PROVINCIAL HST ON MUNICIPAL INFRASTRUCTURE: IMPROVING FISCAL EFFICIENCY AND SUPPORTING GROWTH

Overview

The County of Renfrew is requesting that the Province of Ontario implement a **time-limited 3 to 5-year pilot program removing the non-refundable provincial portion of HST** from eligible municipal capital infrastructure projects, with a requirement that the full value of savings be reinvested into additional municipal infrastructure.

This approach would increase the impact of existing public investments, strengthen municipal capacity, and accelerate infrastructure needed to support economic growth and housing development.

Why This Matters / Why Now

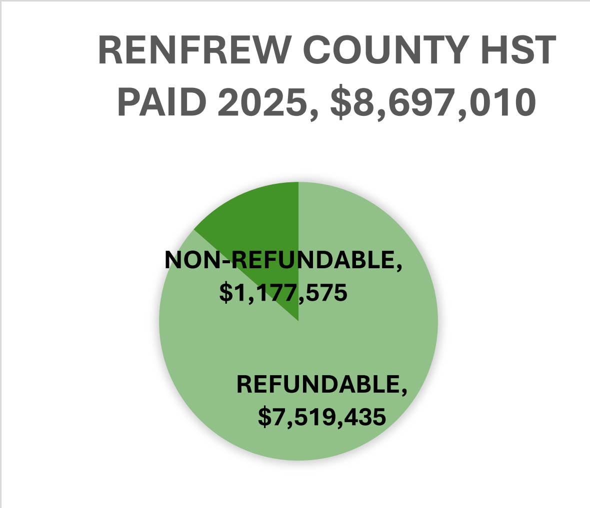
Municipal infrastructure is the foundation of Ontario's economic competitiveness and housing supply. Water and wastewater systems, roads, and other core assets must be in place before communities can accommodate residential growth, support business investment, and maintain service levels.

Under the current framework, 22% of the provincial portion of HST remains embedded in municipal capital projects, increasing project costs and reducing municipalities' ability to deliver infrastructure within existing budgets. This creates a circular funding dynamic in which residents are taxed via property tax and provincial income and sales taxes to pay for infrastructure needs, and infrastructure costs the municipalities more because they must pay tax on those purchases.

Removing the non-refundable provincial portion of HST from municipal capital projects would allow existing public dollars to go further, improving overall system efficiency and providing municipalities with more funds for infrastructure without requiring new program or grant administration.

Current Challenges

- Provincial HST remains embedded in municipal capital infrastructure costs, reducing municipal purchasing power.
- Rising construction costs continue to strain municipal capital budgets and long-term asset management plans.



- Municipalities rely heavily on property tax revenues and cannot operate with budget deficits.
- Delays or reductions in infrastructure delivery can slow housing development and economic growth.
- Provincial funding programs often help offset infrastructure costs, those costs are increased by the existing tax structure, therefore a portion of provincial grants are being returned to the Province as HST payments.

Proposed Solution

- Launch a **3 to 5-year pilot program** removing the non-refundable provincial portion of HST from eligible municipal capital infrastructure projects.
- Require municipalities to **reinvest all savings on a dollar-for-dollar basis** into additional capital infrastructure.
- Prioritize infrastructure that supports provincial objectives, including:
  - water and wastewater systems;
  - roads and transportation infrastructure;
  - housing-enabling infrastructure;
  - state-of-good-repair projects that preserve service capacity and support growth.
- Track and evaluate outcomes related to infrastructure delivery, municipal capacity, housing readiness, and economic activity.

Benefits

- Improves **value for money** and maximizes the impact of existing public investments.
- Increases infrastructure output without creating new grant programs or increasing provincial administration burden.
- Expands municipal capacity to deliver priority infrastructure within existing budgets.
- Accelerates construction of housing-supportive infrastructure and community growth projects.
- Reduces delays between project planning, approvals, and construction.
- Supports economic activity, job creation, and associated tax revenues.
- Provides Ontario with a controlled opportunity to evaluate long-term tax policy modernization and infrastructure funding efficiency.

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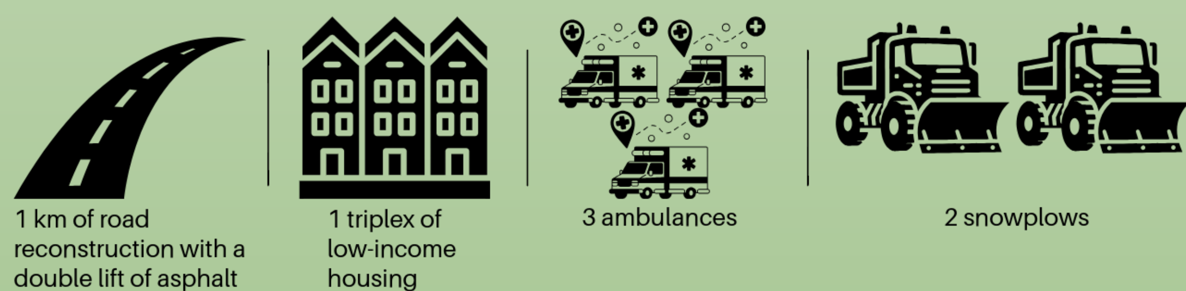
Conclusion

This proposal is not about reducing government revenue. It is about improving how existing public dollars are used to deliver infrastructure that supports housing, economic growth, and community development.

A time-limited pilot would allow Ontario to test a more efficient approach by redirecting provincial HST currently embedded in municipal infrastructure projects into additional capital investment, generating measurable benefits for municipalities, taxpayers, and the province as a whole.

What could the County of Renfrew buy with the non-refundable portion of HST on capital infrastructure in 2025:



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