delivered by separate companies.
- The information in this paper focuses on individual cities and does not take account of overlapping governments. In Paris, for example, the City (commune) and Department of Paris each provide services in the city. In 2016, the Greater Paris Metropolitan Authority (Metropole du Grand Paris) was created and will eventually be responsible for housing, environmental protection, and local planning for Paris and 130 communes. In Madrid, the dominant local government in the metropolitan area is the Autonomous Community of Madrid, a regional government that is roughly coterminous with the metropolitan area that includes the City of Madrid. Per-capita expenditures for the City of Madrid are lower than for the other cities for this reason.
- For most cities, information was available for 2015; for one city (Paris), only 2014 data were available.

of the explanation for the higher expenditures in Berlin is that it takes on both city and state responsibilities; lower expenditures in Madrid can be explained by the role of the regional government in delivering regional services in the city.

Municipal taxes (including local taxes and shared taxes) per capita also differ among the eight cities. Taxes per capita are highest in New York City, which has access to a wide range of taxes. Taxes per capita are relatively low in Toronto compared with the other cities, likely because the City depends almost entirely on property taxes. Taxes per capita are also low in the City of Madrid because the Autonomous Community of Madrid raises more taxes to deliver local services. Although expenditures per capita are relatively high in London compared with the other cities in the table, taxes per capita are much lower because the City depends heavily on central government transfers (as will be shown below).

Table 4 shows local and shared taxes for all eight cities. Shared taxes are listed separately (where these have been clearly identified) because they entail less local autonomy than local taxes. Toronto relies heavily on the property tax, which accounts for 34 percent of total revenues. Land transfer taxes (implemented only since 2008) account for an additional 4 percent of total revenues. Revenues from the billboard tax are very small and are dedicated to arts funding. Toronto also receives a share of federal and provincial gas taxes, but these are included in federal and provincial transfers because they are given out according to a formula and not distributed according to where they are collected.

With the exception of London, other cities have access to a much wider range of taxes than Toronto.

London can levy a council tax (residential property tax) plus a supplementary rate on the non-residential (business) property tax. With the exception of the supplementary rate, the non-residential property tax (non-domestic rates) in the U.K. is largely a national tax that is redistributed to local governments on a per-capita basis as a general grant. A recent change permits local U.K. authorities to retain 50 percent of business rate revenues, but they cannot set the tax rate.
<table>
<thead>
<tr>
<th>City</th>
<th>Structure</th>
<th>Governance</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>One-tier consolidated structure.</td>
<td>Mayor and 44 councillors are directly elected for four-year term.</td>
<td>Water, sewers, solid waste collection and disposal, fire, police, roads and transit, culture, parks and recreation, land use planning, social services, public health, libraries.</td>
</tr>
<tr>
<td>London</td>
<td>Two-tier government structure: Greater London Authority (GLA) and 33 boroughs (including the City of London).</td>
<td>Mayor of GLA directly elected for four-year term. London Assembly is made up of 25 members – 14 elected by simple majority in single-member districts; 11 by system of proportional representation for the whole city.</td>
<td>GLA: economic development, transport, police and emergency services, culture and health Boroughs: education, housing, social services, street cleaning and maintenance, solid waste management, local urban planning, culture and recreation.</td>
</tr>
<tr>
<td>New York City</td>
<td>One city with five boroughs.</td>
<td>Mayor is directly elected for four-year term. Councillors are elected by majority vote from 51 districts and serve four-year terms. Borough presidents are directly elected.</td>
<td>Housing, urban planning, transport, education, social services, police, assistance to boroughs, consumer affairs, prisons, culture, economic development, primary and secondary education, emergency services, environment, public health.</td>
</tr>
<tr>
<td>Madrid</td>
<td>City of Madrid: one municipality with 21 districts and 128 wards (barrios).</td>
<td>Mayor indirectly elected by council. Council elections every four years.</td>
<td>Urban planning and development, housing, economic promotion, management of public services of other administrations, public transport, traffic, telecommunications infrastructure, environment, public health, consumer affairs and health, person services (education, culture, sport, social care), public safety.</td>
</tr>
<tr>
<td>Paris</td>
<td>City of Paris covers two administrative areas: the commune (municipality) of Paris with 20 city districts (arrondissements) and the Department of Paris.</td>
<td>Mayor indirectly elected from council for a six-year term. 163 councillors elected according to the list system. Each arrondissement has a council presided over by an arrondissement mayor.</td>
<td>Social action and solidarity, health care protection for families and children, construction, capital expenditure and running costs of secondary schools, administration and maintenance of department archives and museums, land consolidation, school transport beyond urban fringe.</td>
</tr>
<tr>
<td></td>
<td>The Greater Paris Metropolitan Authority (Metropole du Grand Paris) (created on January 1, 2016) includes Paris and 130 communes.</td>
<td>The Department is administered by a General Council; President of Council is indirectly elected.</td>
<td>Economic development, social, cultural and scientific development, regional town and country planning, transport, education, health care, environment.</td>
</tr>
</tbody>
</table>
### Table 2: Structure and Governance of Eight Cities (Continued)

