

1998-1999
BUDGET

Personal Taxation and the Cost of Living

Comparison between Montréal and
Various North American Cities



Gouvernement du Québec
Ministère des Finances

Overview

This document presents the findings of a comparison of personal taxation and the cost of living in Montréal in relation to other urban centres. This is the second study produced on the same topic by the ministère des Finances du Québec. The first study was published in May 1994. This study updates the taxation systems of various jurisdictions and uses more recent cost-of-living data. Moreover, it extends the comparison to other types of households and to a larger number of North American jurisdictions.

Objective

The taxation system is a decisive factor in the assessment of the competitiveness of various jurisdictions. For this reason, the ministère des Finances du Québec and other organizations regularly produce comparisons of the tax burden borne by Quebecers and that borne by taxpayers in jurisdictions with which Québec competes economically.

However, such comparisons have their limitations. They do not always reveal that higher tax burdens in a jurisdiction may be used to finance more developed public services, which is not a genuine disadvantage in respect of the competitiveness of the jurisdiction concerned when such services elsewhere must be purchased on private markets.

In the United States, the public sector is generally less developed than in Canada, which has resulted in a lighter tax burden. However, most American workers must obtain private health insurance to protect themselves against the high cost of health services. In Québec, the public sector offers health services, the cost of which is covered by taxes.

Under the circumstances, an analysis of the taxation systems in Canada and the United States is insufficient to properly compare the expenditures incurred by the residents of both countries in respect of a given number of goods and services. A comprehensive comparison of the cost of living must also take into account the cost of all goods and services, which makes it possible to more fully clarify the relative situation of households in different jurisdictions.

A comprehensive approach, encompassing taxation systems and the cost of the entire range of goods and services, has been used in this study to provide a complete comparison of the cost of living of certain types of households in Montréal and other urban centres in North America. The findings of this study reflect the cost of living in August 1997.¹

Methodology

The following study compares the cost of living of 11 different types of household² in several urban centres³ in Canada and the United States. The cost of living is defined as the total amount of spending on goods and services and taxes borne by the households.

The cost of living of households in each of the urban centres is assessed in light of the same socio-economic characteristics:

- income;
- type and size of home;
- number, type and use of vehicles; and
- consumption profile in terms of goods and services.

The methodology adopted makes it possible to evaluate and compare discrepancies in the cost of living by distinguishing between differences in the price of goods and services on the one hand and disparities in the tax burden on the other.

¹ The ministère des Finances du Québec has prepared this analysis based on data produced by Runzheimer Canada, which specializes in the assessment of the cost of living. The taxation data considered are those that were available in August 1997. No account has been taken of amendments to tax legislation adopted since then in the jurisdictions studied. The notion of the cost of living adopted in the study includes the total amount of taxes levied by all levels of government and pre-tax spending on goods and services.

² The 11 types of households have the following socio-economic profiles: individuals living alone with an income of \$15 000, \$30 000, \$50 000, \$75 000, \$100 000 or \$250 000; couples with one child under the age of 6 and one income of \$30 000; couples with two children under the age of 6 and two incomes totalling \$50 000 or \$75 000; couples with two children 17 and 18 years old and two incomes totalling \$100 000 or \$250 000.

³ Montréal, Toronto, Vancouver, Atlanta, Boston, Chicago, Dallas, Detroit, Miami, New York, Philadelphia, Phoenix, San Francisco and Seattle are the cities examined.

Findings

The main observations that arise from the comparison based on personal taxation and the cost of living are indicated below.

1. Among the Canadian urban centres studied, i.e. Montréal, Toronto and Vancouver:
 - Montréal has the lowest cost of living in respect of all types of households.
2. In relation to American urban centres:
 - Montréal is the least expensive place to live for low-income households.
 - In the case of middle-income households, the cost of living is always more advantageous in Montréal for families with children. For individuals living alone, the cost of living is generally similar to that noted in major American urban centres as a whole.
 - As for high-income households, the cost of living in Montréal is often lower than in the biggest American urban centres. However, it exceeds that of urban centres similar in size to Montréal.

COST-OF-LIVING INDICES FOR ALL TAX AND NON-TAX COMPONENTS IN VARIOUS URBAN CENTRES
(Montréal = 100)

	Rank of Montréal	CANADA			UNITED STATES										
		Montréal	Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
LOW-INCOME HOUSEHOLDS															
Person living alone, \$15 000	1	100.0	132.9	119.2	137.8	165.2	160.3	125.5	134.7	140.0	171.6	153.4	130.9	173.5	129.9
Couple with one child under the age of 6, \$30 000	1	100.0	123.1	110.2	125.1	148.1	141.9	116.1	126.1	125.3	169.0	148.0	123.4	154.7	123.5
Person living alone, \$30 000	1	100.0	110.9	102.1	106.1	127.1	120.0	100.0	108.1	105.5	135.0	122.2	104.6	131.4	105.2
MIDDLE-INCOME HOUSEHOLDS															
Couple with two children under the age of 6, \$50 000	1	100.0	115.4	124.3	107.8	123.2	122.0	108.6	114.1	111.9	127.4	125.4	104.1	135.6	110.5
Person living alone, \$50 000	7	100.0	106.1	112.7	90.3	104.7	102.2	88.9	94.7	90.9	107.2	103.1	87.1	114.2	92.8
HIGH-INCOME HOUSEHOLDS															
Couple with two children under the age of 6, \$75 000	5	100.0	110.9	114.1	97.1	114.8	107.4	96.2	100.6	97.4	120.3	113.1	93.5	121.6	103.2
Person living alone, \$75 000	8	100.0	106.7	107.0	90.2	103.6	97.7	87.5	92.6	88.2	109.1	102.0	86.7	109.5	93.7
Couple with two children 17 and 18 years of age, \$100 000	5	100.0	109.0	108.6	95.1	113.5	106.4	93.4	101.7	95.5	117.3	113.0	92.0	118.8	101.6
Person living alone, \$100 000	10	100.0	106.6	104.8	89.8	98.8	96.3	86.0	91.8	86.1	104.8	98.9	85.8	108.3	93.1
Couple with two children 17 and 18 years of age, \$250 000	7	100.0	105.1	105.5	89.7	103.7	102.7	87.2	94.7	87.7	106.0	100.6	89.8	106.6	93.0
Person living alone, \$250 000	11	100.0	105.5	106.4	86.1	95.3	95.5	82.8	88.4	83.1	99.0	93.1	85.4	101.1	87.7

Note: An index over 100 indicates a higher cost of living than in Montréal.

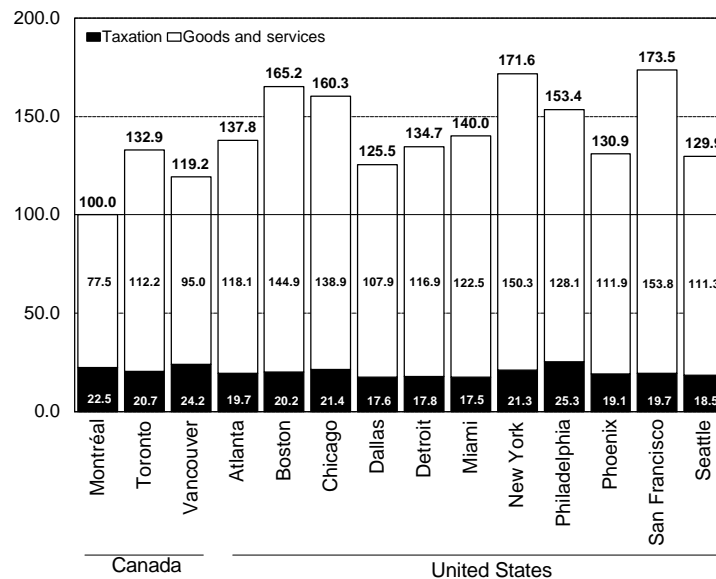
Several factors explain these findings.

- **Low-income households:** The advantageous position enjoyed by these Montréal households results from the lower cost of goods and services, mainly with respect to housing. The tax burden in Montréal is generally slightly higher than in other Canadian cities in the case of individuals living alone and lower than that borne by families in other Canadian cities. In relation to major American cities, the tax burden is generally slightly higher in Montréal.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Person living alone, with an income of \$15 000