<table>
<thead>
<tr>
<th>City</th>
<th>Structure</th>
<th>Governance</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frankfurt am Main</td>
<td>Frankfurt am Main is one city with 16 area districts and 46 city districts.</td>
<td>Mayor is indirectly elected by council, which is elected every five years; members of districts are elected by a proportional system every five years.</td>
<td>Waste management, public health, sports, planning, urban development, urban regeneration, land management, public housing, job promotion and technological development, citizen participation, libraries, traffic, youth policies, environment, parks and schools.</td>
</tr>
<tr>
<td>(Population 709,000)</td>
<td>Regional bodies in Frankfurt Metropolitan Area such as: (1) Frankfurt/Rhein–Main Regional Planning Agency, which includes 75 municipalities; (2) regional transportation authority (RMV), which includes the state plus 11 cities and 15 counties.</td>
<td>Regional planning body comprising the mayors of municipalities.</td>
<td>Regional planning, transportation.</td>
</tr>
<tr>
<td>Berlin</td>
<td>City-state and two-tier government structure: one federal state with 12 boroughs.</td>
<td>Mayor elected by 141-member House of Representatives who are elected for a four-year term. Up to 78 representatives are elected by simple majority in single-member districts and 63 in a proportional open-list system. Senate (executive) exercises state functions and the eight members are elected by the House of Representatives at the proposal of the mayor.</td>
<td>Economy, employment and women’s affairs, education, youth affairs and sport, science, research and culture, health, consumer and social affairs, urban development, transport, environment.</td>
</tr>
<tr>
<td>(Population 3.5 million)</td>
<td>Berlin Metropolitan Agglomeration: Berlin’s 12 boroughs plus 53 municipal entities from the state of Brandenburg.</td>
<td>No political or administrative institution.</td>
<td>No administration at this territorial level.</td>
</tr>
<tr>
<td>Tokyo</td>
<td>Central Tokyo with 23 districts.</td>
<td>Each district directly elects a mayor and council for a four-year term.</td>
<td>Districts administer most municipal services but have granted some metropolitan powers to TMG.</td>
</tr>
<tr>
<td>(Population 13.5 million)</td>
<td>Tokyo Metropolitan Government (TMG): one Prefecture (state) including Central Tokyo plus 26 cities, five towns, eight villages.</td>
<td>Governor is directly elected for a four-year term. Assembly comprises 127 members from 42 electoral districts.</td>
<td>Coordination of metropolitan urban planning, environment (waste management, environmental impact assessment, pollution measures), social and health care services, supervision of private health care, economic and tourist promotion, promotion and management of public housing, management of port infrastructure, public health, universities, education.</td>
</tr>
<tr>
<td></td>
<td>Greater Tokyo: four prefectures.</td>
<td>No administration at this territorial level.</td>
<td>No administration at this territorial level.</td>
</tr>
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<td></td>
<td>National Capital Region: eight prefectures.</td>
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</tbody>
</table>

Tokyo levies a wide range of taxes. The largest is the fixed assets tax (almost 18 percent of general fund revenues), followed by the metropolitan inhabitant tax for corporations (14 percent), the metropolitan inhabitant tax for individuals (13 percent), and the enterprise tax for corporations (11 percent). The enterprise tax is largely based on business value added. A portion of the taxes collected by the Tokyo Metropolitan Government is allocated to the 23 wards in the metropolitan government area. In terms of shared taxes, Tokyo receives 6.5 percent of its revenues from a local consumption tax (a value-added tax), 5.6 percent from transferred national taxes, and 0.3 percent from a tobacco tax. Transferred national taxes are national taxes of which a fixed percentage of the revenue collected is transferred to local governments. These taxes include local gasoline, special tonnage, petroleum and gas, automobile weight, aircraft fuel, and special local corporate transfer taxes. As part of revisions to the tax system in 2016, the national government abolished the special local corporate tax and transferred it to local governments as an interim measure to compensate for increasing the consumption tax rate to 10 percent in 2017 (of which the local consumption rate is 2.2 percent).

Fiscal autonomy in eight international cities

According to the measure of own-source revenues versus intergovernmental transfers (see Table 5), Toronto, Tokyo, Paris, New York, and Frankfurt seem to have the most fiscal autonomy (own-source revenues account for more than 70 percent of total revenues) and Berlin and London have the least (at about 30 percent of total revenues). Although municipal taxes per capita in Berlin appeared to be significant (Table 3), a significant portion of those taxes are shared taxes over which the city has little control.

To assess the actual extent of local fiscal autonomy, it is necessary to dig deeper into the characteristics of each tax –

<table>
<thead>
<tr>
<th>Table 3: Municipal Operating Expenditures and Taxes per Capita</th>
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<tr>
<td>Toronto (2015)</td>
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<td>Berlin (2015)</td>
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<td>Frankfurt (2015)</td>
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<td>Madrid (2015)</td>
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<tr>
<td>Paris (2014)</td>
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<tr>
<td>Tokyo (2015)</td>
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</table>

Source: Author’s calculations based on municipal budgets. Exchange rates as of June 30, 2015, for all cities except Paris, where it is June 30, 2014. Source of exchange rates: Canadian Forex.
nor does it have complete discretion over the ratio of tax rates among property classes (e.g. residential, commercial, industrial, etc.), which is restricted by provincial rules. For example, the City cannot increase the distortion between residential and commercial/industrial tax rates. For the land transfer tax, the City piggybacks onto the provincial tax, but it sets its own rates. It has discretion over how it raises the billboard tax. Overall, the City has reasonable autonomy for the taxes it is allowed to levy.

London: The council tax (residential property tax) does not meet all of the criteria for local fiscal autonomy because the Greater London Authority (GLA) and boroughs do not determine the base of the tax and tax rate setting is restricted by the national government. Non-domestic rates (with the exception of supplementary rates) are not a local tax because the central government determines the tax base, sets the tax rate, collects the revenues, and redistributes the funds to local governments. In 2009, provisions were made for the which level of government sets the tax rate and the extent to which limits are placed on local tax rate setting. For example, a city may be able to levy a property tax, but if the tax rate is set by the provincial government (or if the Province puts limits on the rate of tax a city can levy), local autonomy is restricted. In the case of shared taxes, the national or provincial/state government determines the tax base, sets the tax rate, and shares the revenues with cities. If the cities do not have the ability to set the tax rate, there is no local autonomy for shared taxes: cities are simply given a share of the revenues.

Although it was not possible to delve into each and every tax for each of the eight cities, observations on selected taxes in a few of the cities give some idea of the extent of local autonomy:

Toronto: The City determines how much it will collect from property taxes, but it cannot determine the tax base, nor does it have complete discretion over the ratio of tax rates among property classes (e.g. residential, commercial, industrial, etc.), which is restricted by provincial rules. For example, the City cannot increase the distortion between residential and commercial/industrial tax rates. For the land transfer tax, the City piggybacks onto the provincial tax, but it sets its own rates. It has discretion over how it raises the billboard tax. Overall, the City has reasonable autonomy for the taxes it is allowed to levy.

Table 4: Local and Shared Taxes, Eight Cities

<table>
<thead>
<tr>
<th>Toronto</th>
<th>Paris</th>
<th>Berlin</th>
<th>New York</th>
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<tbody>
<tr>
<td>Property tax</td>
<td>Property taxes (including residence tax, business owners’ property tax and commercial floor area tax)</td>
<td>State (land) taxes:</td>
<td>Real estate taxes (including payments in lieu)</td>
</tr>
<tr>
<td>Land transfer tax</td>
<td>Flat-rate tax on network companies</td>
<td>Race betting and lottery tax</td>
<td>Sales and use taxes:</td>
</tr>
<tr>
<td>Billboard tax</td>
<td>Household waste removal tax</td>
<td>Beer tax</td>
<td>General sales</td>
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<td></td>
<td>Street cleaning tax</td>
<td>Real estate transfer tax</td>
<td>Cigarette</td>
</tr>
<tr>
<td></td>
<td>Parking fees</td>
<td>Inheritance tax</td>
<td>Commercial motor vehicle</td>
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<td></td>
<td>Electricity tax</td>
<td>Fire brigade tax</td>
<td>Mortgage</td>
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<td></td>
<td>Land transfer tax</td>
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<td>Stock transfer</td>
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<td></td>
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<td>Local taxes:</td>
<td>Auto use</td>
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<td>General corporation</td>
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<td>Financial corporation</td>
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<td>Unincorporated business income</td>
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<td></td>
<td>Personal income (non-resident city employees)</td>
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<td></td>
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<td></td>
<td>Utility</td>
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<td></td>
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<td>Other taxes:</td>
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<td></td>
<td></td>
<td></td>
<td>Hotel room occupancy</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Commercial rent</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Horse race admissions</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Conveyance of real property</td>
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<td></td>
<td></td>
<td>Beer and liquor excise</td>
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<td></td>
<td>Taxi medallion transfer</td>
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<td></td>
<td>Surcharge on liquor licences</td>
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<td></td>
<td></td>
<td>Refunds of other taxes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Off-track betting surtax</td>
</tr>
</tbody>
</table>