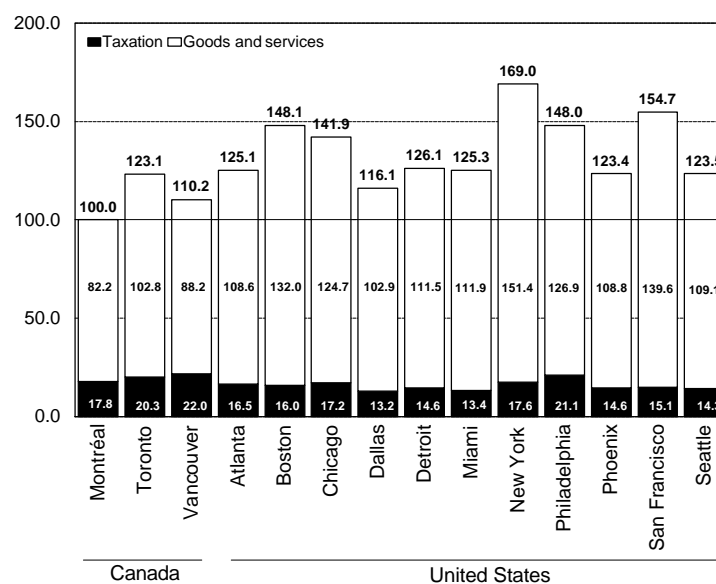
Tenant



Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

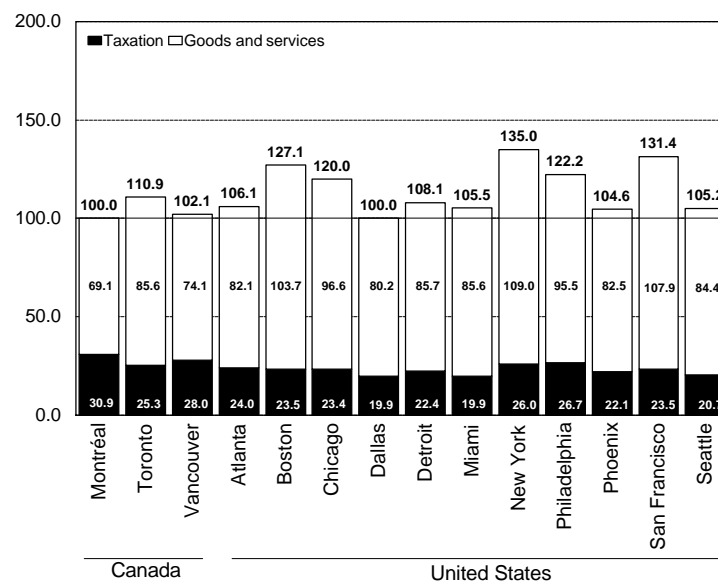
Couple with one child under the age of 6 and an income of \$30 000
Tenants



Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Person living alone, with an income of \$30 000
Tenant

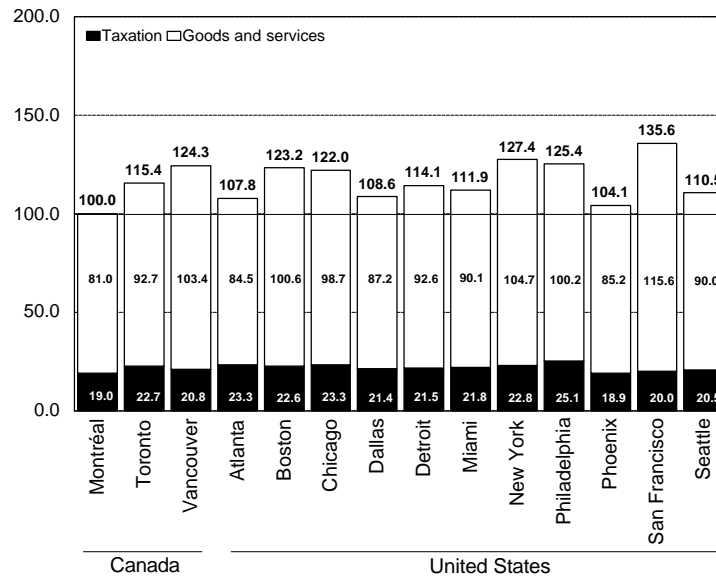


Note: The total may not reflect the sum of the elements because of rounding.

- **Middle-income households:** The cost of living for couples residing in Montréal is lower than anywhere else, notably because of lower prices for goods and services. Moreover, middle-class families pay lower taxes in Montréal than elsewhere.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Couple with two children under the age of 6 and
two incomes totalling \$50 000
Homeowners



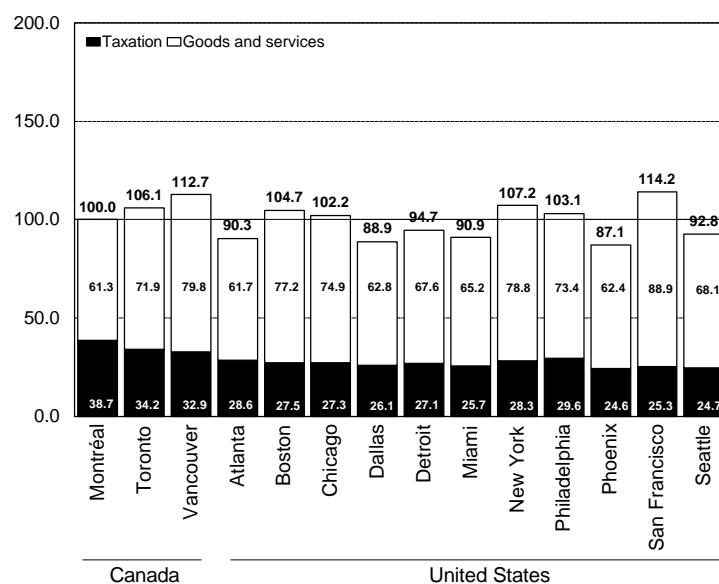
Note: The total may not reflect the sum of the elements because of rounding.

The cost of living for middle-income individuals living alone in Montréal is similar to that in other urban centres. The higher taxes than in other urban centres are offset by the lower cost of goods and services.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Person living alone, with an income of \$50 000

Homeowner



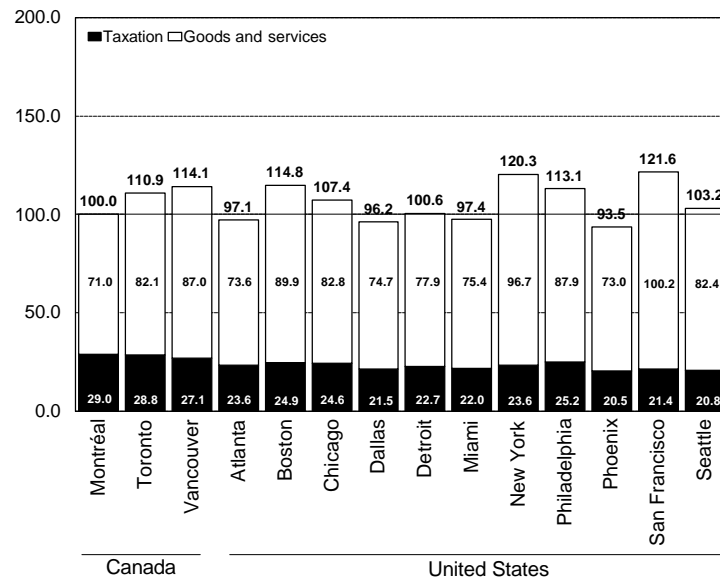
Note: The total may not reflect the sum of the elements because of rounding.

- **High-income households:** In Canada as a whole, the cost of living is slightly lower in Montréal than in Toronto and Vancouver, primarily because of the cost of housing. Couples living in Montréal with incomes of \$75 000 or \$100 000 enjoy, on average, a lower cost of living than their counterparts living in the American cities studied. In the other cases, the cost of living in Montréal is similar or higher. Households pay more taxes in Montréal than in the other cities considered. However, housing costs in particular are lower in Montréal, as is the cost of everyday consumer services in general, which explains why the situation of these households may be comparable to that of their American counterparts.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Couple with two children under the age of 6 and
two incomes totalling \$75 000

Homeowners

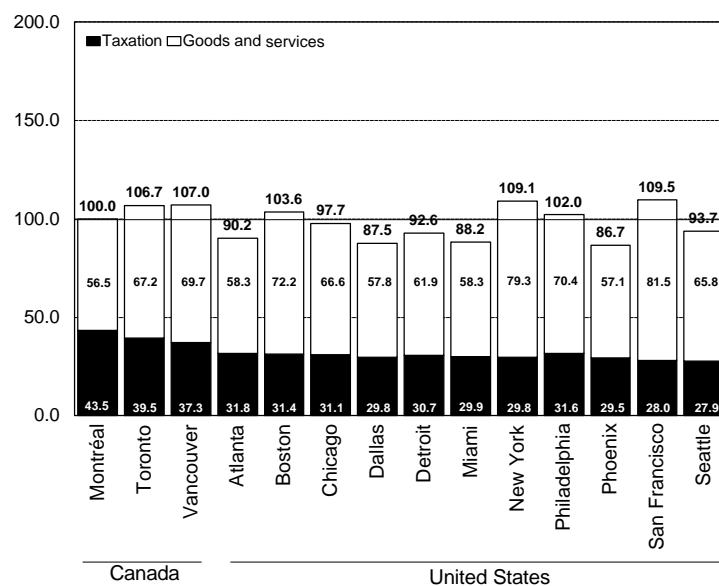


Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Person living alone, with an income of \$75 000

Homeowner



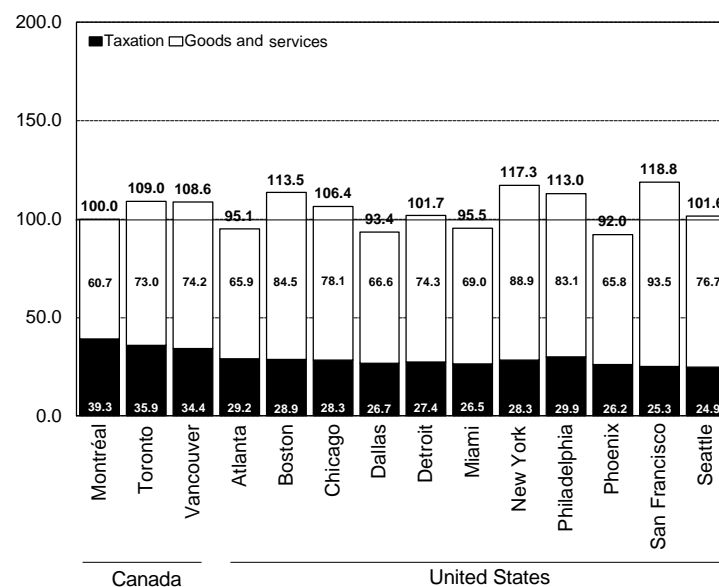
Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Couple with two children 17 and 18 years of age

and two incomes totalling \$100 000

Homeowners

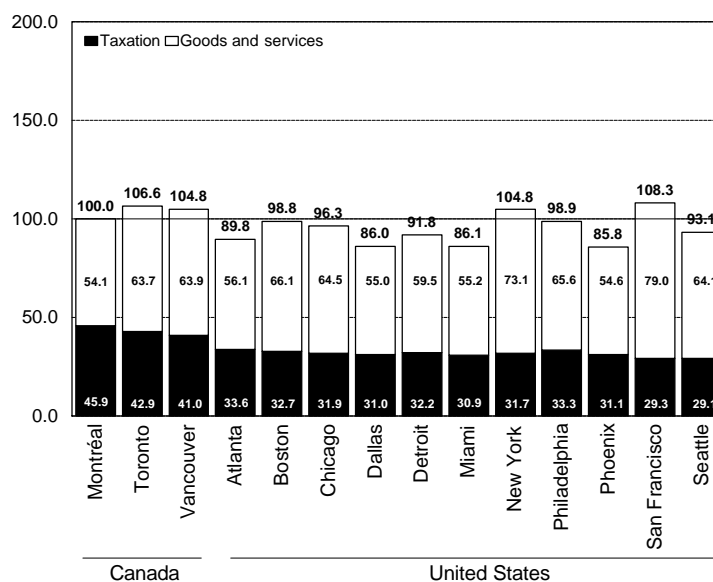


Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Person living alone, with an income of \$100 000

Homeowner



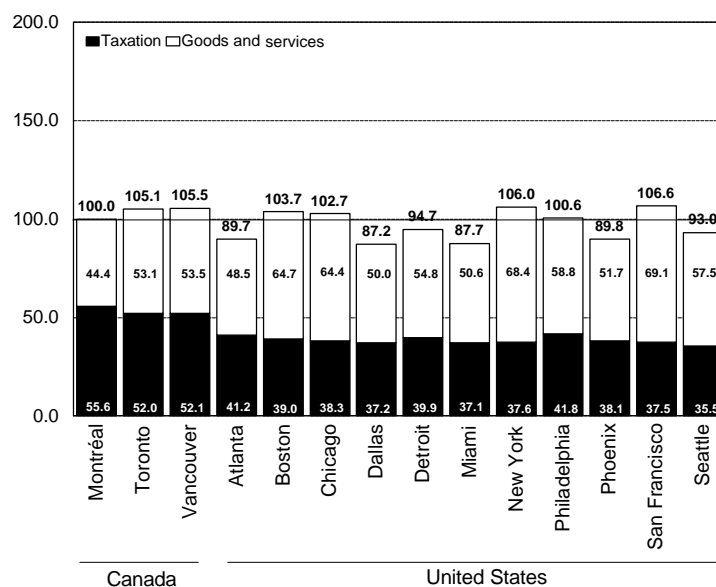
Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Couple with two children 17 and 18 years of age

and two incomes totalling \$250 000

Homeowners

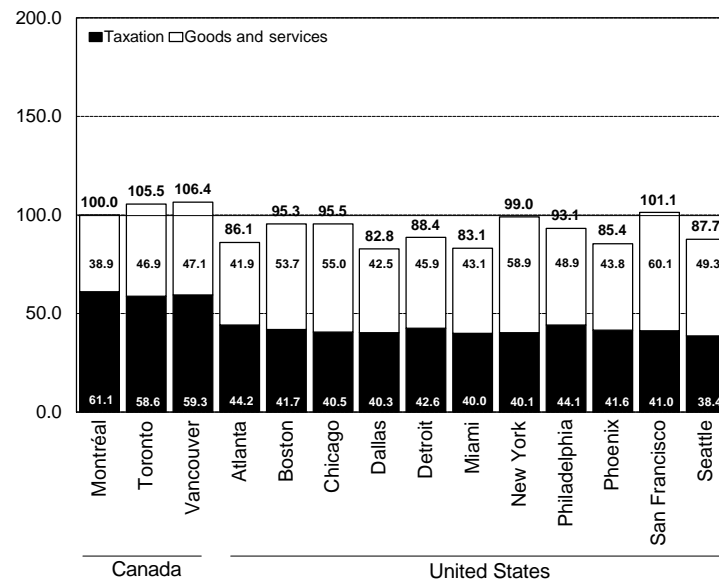


Note: The total may not reflect the sum of the elements because of rounding.

TOTAL COST-OF-LIVING INDICES IN AUGUST 1997

Person living alone, with an income of \$250 000

Homeowner



Note: The total may not reflect the sum of the elements because of rounding.

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Total cost of living in August 1997: Person living alone, with an income of \$30 000 - tenant

GRAPH A.4

Total cost of living in August 1997: Couple with two children under the age of 6 and two incomes totalling \$50 000 - homeowners

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Total cost of living in August 1997: Couple with two children under the age of 6 and two incomes totalling \$75 000 - homeowners

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Total cost of living in August 1997: Person living alone, with an income of \$75 000 - homeowner

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Total cost of living in August 1997: Couple with two children 17 and 18 years of age and two incomes totalling \$250 000 - homeowners

GRAPH A.11

Total cost of living in August 1997: Person living alone, with an income of \$250 000 - homeowner

Introduction

This study compares personal taxation and the cost of living in Montréal in relation to other North American urban centres. It is the second study on the subject to be produced by the ministère des Finances. The first study was published in May 1994 and focused on the cost of living in March 1993. This study reassesses the cost of living in August 1997. The comparison has been broadened to other types of households and to a greater number of North American urban centres.

1994 study

Briefly, the first study concluded that Montréal households generally enjoyed a favourable situation in relation to that observed in other major North American urban centres.

The cost of living of low- and middle-income households in Montréal was the lowest in the urban centres considered. Couples with high incomes enjoyed a lower cost of living than their counterparts in the seven other urban centres studied. It generally cost individuals with high incomes living alone more to live in Montréal than elsewhere, notably because of taxation.

Goods and services overall, i.e. the non-tax component, were generally cheaper in Montréal. The cost of housing and numerous public services offered free of charge or at a modest cost explain this situation.

Depending on their situation, some Québec households assumed a higher tax burden than their counterparts in the United States. However, low- and middle-income families paid less tax.

A word of caution is in order with regard to a comparison of the 1993 and 1997 findings. First, even if income levels in 1993 and 1997 are identical, they are not entirely comparable, notably because of inflation and changes in the exchange rate. However, since the time lapse is fairly short, i.e. four years, it is nonetheless possible to establish a certain parallel between the results obtained.

Broadly speaking, Montréal's rank among the urban centres studied remained essentially the same as in 1993. From the standpoint of changes in the cost of living, the relative situation generally improved in Montréal. However, it must not be concluded that it now costs less than in 1993 to live in Montréal. This improvement in the overall situation is attributable to the relative cost of goods and services that puts Montréal at an even greater advantage in 1997 than in 1993.

TABLE 1
COMPARISON OF COST-OF-LIVING INDICES FOR ALL TAX AND NON-TAX COMPONENTS
IN VARIOUS URBAN CENTRES
1997 and 1993 findings
(Montréal = 100)

		Rank of Montréal	CANADA			UNITED STATES				
			Montréal	Toronto	Vancouver	Boston	Chicago	Detroit	New York	Philadelphia
Person living alone, \$15 000	1997	1	100.0	<u>132.9</u>	<u>119.2</u>	<u>165.2</u>	<u>160.3</u>	<u>134.7</u>	<u>171.6</u>	<u>153.4</u>
	1993	1	100.0	125.3	115.3	137.7	137.1	118.9	153.2	135.6
Couple with one child under 6, \$30 000	1997	1	100.0	123.1	110.2	<u>148.1</u>	<u>141.9</u>	126.1	169.0	<u>148.0</u>
	1993	1	100.0	128.9	111.3	<u>144.6</u>	<u>139.9</u>	131.4	170.5	<u>142.1</u>
Person living alone, \$50 000	1997	2	100.0	106.1	<u>112.7</u>	104.7	102.2	94.7	107.2	103.1
	1993	1	100.0	109.7	101.4	108.6	105.9	102.2	121.7	107.0
Couple with two children 17 and 18 years of age, \$100 000	1997	1	100.0	109.0	<u>108.6</u>	<u>113.5</u>	<u>106.4</u>	<u>101.7</u>	<u>117.3</u>	<u>113.0</u>
	1993	2	100.0	123.4	100.0	111.2	98.8	100.6	112.8	101.1
Person living alone, \$100 000	1997	5	100.0	106.6	<u>104.8</u>	98.8	<u>96.3</u>	<u>91.8</u>	<u>104.8</u>	<u>98.9</u>
	1993	6	100.0	122.7	98.5	99.4	90.4	90.5	101.4	90.2

Note: The underlined figures indicate a relative improvement for Montréal in relation to the other major urban centres between the situation in March 1993 and that prevailing in August 1997.

Objective

The taxation system is a decisive factor in the assessment of the competitiveness of various jurisdictions. For this reason, the ministère des Finances du Québec and other organizations regularly produce comparisons of the tax burden borne by Quebecers and that borne by taxpayers in jurisdictions with which Québec competes economically.