- Alcohol and spirits |
- Beer |
- Tobacco |
- Fuel |
- Construction |
- Other |
- Local consumption tax |
- Metropolitan tobacco tax |
- Local transfer taxes |
- Metropolitan inhabitant tax on individuals, corporations, interest income |
- Enterprise tax on individuals and corporations |
- Real property acquisition tax |
- Golf links tax |
- Automobile acquisition tax |
- Light-oil (gas-oil) delivery tax |
- Automobile tax |
- Mine-lot tax |
- Fixed assets tax |
- Special tax on land holding |
- Hunter tax |
- Establishment tax |
- Urban planning tax |
- Accommodation tax |
- Local consumption tax |
- Metropolitan tobacco tax |
- Local transfer taxes |
- Personal income tax |
- Value-added tax |
- Excise taxes |
- Commercial motor vehicle tax |
- Mortgage |
- Stock transfer |
- Auto use |
- Personal income tax |
- General corporation tax |
- Financial corporation tax |
- Unincorporated business income tax |
- Personal income (non-resident city employees) tax |
- Utility tax |
- Other taxes: |
- Hotel room occupancy tax |
- Commercial rent tax |
- Horse race admissions tax |
- Conveyance of real property tax |
- Beer and liquor excise tax |
- Taxi medallion transfer tax |
- Surcharge on liquor licences tax |
- Refunds of other taxes tax |
- Off-track betting surtax tax |

- State (land) taxes: |
- Race betting and lottery tax |
- Beer tax |
- Real estate transfer tax |
- Inheritance tax |
- Fire brigade tax |
- Local taxes: |
- Trade tax |
- Property tax |
- Dog tax |
- Entertainment tax |
- Second home tax |
- Share of state taxes: |
- Income tax |
- Value-added tax |
- Share of national taxes: |
- Wage tax |
- Allocated income tax |
- Corporate tax |
- Capital income tax |
- Solidarity charge |
- Customs |
- London: The council tax (residential property tax) does not meet all of the criteria for local fiscal autonomy because the Greater London Authority (GLA) and boroughs do not determine the base of the tax and tax rate setting is restricted by the national government. Non-domestic rates (with the exception of supplementary rates) are not a local tax because the central government determines the tax base, sets the tax rate, collects the revenues, and redistributes the funds to local governments. In 2009, provisions were made for the
GLA and other local authorities to levy a supplement of up to 2p on the pound on the national non-domestic rate for properties with a rateable value greater than £50,000. The revenue from the supplement is retained by local authorities and can be used to promote economic development. In April 2010, London introduced a 2p levy on non-domestic properties with a rateable value of more than £55,000 to help pay for the Crossrail project; the rate has remained the same for 2016–17.

**Tokyo:** The City receives some revenues from shared taxes – transferred national taxes (5.6 percent of total operating revenues), local consumption taxes (6.5 percent), and a metropolitan tobacco tax (less than 0.5 percent of total operating revenues). The local consumption tax (similar to a value-added tax) is 8 percent nation-wide, including the local consumption tax rate of 1.7 percent. The tax is collected by the central government and distributed to local governments according to a formula. Although this tax appears in the metropolitan government’s budget as a local tax, the tax rate is legally fixed and local governments do not have the authority to set their own tax rates. For the majority of other local taxes, standard tax rates and maximum tax rates are established by law and local governments can set tax rates within a limited range. Even with the property tax, when the assessed value of property was raised to 70 percent of market value, the national government imposed a limit on tax increases to 15 percent over a three-year period. So what appears to be extensive local autonomy in the financial statements of Tokyo is actually somewhat restricted in practice.

**New York:** From the list of tax revenues in New York City, it appears that the city government has considerable autonomy in raising revenues. It does have more autonomy than the other cities, but it still requires approval from the New York State government in Albany to levy new taxes. In 2015, for example, the City asked the state government for the ability to levy a “mansion tax” (surtax on the transfer of high-valued residential properties) to be added to the existing state tax. The state legislature rejected the proposal. In 2008, the state legislature also rejected a proposal for congestion pricing that would have allowed the City to levy a charge on cars driving into Manhattan. In 2011, New York State introduced a new capping law (effective in 2012) for property taxes (the most significant local tax in terms of revenues) that limits the annual growth of property taxes to 2 percent or the rate of inflation, whichever is less.