However, such comparisons have their limitations since they do not consider the use made of the taxes levied. Indeed, they do not always reveal that higher tax burdens may be used to finance more developed public services, in which case they do not detract from the competitiveness of the jurisdiction concerned. In the United States, the public sector is generally less developed than in Canada, which has resulted in a lighter tax burden. However, most American workers must obtain private health insurance to protect themselves against the high cost of health services. In Québec, the public sector offers health services, the cost of which is covered by taxes.

Under the circumstances, an analysis of the taxation systems in Canada and the United States is insufficient to properly compare the expenditures incurred by the residents of both countries in respect of a given number of goods and services.

To obtain a broader assessment of the situation of households, account must be taken not only of the tax burden but also of the cost of obtaining on the private market the goods and services provided by governments in other jurisdictions. Under this broadened approach, a comparison of the cost of living in respect of all goods and services, whether acquired on the private market or provided by government, makes it possible to more fully clarify the relative situation of different types of households.

This analytical framework has been used in this study to carry out a more complete comparison of the cost of living for certain typical households in Montréal and other urban centres in North America.

Section 1 — Concepts and Variables

COST OF LIVING

The concept of the cost of living adopted in respect of each household refers to two components, i.e. the non-tax component, made up of all spending on goods and services, excluding tax, and the tax component, made up of all the taxes the household pays.

The ministère des Finances du Québec has prepared this analysis based on data produced by Runzheimer Canada, which specializes in the assessment of the cost of living. One noteworthy feature of the approach adopted by this firm is the establishment, at the outset, based on the income and size of the household, of parameters that define the cost of living in a reference situation, reflecting the average of roughly 130 Canadian urban centres.

The following parameters are used:

- type and size of the residence;
- number of motor vehicles, their category and the use made of them;
- the array of goods and services consumed by the households.

These criteria for each typical household are the same for each of the urban centres. The objective of the comparison is to establish the prices associated with the various parameters in each urban centre and the attendant taxes, bearing in mind as well the income and other traits of the households. Runzheimer Canada also established these prices in respect of each of the situations considered.

Other parameters have been incorporated into the study's findings, notably the cost of health insurance premiums in the United States, child care costs, university tuition fees, the fees imposed by the municipalities for certain public services, and tolls levied on bridges and roads, where applicable. Runzheimer Canada assessed at the request of the ministère des Finances the cost of all of these components in respect of each urban centre considered.

Since the consumption profile of the households is assessed in light of an average situation in Canada (reference situation) and the methodology consists in applying to this profile the discrepancies in the price of goods and services and the discrepancies in the tax burden between the urban centres, the exercise may result, in some instances, in a cost of living that exceeds household income.

The appendix provides additional information on the methodology and the sources of the data used.

— **Tax and non-tax components**

For the purposes of this study, the tax component encompasses all income, consumption, payroll and property taxes, as well as fees levied in respect of local services. The non-tax component refers to the goods and services comprised in the cost of living, such as the cost of housing, health care, education and transportation, and the cost of common consumer goods and services such as food, clothing, personal services and recreation.

In order to obtain comparable results, the consumption profiles of the households, the size of their residence and the type of motor vehicles used remain the same in all of the urban centres studied. The methodology used thus takes no account of household consumption choices, which may be influenced in particular by local habits or the different relative prices of the array of goods and services consumed by households in different jurisdictions.

— **Goods and services**

The personal expenditures considered cover a broad range of goods and services, excluding the attendant taxes, which are considered in the tax component (consumption taxes). The following table presents such expenditures by category.

TABLE 2

GOODS AND SERVICES COMPONENT

Main consumption expense	Includes
Housing	<ul style="list-style-type: none">- Rent (tenant)- Mortgage: interest only (homeowner)- Insurance- Repairs and renovation (homeowner)- Utilities (electricity and fuel)
Transportation	<ul style="list-style-type: none">- Public transportation (work)- Automobiles (work and recreation), including the cost of financing, gasoline, insurance, vehicle registration, repairs, routine maintenance and depreciation
Common consumer goods and services	<ul style="list-style-type: none">- Food consumed inside and outside the home- Household supplies and services- Clothing and footwear- Personal services, recreation and entertainment
Health expenses	<ul style="list-style-type: none">- Dental, medical and other care- Drugs- Cost of private health insurance premiums in the United States, as the case may be
Tuition fees	<ul style="list-style-type: none">- General university admission and registration fees¹
Child care expenses	<ul style="list-style-type: none">- According to the maximum amounts eligible for the purpose of personal income tax in Québec²

1 No other expenses are considered.

2 Annual child care expenses have been set hypothetically at C\$5 000 per child under the age of 7.

– Taxation

In order to reflect as accurately as possible the discrepancy in the tax burden between Montréal and the other urban centres examined in the study, account has been taken of the taxes levied by federal, provincial, state and local⁴ governments.

TABLE 3

TAXATION

Taxes	Level of government
Personal income tax ¹	All levels
Payroll taxes ²	Federal / provincial
Property and other local taxes ³	Local
Consumption taxes ⁴	All levels

- 1 Certain American cities levy a tax on the income of individuals working or residing in them, e.g. Detroit, New York and Philadelphia. Income tax also includes amounts paid in respect of refundable tax credits and family allowances. In order to reflect certain provisions in the taxation systems studied, a number of tax expenses have been considered, notably deductions or tax credits for contributions to a registered retirement savings plan or a registered pension plan, charitable donations, child care expenses, tuition fees and education expenses. In the United States, deductions for mortgage interest, charitable donations, property taxes and state and municipal income taxes, among others, are included in the calculation of personal income tax where applicable (see appendix).
- 2 Including Québec Pension Plan, Canada Pension Plan contributions and federal employment insurance contributions in Canada, and social security and hospitalization insurance contributions in the United States (FICA).
- 3 Including general property taxes, fees for certain municipal services such as garbage collection, snow removal, water and sewage, when such fees are not integrated into property taxes, and the tolls levied on bridges and roads that users pay in traveling to work.
- 4 Including retail sales taxes and taxes on public utilities, maintenance and repairs, insurance, gasoline and the cost of driver's licences.

⁴ Municipal, school, county or district authorities, as the case may be.

URBAN CENTRES

The selection of urban centres was intended to compare cities with a population similar to that of Montréal, cities located close to Montréal, and cities whose recent economic development makes them competitors of Montréal from the standpoint of business decisions on location and highly specialized manpower.

Moreover, the choice of urban centres was intended to present a complete range of centres in order to consider the diversity of their taxation in relation to that of Montréal.

By virtue of their proximity, location, economic activities or traits similar to those of Montréal, some urban centres may be or become major commercial competitors.

— Population

The urban centres studied encompass roughly 9.3 million inhabitants in Canada, i.e. nearly 32% of the overall population, and 45.8 million inhabitants in the United States, i.e. approximately 17.6% of the total population. In Québec, the population of Greater Montréal has been estimated at 3.3 million, equivalent to roughly 45% of the overall population of Québec. All told, the population of the 14 urban centres considered accounts for about 34% of the inhabitants living in the provinces or states concerned and 19% of the total population of the two countries.

TABLE 4

**BRIEF DESCRIPTION OF THE URBAN CENTRES
STUDIED**

Place of work	State/province	Country	Estimated population of the metropolitan area in 1994 (000)
Montréal	Québec	Canada	3 309
Toronto	Ontario	Canada	4 256
Vancouver	British Columbia	Canada	1 780
Atlanta	Georgia	United States	3 331
Boston	Massachusetts	United States	5 730
Chicago	Illinois	United States	7 668
Dallas	Texas	United States	2 898
Detroit	Michigan	United States	4 307
Miami	Florida	United States	2 025
New York	New York	United States	8 586 ¹
Philadelphia	Pennsylvania	United States	4 949
Phoenix	Arizona	United States	2 473
San Francisco	California	United States	1 646
Seattle	Washington	United States	2 180

Sources: For American cities, "Survey of Current Business", Bureau of Economic Analysis, U.S. Department of Commerce, July 1997, Vol. 77, No. 7, p. D69-D70. For Canadian cities, Statistics Canada, *Annual Demographic Statistics, 1996*, Catalogue No. 91-213-XPB, p. 69.

¹ When the "consolidated" metropolitan area is considered, including cities in New York State, New Jersey, Connecticut and Pennsylvania, the population rises to 19 705 000.

— Importance of income and other taxes

The tax revenues of the states and provinces are derived from various sources, e.g. personal income tax, sales taxes, corporation income taxes, and so on. The major urban centres chosen vary from one to the other from the standpoint of the importance of personal income tax. Texas, Florida and Washington State, for instance, do not levy personal income tax. However, in other American urban centres, personal income tax accounts for over half of state tax revenues.

A comparison of the urban centres analysed reveals a striking difference between the American states and the Canadian provinces studied as regards consumption tax rates and bases.

TYPICAL HOUSEHOLDS

The family status and income of households affect the consumption profile and tax burden borne by each type of household. The 11 socio-economic situations examined in this study illustrate diverse situations as regards low-, middle- and high-income households. For each of these groups, the study seeks to present social and economic traits that are representative of large numbers of households. The choices made also make it possible to compare from one urban centre to another the government assistance offered in respect of children.

Low-income households include a person living alone, with an income of \$15 000, i.e. an income slightly higher than the minimum wage in Québec in August 1997 (\$6.70/hour), a person living alone, with an income of \$30 000, and a couple with one young child and one employment income of \$30 000. All of the households are tenants. Persons living alone, with incomes of \$15 000, and couples use public transportation to travel to work.

Households in the second major group have a total annual employment income of \$50 000, roughly equivalent to the average income of all Québec households in 1995. All of these households own suburban homes. Specifically, the group includes a single person living alone and a couple with two children under the age of 6, with both spouses working outside the home and paying child care expenses. These individuals drive to work. It should be noted that the inclusion of these two types of household in the same category is not necessarily intended to reflect a similar level of economic well-being but a similar level of income.

The third major group is made up of households with above-average incomes, which are thus included in the high-income bracket. All of the households own their own suburban home, drive to work and have annual employment earnings of between \$75 000 and \$250 000. Specifically, the group includes single people living alone, with incomes of \$75 000, \$100 000 or \$250 000, and couples with two young children and employment income of \$75 000 or two children 17 and 18 years of age, one of whom is studying full time at university, and employment income of \$100 000 or \$250 000. In these instances, both spouses have employment income, broken down in a 60/40 ratio.

TABLE 5

SOCIO-ECONOMIC PROFILES STUDIED

	Person living alone	Couple
Low-income households	Single person with annual employment income of \$15 000 or \$30 000	Couple with one child under 6 and one annual employment income of \$30 000
Middle-income households	Single person with annual employment income of \$50 000	Couple with two children under 6 and two annual employment incomes totalling \$50 000
High-income households	Single person with annual employment income of \$75 000, \$100 000 or \$250 000	1) Couple with two children under 6 and two annual employment incomes totalling \$75 000 2) Couple with two children 17 and 18 years of age, one of whom is attending university, and two annual employment incomes totalling \$100 000 or \$250 000

Section 2 — Cost of Goods and Services

HOUSEHOLD SPENDING ON GOODS AND SERVICES

This study focuses on certain key household expenditures on goods and services, whether such spending is regular or sporadic. Major everyday household expenditures are related to housing, transportation and other common consumer goods and services, such as food and clothing. The other group of major expenditures that occur at specific times include the cost of health services, post-secondary education and child care.

In Québec, the first group of expenses generally covers goods and services purchased with the household's disposable income. The second group is made up by and large of public services financed essentially through taxation. However, such is not the case in American urban centres.

The proportion of the household budgets for goods and services of typical Montréal households allocated to each of these components is indicated in the following table.

TABLE 6

**PORTION OF THE BUDGETS OF TYPICAL MONTRÉAL HOUSEHOLDS
DEVOTED TO GOODS AND SERVICES**
(as a percentage)

	Housing	Transportation	Everyday consumption	Health care	Tuition fees	Child care expenses	Total expenses
Person living alone, \$15 000	44.3	31.7	22.7	1.3	—	—	100.0
Couple with one child under 6, \$30 000	41.4	23.5	35.1	0.0	—	—	100.0
Person living alone, \$30 000	39.7	32.0	28.3	0.0	—	—	100.0
Couple with two children under 6, \$50 000	33.5	17.0	27.8	0.0	—	21.7	100.0
Person living alone, \$50 000	38.6	33.5	27.8	0.0	—	—	100.0
Couple with two children under 6, \$75 000	32.6	21.4	29.6	0.0	—	16.5	100.0
Person living alone, \$75 000	38.9	29.5	31.5	0.0	—	—	100.0
Couple with two children 17 and 18 years of age, \$100 000	34.4	23.8	38.2	0.0	3.6	—	100.0
Person living alone, \$100 000	34.3	30.6	35.1	0.0	—	—	100.0
Couple with two children 17 and 18 years of age, \$250 000	27.9	19.6	50.2	0.0	2.3	—	100.0
Person living alone, \$250 000	28.5	21.2	50.3	0.0	—	—	100.0

Note: The total may not reflect the sum of the elements because of rounding.

COMPOSITION OF THE PRE-TAX COST OF GOODS AND SERVICES

— Housing

The residents of major North American urban centres usually devote over 30% of their household budgets to housing, whether they own or rent the dwelling. Aside from property taxes,⁵ the cost of housing usually includes rent or mortgage interest, as the case may be, and the cost of public utilities, e.g. energy. Household insurance and maintenance and repair costs are also noteworthy components of this cost.

Several factors make it difficult to compare housing costs, notably the size of the household, income, and the choice between renting or owning a home. In the latter instance, the cost of land and buildings, the tax treatment of mortgage interest and property taxes,⁶ and changes in the real estate market and interest rates can decisively affect this decision. Striking discrepancies are apparent in this respect from one jurisdiction to another.

In order to establish as accurate a comparison as possible, the type of dwelling, its area and the number of rooms are identical in the jurisdictions considered, for the same type of household with a given household income.

⁵ Property taxes are excluded from the cost of housing but are considered in the tax component of the cost of living.

⁶ In the United States, mortgage interest and property taxes may be deductible from personal income tax. However, the household is usually taxed on the net capital gain arising from the sale of the house.

Hypotheses

The following hypotheses have been adopted to illustrate the cost of housing in each of the urban centres considered:

Socio-economic profile studied	Type of dwelling
Low-income households	
Single person with annual employment income of \$15 000	Tenant of a 56-m ² (600-square-foot) apartment comprising two rooms and a bathroom
Single person with annual employment income of \$30 000	Tenant of a 74-m ² (800-square-foot) apartment comprising four rooms, including two bedrooms, and a bathroom
Couple with one child under 6 and one annual employment income of \$30 000	Tenants of a 93-m ² (1 000-square-foot) apartment comprising four rooms, including two bedrooms, and a bathroom
Middle-income households	
Single person with annual employment income of \$50 000	Owner of a 121-m ² (1 300-square-foot) six-room single-family dwelling, including three bedrooms, and a bathroom
Couple with two children under 6 and two annual employment incomes totalling \$50 000	Owners of a 149-m ² (1 600-square-foot) six-room single-family dwelling, including three bedrooms, and a bathroom
High-income households	
Single person with annual employment income of \$75 000	Owner of a 158-m ² (1 700-square-foot) seven-room single-family dwelling, including three bedrooms, and two bathrooms
Single person with annual employment income of \$100 000	Owner of a 186-m ² (2 000-square-foot) eight-room single-family dwelling, including four bedrooms, and two bathrooms
Single person with annual employment income of \$250 000	Owner of a 251-m ² (2 700-square-foot) eight-room single-family dwelling, including four bedrooms, and two bathrooms
Couple with two children under the age of 6 and two annual employment incomes totalling \$75 000	Owners of a 186-m ² (2 000-square-foot) eight-room single-family dwelling, including four bedrooms, and two bathrooms
Couple with two children 17 and 18 years of age, one of whom is attending university, and two annual employment incomes totalling \$100 000	Owners of a 214-m ² (2 300-square-foot) eight-room single-family dwelling, including four bedrooms, and two bathrooms
Couple with two children 17 and 18 years of age, one of whom is attending university, and two annual employment incomes totalling \$250 000	Owners of a 288-m ² (3 100-square-foot) nine-room single-family dwelling, including four bedrooms, and two bathrooms

Findings

In most instances, it seems more advantageous to live in Montréal, regardless of household income or type of occupancy. An analysis of the findings reveals that the discrepancies in the cost of housing in relation to Montréal tend to become more pronounced as income rises.

Montréal's comparative advantage in respect of housing is attributable notably to the generally lower cost of houses in the city. Certain sub-elements of this cost, such as energy, also explain this discrepancy in favour of Montréal.

The following table presents the findings pertaining to discrepancies in the annual cost of housing between Montréal and the other urban centres studied.

TABLE 7

DISCREPANCIES IN HOUSING COSTS IN VARIOUS URBAN CENTRES

(annual amounts in Canadian dollars)

	Cost in Montréal	DISCREPANCY IN RELATION TO MONTRÉAL												
		CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	4 808	3 519	2 239	5 607	7 956	7 372	3 628	4 335	5 251	7 479	5 098	4 287	8 109	4 514
Couple with one child under 6, \$30 000	8 649	3 942	1 205	4 194	9 287	7 297	3 042	4 761	4 495	9 257	6 296	4 065	9 374	4 965
Person living alone, \$30 000	8 242	3 712	1 180	3 995	8 967	7 006	2 810	4 461	4 295	8 915	5 868	3 676	8 987	4 573
Couple with two children under 6, \$50 000	12 980	5 589	11 944	328	6 542	6 842	908	4 202	3 509	9 152	6 742	-103	15 599	3 998
Person living alone, \$50 000	11 636	5 704	10 909	-271	7 005	6 291	73	2 681	2 095	7 777	5 116	-331	12 747	3 362
Couple with two children under 6, \$75 000	16 849	8 430	13 212	591	11 660	6 739	722	3 881	2 570	16 897	9 741	-738	19 389	8 375
Person living alone, \$75 000	15 380	8 088	11 002	280	9 878	5 714	-383	2 943	1 247	14 681	8 096	-1 095	15 969	6 457
Couple with two children 17 and 18 years of age, \$100 000	18 296	10 565	13 434	2 698	13 552	11 203	1 778	6 863	6 414	18 792	10 728	1 552	26 732	13 450
Person living alone, \$100 000	16 849	9 872	11 084	2 204	10 614	9 239	561	5 694	2 570	16 897	9 741	211	22 753	10 644
Couple with two children 17 and 18 years of age, \$250 000	22 851	16 829	19 231	6 256	31 453	34 810	6 544	15 887	12 340	39 967	17 270	12 166	43 517	25 698
Person living alone, \$250 000	20 231	16 451	17 768	5 098	26 447	29 521	4 786	14 095	9 597	36 426	15 884	8 867	38 044	21 372

Note: The cost of housing includes rent or mortgage interest, as the case may be, the cost of utilities and household insurance premiums. Homeowners also assume the cost of home maintenance and repairs.