**Frankfurt:** The two main local taxes are the property tax and trade tax. Based on the value of properties, the central government determines the tax rate to which the City applies a special multiplier (Hebesatz) to determine the property taxes. For Frankfurt, the multiplier is 460 percent. The trade tax is levied on business income. Again, the central government determines the taxation base to which it applies a tax rate. The City then applies a multiplier to the central government calculation. There are no restrictions on the municipal tax rates (multipliers). As with the property tax, Frankfurt has a multiplier of 460 percent. Other municipal taxes in Germany are fairly small in terms in revenues – alcohol tax, entertainment tax, dog licence tax, pub licence tax, hunting licence tax, fishing licence tax, and a second

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**Table 5: Own-Source Revenues, Shared Taxes, and Intergovernmental Transfers**

<table>
<thead>
<tr>
<th></th>
<th>Own-Source Revenues (%)</th>
<th>Shared Taxes (%)</th>
<th>Intergovernmental Transfers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto (2015)</td>
<td>82.0</td>
<td></td>
<td>18.0</td>
</tr>
<tr>
<td>London (2015)</td>
<td>31.2</td>
<td></td>
<td>68.8</td>
</tr>
<tr>
<td>Berlin (2014)*</td>
<td>30.3</td>
<td>36.5</td>
<td>33.2</td>
</tr>
<tr>
<td>Frankfurt (2015)</td>
<td>71.1</td>
<td>15.7</td>
<td>13.2</td>
</tr>
<tr>
<td>Madrid (2015)*</td>
<td>48.3</td>
<td>5.7</td>
<td>46.0</td>
</tr>
<tr>
<td>New York (2015)</td>
<td>74.0</td>
<td></td>
<td>26.0</td>
</tr>
<tr>
<td>Paris (2015)**</td>
<td>83.7</td>
<td>12.5</td>
<td>16.3</td>
</tr>
<tr>
<td>Tokyo (2015)*</td>
<td>81.9</td>
<td></td>
<td>5.6</td>
</tr>
</tbody>
</table>

*Shared taxes in Berlin and Madrid appear under taxes; in Tokyo, transferred national taxes appear under transfers.*

**The business value-added tax in Paris (18 percent of total municipal revenues) is a local tax but the City has no discretion over the tax rate, which is set by the central government.**

How Much Local Fiscal Autonomy Do Cities Have? A Comparison of Eight Cities around the World

Do cities with greater fiscal autonomy achieve greater economic success than cities with less fiscal autonomy? It is difficult to answer this question, in part, because it is not clear how to define economic success and it is difficult to isolate the impact of local fiscal autonomy. Nevertheless, Table 6 provides information on selected indicators of how well cities are doing – Gross Metropolitan Product (GMP) per capita and global city rankings from three sources. With the exception of Tokyo (where GMP information is for Central Tokyo only), GMP per capita for Toronto and all of the other cities refers to the metropolitan area. Central Tokyo may have the highest GMP per capita at least in part because it does not include the entire metropolitan area.

If we use dependence on own-source revenues (Table 5) as the measure of local fiscal autonomy and compare it with GMP per capita (Table 6), it is difficult to draw firm conclusions, not only because the data refer to different years, but also, more significantly, the data on revenues refer to the city and the data on GMP refer to the metropolitan area. Nevertheless, there appears to be a relationship between a city’s dependence on own-source revenues and the size of its metropolitan economy – Tokyo and Paris are at the upper end of both dependence on own-source revenues and GMP per capita. Toronto is relatively high on own-source revenues but near the bottom on GMP per capita; London is the reverse – it is at the low end on own-source revenues but near the top on GMP per capita.

Table 6 provides rankings from the Global Power City Index for 2016, the Global Cities Index for 2016, and the Global Cities Index Outlook. The Global Power City Index ranks 42 cities on 70 indicators in six categories: economy, research and development, cultural interaction, livability, environment, and accessibility. The Global Cities Index ranks 125 cities according to 27 metrics across five dimensions: business activity, human capital, information exchange, cultural experience, and political engagement. For these two studies, London, New York, Paris, and Tokyo rank highest among the eight cities. All four cities rank high on fiscal autonomy except for London.

Looking to the future, the Global Cities Outlook projects a city’s potential based on the rate of change in 13 indicators across four dimensions: personal well-being, economics, innovation, and governance. It puts New York in second position, but London moves down to fourth place. On all of the indicators, Toronto is ranked at 17 or 18, but is high on the proportion of own-source revenues.

It appears, on average, that cities with more fiscal autonomy score higher on per-capita Gross Metropolitan Product.

Implications of local fiscal autonomy for cities

Do cities with greater fiscal autonomy achieve greater economic success than cities with less fiscal autonomy? Is economic competitiveness affected by local fiscal autonomy? Is there a downside to more local fiscal autonomy? This section addresses some of the implications of local fiscal autonomy.

home tax. Municipalities have autonomy to decide whether to levy these taxes and at what rates. But it is important to remember that German cities overall rely, to a great extent, on shared taxes.