— **Transportation**

For most city-dwellers, transportation costs, like housing costs, are inevitable. Households allocate a considerable portion of their budgets to transportation, especially for members who are employed.

Transportation costs are generated by two sources. The first source is the use of an automobile, which usually includes the cost of fuel, financial expenses, wear and tear, insurance premiums, maintenance and repairs, and vehicle registration fees. For the purpose of this study, fuel taxes and bridge and road tolls in certain jurisdictions are included in the tax component of the cost of living. The second source is the use of public transit. In this case, the cost is confined to the rate charged. The cost may also reflect the combined costs of operating a vehicle and using public transportation.

The cost of transportation can vary considerably from one household to another, depending on income and the means of transportation chosen. Household income is particularly important because it decisively affects the method of transportation chosen and its value in the case of the use of an automobile.

A perfect comparison would demand that the alternate use of private and public transportation for work and recreational purposes be taken into account and variations in the distances travelled from one urban centre to another. Moreover, the choice between a private passenger vehicle and public transportation depends on the availability in an urban centre of an adequate public transportation infrastructure. The time required for each trip and the relative cost of the two types of transportation may affect a household's choice.

In light of the methodology adopted for the purpose of this study, the analysis assumes that Canadian and American households travel equivalent distances in the case of middle- and high-income households and that such distances differ in the case of low-income households, since the latter resort to public transportation to effect certain trips.

Hypotheses

The following hypotheses have been adopted to illustrate the cost of transportation in each of the urban centres considered:

Socio-economic profile studied	Means of transportation for recreational purposes and work
Low-income households	
Single person with annual employment income of \$15 000	Recreation: four-year-old North American subcompact automobile Work: public transportation
Single person with annual employment income of \$30 000	Recreation and work: two-year-old North American intermediate automobile
Couple with one child under 6 and one annual employment income of \$30 000	Recreation: three-year-old North American subcompact automobile Work: public transportation
Middle-income households	
Single person with annual employment income of \$50 000	Recreation and work: standard North American automobile, current model year
Couple with two children under 6 and two employment incomes totalling \$50 000	Recreation: four-year-old intermediate North American automobile Work: two-year-old intermediate North American automobile
High-income households	
Single person with annual employment income of \$75 000	Recreation and work: standard North American automobile, current model year
Single person with annual employment income of \$100 000	Recreation and work: standard North American automobile, current model year
Single person with annual employment income of \$250 000	Recreation and work: standard North American automobile, current model year
Couple with two children under 6 and two annual employment incomes totalling \$75 000	Recreation: four-year-old intermediate North American automobile Work: standard North American automobile, current model year
Couple with two children 17 and 18 years of age, one of whom is attending university, and two annual employment incomes totalling \$100 000	Recreation: four-year-old intermediate North American automobile Work: standard North American automobile, current model year
Couple with two children 17 and 18 years of age, one of whom is attending university, and two annual employment incomes totalling \$250 000	Recreation: four-year-old intermediate North American automobile Work: standard North American automobile, current model year

Findings

Overall, low-income households in Montréal enjoy an advantage with respect to the cost of transportation because public transportation is cheaper there. The cost of automobile insurance is, in some instances, lower in Montréal in respect of subcompact vehicles and is generally higher in the case of standard vehicles of the current model year.

TABLE 8

DISCREPANCIES IN TRANSPORTATION COSTS IN VARIOUS URBAN CENTRES

(annual amounts in Canadian dollars)

	Cost in Montréal	DISCREPANCY IN RELATION TO MONTRÉAL												
		CANADA			UNITED STATES									
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	3 441	1 313	133	-536	868	493	143	744	511	1 598	1 217	1	1 754	-223
Couple with one child under 6, \$30 000	4 917	1 307	116	8	1 368	1 076	608	1 149	962	4 848	1 839	593	2 527	377
Person living alone, \$30 000	6 660	1 277	170	-966	482	138	-268	14	10	1 270	803	-383	1 527	-553
Couple with two children under 6, \$50 000	7 842	654	-81	-167	1 820	319	744	951	869	1 012	907	876	1 443	345
Person living alone, \$50 000	12 016	95	-878	-894	129	-591	-554	-4	-798	-175	-522	-212	621	-432
Couple with two children under 6, \$75 000	12 966	517	-616	-602	817	-376	-23	373	-325	602	366	553	1 172	-167
Person living alone, \$75 000	13 679	84	-1 142	-610	10	-478	-507	151	-938	157	-256	71	929	-274
Couple with two children 17 and 18 years of age, \$100 000	14 880	521	-934	-444	1 118	-176	19	525	-294	875	464	797	1 217	117
Person living alone, \$100 000	17 599	-232	-1 874	-2 205	-1 446	-2 079	-2 116	-1 473	-2 722	-1 376	-1 953	-1 436	-676	-1 706
Couple with two children 17 and 18 years of age, \$250 000	18 717	213	-1 659	-2 087	-941	-1 679	-1 480	-1 063	-2 038	-748	-1 569	-668	384	-1 278
Person living alone, \$250 000	17 599	-232	-1 874	-2 276	-1 769	-1 999	-2 116	-1 473	-2 722	-1 443	-2 176	-1 436	-311	-1 706

— Common consumer goods and services

The common consumer goods and services considered in this study are numerous:

- food consumed in the home;
- food consumed outside the home;
- footwear and clothing;
- household supplies and services, such as furniture, electrical appliances and housekeeping products and services;
- personal services such as hairdressing, beauty care and the cleaning of garments;
- recreation and entertainment expenses, such as films, theatre, literature, newspapers and periodicals, and sports.

Hypotheses

In order to ascertain this component of the cost of living in each urban centre, the study assumes that the households examined make the same consumption choices, regardless of place of residence. The study does not seek to evaluate changes in the array of goods and services consumed resulting from a change in prices. It seeks solely to measure the price discrepancies associated with a given array of goods and services.

Findings

All discrepancies in the cost of common consumer goods and services favour Montréal. The discrepancies are more striking with respect to major American urban centres than Canadian centres. Food and the cost of clothing generally account for over three-quarters of the discrepancies noted.

TABLE 9

DISCREPANCIES IN THE COST OF COMMON CONSUMER GOODS AND SERVICES IN VARIOUS URBAN CENTRES
(annual amounts in Canadian dollars)

	Cost in Montréal	DISCREPANCY IN RELATION TO MONTRÉAL												
		CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	2 460	14	70	223	340	368	239	137	146	691	447	175	387	156
Couple with one child under 6, \$30 000	7 345	60	226	699	1 053	1 159	787	448	482	2 099	1 376	591	1 181	500
Person living alone, \$30 000	5 878	49	178	547	820	890	601	319	362	1 566	1 059	452	895	391
Couple with two children under 6, \$50 000	12 793	114	396	1 223	1 831	2 029	1 392	768	852	2 142	2 387	1 050	2 021	892
Person living alone, \$50 000	9 979	93	307	937	1 390	1 524	1 047	535	629	1 649	1 802	801	1 492	688
Couple with two children under 6, \$75 000	17 945	175	566	1 721	2 550	2 828	1 960	1 039	1 188	3 013	3 320	1 492	2 769	1 266
Person living alone, \$75 000	14 616	147	457	1 387	2 040	2 242	1 556	777	933	2 430	2 643	1 193	2 157	1 030
Couple with two children 17 and 18 years of age, \$100 000	23 853	237	755	2 286	3 378	3 743	2 607	1 350	1 576	4 002	4 391	1 994	3 629	1 694
Person living alone, \$100 000	20 198	211	865	1 920	2 820	3 107	2 167	1 058	1 296	3 369	3 641	1 662	2 960	1 430
Couple with two children 17 and 18 years of age, \$250 000	47 989	479	1 512	4 601	6 800	7 530	5 241	2 716	3 167	8 048	8 836	4 011	7 299	3 413
Person living alone, \$250 000	41 774	439	1 316	3 974	5 838	6 427	4 488	2 197	2 682	6 968	7 539	3 440	6 124	2 966

HEALTH AND EDUCATION SERVICES

The cost to households of health and education services depends largely on the extent to which governments participate in funding such services. Consequently, the nature of these services differs markedly from those whose prices are determined by supply and demand. Under the circumstances, it is appropriate to examine these expenses separately in this study.

— Health

For the purpose of the analysis, the cost of health care includes drugs, professional services and hospital care. Given the major differences in basic policy directions governing the financing of health care systems in Canada and the United States, the comparison must also take into consideration the cost of the premiums paid in respect of private health insurance schemes in the United States, as well as employer contributions to such schemes, to establish a level of health coverage comparable to that offered by the public health care programs in Canada.

Hypotheses

In the case of urban centres in Canada, only expenses not covered by the public health insurance plan have been considered. Such expenses consist primarily of the cost of drugs and the cost of dental care.

For the purpose of the comparison with urban centres in the United States, where there is no universal health insurance plan, the study considers the three situations that arise: a collective health insurance plan partially paid for by the employer, an individual plan paid for by the employee alone, and no plan at all.

The partial participation of households in the cost of insurance premiums is based on the average participation rates recorded in the United States in 1995.⁷ The study assumes that a typical American household shoulders nearly 15% of the cost of individual coverage and just over 30% of the cost of family coverage.⁸

⁷ Source: Gail A. Jensen, Michael A. Morrissey, Shannon Gaffney and Derek K. Liston, "The New Dominance Of Managed Care: Insurance Trends in the 1990's", 16(1), 1997, pp. 125-136, *Health Affairs*.