Paris: The City derives a significant portion of its revenues from own sources. In 2010, the taxe professionale was replaced by the “economic territorial contribution.” This tax has two parts – one based on the annual rental value of real property for business and the other on value added (the difference between gross receipts and the cost of goods and services used in the business). A tax rate of 1.5 percent is levied on the value added with partial tax relief for turnover less than €50 million and vanishing at €500,000. Because the City has no discretion over the tax rate, local fiscal autonomy is limited. There are no shared taxes between the central government and local governments in the sense that tax proceeds are not shared; nevertheless tax bases are shared. With the property tax, for example, both the commune and département councils can levy a tax rate on the same tax base. The local tax assessment and collection are done by the central government, which hands over the revenues to the local governments minus a service fee, but tax rates are set locally.

Local governments cannot raise new taxes on their own, but they can set tax rates with some constraints on maximum tax rates for the main taxes.

In addition to taxes, own-source revenues in these eight cities include user fees and revenues such as investment income. In Toronto, user fees account for 29 percent of total revenues (user fees, rate-supported programs, and fines). In London, user fees (sales, fees, the congestion charge, and other charges) account for almost 9 percent of total operating revenues of the GLA and boroughs combined. They account for 11.3 percent of municipal operating revenues in Madrid, and 11.1 percent in Frankfurt. User fees appear to be less significant in New York City (3.5 percent of revenues), and Tokyo (1 percent of revenues), but these small numbers likely reflect that special-purpose bodies are delivering some of the major services funded by user fees (especially transit).

Implications of local fiscal autonomy for cities

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It appears, on average, that the cities with more fiscal autonomy (measured by the proportion of own-source revenues in total revenues) score higher on per-capita GMP. There are exceptions, however, notably London.

**Is economic competitiveness affected by local fiscal autonomy?**

Some researchers have argued that the competitiveness of metropolitan areas could increase with more local fiscal autonomy, because cities would have more power to raise the additional revenues needed to provide the goods and services that attract businesses and people. Tax competition, using the setting of tax rates to promote local and regional economic development or to increase the size of the tax base, is possible at the local level only if cities have the autonomy to set the rates.

The challenge for economic competitiveness is to raise sufficient taxes to provide services without providing a disincentive for businesses and residents to locate in the city. Tax increases that are not matched by tax-financed compensating service benefits for taxpayers have the potential to drive taxpayers (residents and businesses) from the city.

Local tax autonomy also means that cities can use tax incentives to pursue economic development goals. Tax incentives can be helpful in some cases. For example, if a city is successful in attracting a new business, it may be able to increase income and employment, expand the tax base, revitalize distressed areas, and potentially generate a fiscal surplus. The overall findings from the largely U.S. literature on property tax incentives, however, suggest that they have a poor record in promoting economic development and may be granted to taxpayers who would have located there anyway. Because firms face the moral hazard of offering only information that supports their request for the tax incentive, once the firm has made its location decision, it is difficult to know what would have happened if the tax break had not been offered. Furthermore, tax incentives can lead to a race to the bottom – when cities lower their tax rates to compete with other cities, the result may be inefficiently low taxes and inadequate public services. The result is that economic competitiveness may be negatively affected by this use of fiscal autonomy.

**Is there a downside to more local fiscal autonomy?**

There are at least two potential problems associated with more local taxing authority – a reduction in economic activity in response to tax increases and the possibility of lower revenues (and lower expenditures) in an economic downturn if the new taxes are responsive to economic growth.

Although tax competition to attract mobile individuals and firms is widespread in OECD countries, tax differentials

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**Table 6: Selected Indicators of Successful Cities**

<table>
<thead>
<tr>
<th></th>
<th>GMP per capita (C$)</th>
<th>Global Power City Index (2016) (42 cities)</th>
<th>Global Cities Index (2016) (125 cities)</th>
<th>Global Cities Index Outlook (125 cities)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>55,309 (2013)</td>
<td>18</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>London</td>
<td>76,383 (2014)</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Berlin</td>
<td>41,357 (2013)</td>
<td>9</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>67,947 (2013)</td>
<td>11</td>
<td>29</td>
<td>40</td>
</tr>
<tr>
<td>Madrid</td>
<td>41,500 (2013)</td>
<td>26</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>New York</td>
<td>81,843 (2015)</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Paris</td>
<td>73,336 (2013)</td>
<td>4</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Tokyo*</td>
<td>95,209 (2014)</td>
<td>3</td>
<td>4</td>
<td>19</td>
</tr>
</tbody>
</table>

*GMP refers only to Central Tokyo and not the metropolitan area.

Note: Exchange rates calculated from Canadian Forex.

among neighbouring jurisdictions can result in tax base mobility – individuals and businesses leave the metropolitan area in response to more taxes or higher taxes – and reduced economic activity. For example, a local sales tax may result in shoppers crossing into another city to buy goods. Similarly, higher income taxes in one city compared with neighbouring cities could have a negative effect on employment levels. Taxes levied at a metropolitan or regional scale could reduce this negative impact, however, since the likelihood that people will change jurisdictions in response to tax differentials will be less when the geographic area of the taxing jurisdiction is larger.

To the extent that taxes respond to economic growth, an economic downturn could result in lower revenues collected (and lower expenditures). The Great Recession and the housing crisis in the United States in 2008, for example, caused significant financial stress for U.S. cities. In 91 of the largest cities, real per capita property tax revenue fell by 9 percent, on average, between 2009 and 2012. Housing price changes and the foreclosure rate were significant factors in the decline in property tax revenues over the period, reinforced by declining income over the same period.

A survey of municipal associations in 2009 on the global crisis found that the impact on municipal expenditures and revenues varied across cities in different countries. For example, local government capital expenditures and investments increased in some cities because they participated in national economic stimulus programs that targeted local infrastructure; in other cities, capital expenditures fell. In some cities, own-source revenues declined more quickly than transfers, but in other cases the reverse was true.

In terms of own-source revenues in European cities, 62 percent of respondents experienced a drop in taxes and 42 percent a drop in user fees. In U.S. cities, revenues from sales and income taxes were expected to drop by 3.8 percent and 1.3 percent, respectively, but property tax revenues were expected to remain stable. In terms of shared taxes in European cities, 36 percent of respondents experienced a drop in revenues; 55 percent of respondents in a CEMR (Council of European Municipalities and Regions) survey experienced lower intergovernmental transfers.

Overall, the results of the survey suggested that the impact of the global crisis was likely worse for cities with limited fiscal autonomy and high dependence on transfers. Although one might expect local governments to introduce new taxes and fees or increase existing ones in response to declining revenues, these actions were not taken by those surveyed. Although it is always difficult to raise taxes, the lack of action also reflects the inability of many local governments to introduce new taxes or to set their own tax rates. In the United States, 25 percent of respondents increased property tax rates, 5 percent increased sales taxes, and 1 percent increased income taxes.

**Final observations**

This review of local fiscal autonomy in eight cities suggests that Toronto is less dependent on intergovernmental transfers than many other major cities but, with the exception of London, it has fewer tax options than the other cities. New York has much more fiscal autonomy in terms of being less reliant on state transfers and having the ability to levy many different taxes. Even New York, however, needs state permission to implement some new taxes and has not always been successful in getting that permission. Compared with the other cities, Tokyo and Paris rely very heavily on own-source revenues, but it is not always clear how much control they have over their tax sources. Frankfurt and Berlin have access to more tax sources than many of the other cities, but a portion of these are shared taxes over which they have no tax rate-setting ability. Madrid relies relatively heavily on property taxes but also shares in revenues from the personal income tax, value-added tax, and selected excise taxes.

Toronto and other Canadian cities would benefit from greater fiscal autonomy. Although the property tax is a good tax for local governments, it is relatively inelastic (does not grow automatically as the economy grows), highly visible, and politically contentious. For these reasons, it is unlikely to be sufficient to fund the complex and increasing demands of major Canadian cities. Moreover, it is not the most appropriate tax to pay for social services or social housing. A mix of taxes would give large Canadian cities more flexibility to be internationally competitive and respond to evolving demographics and expenditure needs, changes in the political climate, and other factors.

Not only do large Canadian cities need access to a mix of taxes, they need the ability to set their own tax rates. That ability is important for accountability; governments that raise their own revenues and set their own taxes to meet local expenditure requirements tend to be more responsible and more accountable to taxpayers. A tax that is levied by the federal or provincial government and shared with cities may provide them with needed revenues but will not result in local autonomy or accountability. In the absence of true local fiscal autonomy, city mayors will still have to go provincial governments – like little boys in short pants – to ask for more.
Endnotes


3. Control over the tax base (but not the tax rate) is not common in OECD countries. This situation likely reflects the policy of banning tax reliefs and abatements as a tool for local and regional economic development, particularly in the European Union (see Blöchliger and Rabesona, Fiscal Autonomy of Sub-Central Governments, 2009).

4. R. M. Bird, Subnational Taxation in Developing Countries: A Review of the Literature, Journal of International Commerce, Economics and Policy, 2(1), (2011), 139–161. As noted by H. Blöchliger and O. Petzold, in Finding the Dividing Line Between Tax Sharing and Grants: A Statistical Investigation (Paris: OECD, 2009), tax sharing and intergovernmental transfers are often difficult to disentangle and the dividing line is not drawn uniformly across OECD countries or across time in various statistical reports. What is recorded as tax sharing in one country may be recorded as intergovernmental grants in another.