⁸ The nature and cost of health insurance premiums vary from one place to another. Runzheimer Canada has established such costs in each of the jurisdictions studied. In order to allow for comparisons of the situation in Montréal and in other jurisdictions, the dental insurance premiums of children under the age of 7 are also considered. The calculations have been effected based on the company offering the lowest premiums. The health costs used in respect of American households therefore reflect the minimum costs.

Findings

Unlike the case for common consumer goods and services, it is difficult to establish an annual consumption profile in respect of health services, since the expenses do not occur frequently and depend on several factors, notably the age of the adults and dependent children. Subject to the hypotheses put forward earlier, the cost of health services are generally higher in the United States than in Canada. This discrepancy, which is less pronounced in the case of individuals living alone, tends to rise markedly as the size of the household increases, given the additional costs incurred by American households to provide coverage for family members. These findings underscore the redistributive nature of the Québec and Canadian public health insurance schemes.

The fluctuations according to income reflect the presence or absence of a deductible, the rate of coinsurance, the different premiums paid in different urban centres, and medical costs that differ from one region to another. The lower costs incurred by certain high-income households in the United States are attributable in part to the setting of premiums independently of income.

The following table presents the discrepancies in the cost of health services in the urban centres considered, given the hypotheses formulated in this respect.

TABLE 10

DISCREPANCIES IN THE COST OF HEALTH SERVICES IN VARIOUS URBAN CENTRES

(annual amounts in Canadian dollars)

	DISCREPANCY IN RELATION TO MONTRÉAL													
	Cost in Montréal	CANADA			UNITED STATES									
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	146	7	1	391	273	353	234	290	389	414	317	343	426	284
Couple with one child under 6, \$30 000	380	18	3	1 918	1 188	1 470	907	1 208	1 752	1 703	2 063	1 627	1 769	1 120
Person living alone, \$30 000	326	15	2	416	301	367	249	300	397	435	343	356	466	288
Couple with two children under 6, \$50 000	641	30	5	536	517	486	369	413	-229	647	482	472	-132	-305
Person living alone, \$50 000	533	25	4	445	334	384	266	313	273	527	373	373	510	174
Couple with two children under 6, \$75 000	894	43	7	388	557	506	391	429	152	710	519	318	784	-25
Person living alone, \$75 000	762	36	5	361	370	401	285	327	137	583	405	305	559	48
Couple with two children 17 and 18 years of age, \$100 000	1 185	56	9	218	602	529	416	446	-22	716	559	141	845	-186
Person living alone, \$100 000	1 039	50	-17	200	414	424	310	344	-29	653	446	137	618	-105
Couple with two children 17 and 18 years of age, \$250 000	2 384	113	18	-483	791	-138	519	222	-738	61	-128	-587	1 102	-848
Person living alone, \$250 000	2 150	102	16	-451	588	-89	404	-165	-692	96	-85	-539	855	-719

— Education

Education, like health, accounts for a significant portion of government spending in Canada and the United States. In particular, governments in both countries provide elementary and secondary education free of charge. It is with respect to post-secondary education that discrepancies in the costs borne by households in the various urban centres become apparent, notably because of differences in public financing of colleges and universities in the cities considered.

Hypotheses

In light of the foregoing observations, the analysis focuses solely on the cost of attending university. Moreover, it is confined to general registration and admission fees and does not take into account other education expenses such as supplies that may vary appreciably depending on the student's field of specialization. The expenses considered are those incurred by a student whose studies do not engender any special costs other than general registration and admission fees.

Furthermore, given differences between Canada and the United States in the funding of university studies and with a view to establishing discrepancies on a comparable base, the American universities selected are those whose fees were the lowest on the list of universities submitted by Runzheimer Canada, generally state institutions.

In order to establish a comparison between the major centres, the number of credits for which students register is the same for all students, regardless of the university attended.

Findings

The following data illustrate the cost of attending university in the urban centres under study. First, it will be noted that general registration and admission fees are significantly higher in the American cities than in Montréal, costing up to three times as much or more. They are also higher in Toronto and Vancouver. However, the discrepancy is less striking here than in most American urban centres.

TABLE 11

UNIVERSITY TUITION FEES IN AUGUST 1997 FOR 30 CREDITS

(in Canadian dollars)

Montréal	Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Concordia University	University of Toronto	University of British Columbia	Georgia State University	University of Massachusetts (Amherst)	Illinois State University	University of Texas at Arlington	Michigan State University	Florida Atlantic University	University of Connecticut (Waterbury)	Temple University	University of Arizona	California State University	University of Washington
2239	3165	2429	2644	7325	4301	3342	6623	2829	5985	8457	2833	2496	3086
Discrepancy with Montréal	926	189	405	5 086	2 062	1 103	4 384	590	3 746	6 218	594	257	847

GOODS AND SERVICES COMPONENT OVERALL

An analysis of the data reveals that Montréal is the urban centre where the overall cost of goods and services is the lowest. Montréal ranks first among the urban centres studied with respect to the goods and services component.

The two tables that follow present a summary of the study's findings with regard to the goods and services component overall. The first table indicates the cost of goods and services in Montréal and the additional cost of such goods and services borne by households in other urban centres. The second table shows the findings in the form of indices in relation to the figures for Montréal (Montréal = 100).

TABLE 12

**DISCREPANCIES IN THE COST OF ALL GOODS AND SERVICES
IN VARIOUS URBAN CENTRES**
(annual amounts in Canadian dollars)

	Cost in Montréal	DISCREPANCY IN RELATION TO MONTRÉAL												
		CANADA			UNITED STATES									
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	10 855	4 852	2 443	5 685	9 437	8 586	4 244	5 507	6 298	10 183	7 080	4 806	10 676	4 731
Couple with one child under 6, \$30 000	21 291	5 327	1 551	6 818	12 895	11 001	5 343	7 566	7 690	17 907	11 573	6 876	14 850	6 961
Person living alone, \$30 000	21 106	5 053	1 530	3 992	10 569	8 402	3 392	5 095	5 064	12 186	8 074	4 101	11 875	4 699
Couple with two children under 6, \$50 000	44 257	6 388	12 263	1 920	10 710	9 676	3 413	6 334	5 001	12 952	10 518	2 295	18 931	4 930
Person living alone, \$50 000	34 164	5 917	10 342	217	8 858	7 608	833	3 526	2 199	9 778	6 769	631	15 370	3 792
Couple with two children under 6, \$75 000	58 654	9 166	13 169	2 099	15 585	9 697	3 050	5 722	3 585	21 222	13 945	1 625	24 113	9 449
Person living alone, \$75 000	44 437	8 354	10 322	1 418	12 298	7 878	951	4 197	1 379	17 851	10 888	474	19 613	7 261
Couple with two children 17 and 18 years of age, \$100 000	60 453	12 305	13 454	5 164	23 737	17 361	5 922	13 568	8 264	28 130	22 361	5 078	32 679	15 922
Person living alone, \$100 000	55 686	9 901	10 057	2 118	12 402	10 692	922	5 624	1 116	19 543	11 876	574	25 654	10 263
Couple with two children 17 and 18 years of age, \$250 000	94 180	18 560	19 291	8 692	43 190	42 586	11 927	22 146	13 321	51 074	30 627	15 515	52 559	27 831
Person living alone, \$250 000	81 754	16 760	17 226	6 345	31 104	33 859	7 561	14 654	8 864	42 047	21 162	10 332	44 712	21 912

TABLE 13

**COST INDICES FOR ALL GOODS AND SERVICES
IN VARIOUS URBAN CENTRES**
(Montréal = 100)

	CANADA			UNITED STATES										
	Montréal	Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	100.0	144.7	122.5	152.4	186.9	179.1	139.1	150.7	158.0	193.8	165.2	144.3	198.4	143.6
Couple with one child under 6, \$30 000	100.0	125.0	107.3	132.0	160.6	151.7	125.1	135.5	136.1	184.1	154.4	132.3	169.7	132.7
Person living alone, \$30 000	100.0	123.9	107.3	118.9	150.1	139.8	116.1	124.1	124.0	157.7	138.3	119.4	156.3	122.3
Couple with two children under 6, \$50 000	100.0	114.4	127.7	104.3	124.2	121.9	107.7	114.3	111.3	129.3	123.8	105.2	142.8	111.1
Person living alone, \$50 000	100.0	117.3	130.3	100.6	125.9	122.3	102.4	110.3	106.4	128.6	119.8	101.8	145.0	111.1
Couple with two children under 6, \$75 000	100.0	115.6	122.5	103.6	126.6	116.5	105.2	109.8	106.1	136.2	123.8	102.8	141.1	116.1
Person living alone, \$75 000	100.0	118.8	123.2	103.2	127.7	117.7	102.1	109.4	103.1	140.2	124.5	101.1	144.1	116.3
Couple with two children 17 and 18 years of age, \$100 000	100.0	120.4	122.3	108.5	139.3	128.7	109.8	122.4	113.7	146.5	137.0	108.4	154.1	126.3
Person living alone, \$100 000	100.0	117.8	118.1	103.8	122.3	119.2	101.7	110.1	102.0	135.1	121.3	101.0	146.1	118.4
Couple with two children 17 and 18 years of age, \$250 000	100.0	119.7	120.5	109.2	145.9	145.2	112.7	123.5	114.1	154.2	132.5	116.5	155.8	129.6
Person living alone, \$250 000	100.0	120.5	121.1	107.8	138.0	141.4	109.2	117.9	110.8	151.4	125.9	112.6	154.7	126.8

Note: An index above 100 indicates a higher cost than in Montréal.