5. In some countries (such as Norway, Korea, and Japan) where sub-central governments have the authority to set tax rates, they set the same tax rate across the country (see Blöchliger and Rabesona, Fiscal Autonomy of Sub-Central Governments, 2009).


11. In some cases, unconditional transfers are given on a per-capita basis. In other cases, unconditional transfers provide equalization whereby the amount of the transfer depends on a formula that takes account of the expenditure needs of the municipality, the size of its tax base, population size, or other factors.


15. Seven of the eight cities were chosen by the London Finance Commission as international global city competitors of London to be compared in E. Slack, International Comparison of Global City Financing (London: London Finance Commission, 2016). Toronto was added.

16. The Autonomous Community of Madrid (the state government) performs a number of local government functions; the City of Madrid also performs local functions.

17. This finding has been confirmed by authors such as R. Bahl, Financing Metropolitan Cities, in Local Government Finance: The Challenges of the 21st Century, Second Global Report on Decentralization and Democracy (draft ed.) (Barcelona: United Cities and Local Governments, 2010); and G. Clark, Evidence to the London Finance Commission (London, 2012), among others.

18. In the United States, the Lincoln Institute of Land Policy maintains the FiSC (fiscally standardized cities) database, which compares local government finances for 150 of the largest U.S. cities across more than 125 categories of revenues, expenditures, debt, and assets (http://datatoolkits.lincolninst.edu/subcenters/fiscally-standardized-cities/). The data, which go back as far as 1977, take into account that some city governments share responsibility for service provision with overlying counties, school districts, and special-purpose districts. The methodology underlying FiSC was developed by Howard Chernick, Adam Langley, and Andrew Reschovsky.

19. Municipalities in Spain with more than 75,000 inhabitants and capitals of provinces are eligible for shared tax receipts. The percentage shares are: 1.6875 percent of personal income tax, 1.7897 percent of VAT, and 2.0454 percent of excise taxes on hydrocarbons, tobacco, spirit and alcoholic beverages.

20. In Tokyo’s own financial statements, local consumption taxes and the tobacco tax are recorded as own-source revenues.


22. Ibid.

23. The city wanted to earmark the revenues for programs for youth, immigrants, and women.

24. The proposal was refused in large part because suburban voters and drivers were opposed to it. See P. Kantor, Globalisation and governance in the New York region. Progress in Planning, 73 (2010), 34–38.

25. The tax levy can exceed the cap only if 60 percent of voters (for school districts) or 60 percent of the total voting power of the governing body (for local governments) approve such an increase.


27. R. Bird, Below the Salt: Decentralizing Value-Added Taxes (Atlanta: International Center for Public Policy, Andrew Young School of Policy Studies, Georgia State University, 2013).

29. This information is taken from E. Slack, International Comparison of Global City Financing (London Finance Commission, 2016). As noted earlier in footnote 18, the FiSC database could be used to compare user fees among cities in the United States, including those levied by special-purpose districts.

30. GMP per capita measures the size of the economy of the metropolitan area and is defined as the market value of all final goods and services produced within the area in a year.

31. The opposite is true for Tokyo, where revenues refer to the Tokyo Metropolitan Government and GMP refers to Central Tokyo.

32. Although cities (and the media) like to look at city ranking studies, there are limitations to ranking studies. For example, it is important to understand the underlying rationale for undertaking these studies, who is doing them, the intended audience, the methodology used to calculate scores and rankings, the source of information, the way in which the data are manipulated, etc. For a good critique of city ranking studies, see Z. Taylor, Lies, Damned Lies, and Statistics: A Critical Examination of City Ranking Studies (Toronto: Intergovernmental Committee on Economic and Labour Force Development, 2011). Retrieved from http://icecommittee.org/reports/ICE_City_Ranking_Report.pdf

33. The Outlook results show San Francisco in first position and Boston in third.


36. There is a significant literature on non-residential property tax incentives in the United States, in large part, because of the proliferation of these incentives in that country, where they cost state and local governments between $5 and $10 billion per year. See D.A. Kenyon, A.H. Langley, and B.P. Paquin, Rethinking Property Tax Incentives for Business (Cambridge, Mass.: Lincoln Institute of Land Policy, 2012).


41. A potential third problem may arise for national and provincial governments. To the extent that cities are given greater powers to raise taxes, the ability of the senior governments to redistribute resources to other regions may be reduced. More local taxing authority may thus not be popular with everyone.

42. For a discussion of the economic impact of different taxes, see Slack, International Comparison of Global City Financing, 2016.


46. Ibid.

47. Ibid.