Section 3 — Personal Taxation

Governments in Canada and the United States collect a large portion of household income in the form of taxes. For this reason, the taxes levied by all governments must be examined separately in a comparison of the cost of living in various urban centres.

COMPOSITION OF THE HOUSEHOLD TAX BURDEN

For the purpose of this study, the tax component of the cost of living is made up of four elements, i.e. income, consumption, payroll and local taxes. The following table indicates the proportion of the income of Montréal households devoted to such taxes.

TABLE 14

TAXES PAID BY TYPICAL MONTRÉAL HOUSEHOLDS AS A PERCENTAGE OF INCOME

	Income tax ¹	Consumption taxes	Payroll taxes	Local taxes	Total
• Person living alone, \$15 000	9.8	6.0	5.2	— ²	21.0
• Couple with one child under 6, \$30 000	5.5	4.3	5.6	— ²	15.3
• Person living alone, \$30 000	21.7	4.2	5.6	— ²	31.5
• Couple with two children under 6, \$50 000	4.7	5.6	5.5	5.0	20.8
• Person living alone, \$50 000	29.9	4.5	4.2	4.5	43.2
• Couple with two children under 6, \$75 000	18.4	4.4	5.0	4.1	31.9
• Person living alone, \$75 000	35.4	3.7	2.8	3.7	45.5
• Couple with two children 17 and 18 years of age, \$100 000	27.7	4.0	4.2	3.3	39.2
• Person living alone, \$100 000	38.8	3.3	2.1	3.0	47.3
• Couple with two children 17 and 18 years of age, \$250 000	41.4	2.6	1.7	1.6	47.2
• Person living alone, \$250 000	46.9	2.2	0.8	1.4	51.4

1 Including refundable tax credits and family allowances.

2 The property taxes of tenants are usually reflected in the rent.

An analysis of the findings concerning the tax component reveals that income tax usually constitutes the heaviest tax burden borne by Montréal households, followed by consumption and payroll taxes. Local taxes, mainly municipal property taxes, are also significant. However, for the purpose of this study, only local taxes paid by homeowners have been identified. Tenants usually pay such taxes in their rent.

The same analysis carried out with respect to the other urban centres reveals that the breakdown for households in Toronto and Vancouver is similar to that for Montréal households. However, the breakdown of the tax burden of Canadian households differs from that of their American counterparts because of lower consumption taxes in the United States.

— **Income tax**

Hypotheses

The amount of income tax an individual pays depends primarily on his income. An individual's family status, notably the presence of a spouse or dependent children, also has an effect since it reduces his ability to pay taxes. American and Canadian taxpayers can benefit from exemptions or tax credits that take into account their specific situations. The amount of income tax paid depends on various tax preferences of which taxpayers in a given jurisdiction can take advantage, such as contributions to a registered retirement savings plan or charitable donations. These features of taxation systems, which determine the income tax households pay, are reflected in the study's findings, since it takes into consideration several distinctive facets of the jurisdictions studied, from the standpoint of the choice of exemptions, deductions and tax credits available. The appendix outlines the various hypotheses adopted in this regard.

Findings

Among the facets of the taxation system that contribute most to the cost of living in Montréal, income tax ranks first. This is especially true of high-income households. The discrepancies are attributable, among other things, to Québec's higher maximum marginal tax rates, which apply to lower incomes than in the United States.

Overall, Canadian households pay more income tax than their American counterparts. However, the more progressive nature of Québec income tax attenuates the discrepancies noted among low-income earners.

Compared with major American urban centres, income tax is on average higher in Québec for individuals living alone. However, the discrepancy is smaller in the case of families with children.

TABLE 15

DISCREPANCIES IN INCOME TAXES IN VARIOUS URBAN CENTRES

(annual amounts in Canadian dollars)

	DISCREPANCY IN RELATION TO MONTRÉAL													
	Cost in Montréal	CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	1 469	-138	444	-296	-236	-213	-622	-551	-622	-290	445	-414	-435	-622
Couple with one child under 6, \$30 000	1 635	795	1 407	-325	-172	-290	-1 066	-608	-1 066	-306	1 067	-735	-783	-1 066
Person living alone, \$30 000	6 524	-1 601	-634	-2 201	-2 216	-2 568	-3 426	-2 573	-3 426	-1 874	-1 293	-2 750	-2 493	-3 426
Couple with two children under 6, \$50 000	2 350	1 573	2 007	978	711	-393	-185	167	-640	-396	2 065	868	-1 814	-645
Person living alone, \$50 000	14 965	-3 104	-2 436	-7 606	-8 430	-9 582	-9 130	-8 256	-9 744	-9 103	-7 132	-7 811	-10 320	-9 994
Couple with two children under 6, \$75 000	13 813	-1 391	-274	-6 446	-7 319	-8 296	-8 487	-6 347	-8 855	-9 583	-5 264	-6 748	-10 547	-9 711
Person living alone, \$75 000	26 522	-4 441	-3 667	-12 732	-14 975	-15 707	-14 687	-12 945	-15 267	-17 390	-13 158	-12 647	-17 708	-16 759
Couple with two children 17 and 18 years of age, \$100 000	27 685	-4 986	-3 478	-14 209	-15 432	-17 397	-16 452	-14 516	-18 053	-17 699	-12 959	-14 285	-20 043	-19 595
Person living alone, \$100 000	38 787	-4 769	-3 783	-18 240	-19 881	-21 950	-20 791	-18 386	-21 513	-22 747	-18 152	-18 116	-24 310	-23 834
Couple with two children 17 and 18 years of age, \$250 000	103 447	-9 085	-5 640	-41 613	-49 135	-57 384	-50 306	-43 964	-52 535	-51 956	-41 678	-45 784	-52 906	-56 458
Person living alone, \$250 000	117 304	-6 818	-2 089	-43 173	-50 724	-58 895	-51 545	-46 117	-53 686	-54 414	-44 517	-46 183	-52 989	-57 806

Note: Income tax includes refundable tax credits, Québec family allowances and British Columbia health insurance premiums.

Maximum marginal rates

The maximum marginal rates applicable to the taxable income of Québec's wealthiest taxpayers are comparable to those in effect in the other provinces and higher than the rates prevailing in the United States. Moreover, the taxable income of an American taxpayer on the same total income is often lower than that of a Canadian taxpayer because of personal deductions and exemptions in the United States, which reduce taxable income, and the more widespread recourse to non-refundable tax credits in Canada, which reduce income tax payable. In August 1997, the maximum marginal tax rates applied to taxable income of roughly \$63 425 in Canada and \$372 700 (US\$271 050) in the United States. The following graph presents the cumulative maximum marginal tax rates of the various levels of government applicable in August 1997 to the highest incomes. Certain American cities, including Detroit, New York and Philadelphia levy income taxes, which are considered for the purpose of this comparison.

GRAPH 1

**MAXIMUM MARGINAL INCOME TAX RATES
IN VARIOUS URBAN CENTRES IN AUGUST 1997¹**
(as a percentage of taxable income)

Canada

Montréal	52.9%
Toronto	51.6%
Vancouver	54.2%

United States

Atlanta	43.2%
Boston	43.2%
Chicago	41.4%
Dallas	39.6%
Detroit	43.2%
Miami	39.6%
New York	44.0%
Philadelphia	43.9%
Phoenix	42.7%
San Francisco	45.2%
Seattle	39.6%

-
- 1 Excluding contributions of 1.45% to the American hospitalization insurance program and the contribution in Québec to the fund to combat poverty through reintegration into the labour market.

— Consumption taxes

Hypotheses

The consumption taxes a household pays depend on consumption choices. The amount of such taxes paid is largely affected by the proportion of the family budget devoted to non-taxable goods and services such as housing, food and child care services.

In order to ascertain the consumption taxes paid, the study adopts the consumption hypotheses used in the preceding section concerning the array of goods and services consumed by each typical household. Consequently, the range of goods and services consumed is the same in each of the major urban centres studied. Consumption taxes include all sales taxes, specific taxes applicable to certain products, and the cost of driver's licences in different jurisdictions. Taxes on tobacco and alcoholic beverages are not considered since their scope depends too extensively on the household's consumption choices.

Findings

Consumption taxes are, overall, higher in Québec, because the sales tax base is broader in Québec than elsewhere and because consumption tax rates are generally higher in Québec than in the United States.

The table on the following page presents the discrepancies in the cost of living in different urban centres attributable to consumption taxes. A second table indicates sales tax rates and the rates of the specific taxes on gasoline applicable in each jurisdiction.

TABLE 16

DISCREPANCIES IN CONSUMPTION TAXES IN VARIOUS URBAN CENTRES

(annual amounts in Canadian dollars)

	Cost in Montréal	DISCREPANCY IN RELATION TO MONTRÉAL												
		CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	896	-108	-196	-464	-446	-306	-425	-465	-439	-240	-412	-428	-326	-295
Couple with one child under 6, \$30 000	1 301	-135	-309	-630	-906	-495	-749	-839	-700	-366	-842	-713	-545	-450
Person living alone, \$30 000	1 263	-126	-268	-559	-694	-361	-588	-673	-578	-249	-628	-566	-408	-322
Couple with two children under 6, \$50 000	2 783	-293	-541	-1 250	-1 873	-1 145	-1 643	-1 779	-1 547	-1 716	-1 809	-1 560	-1 230	-1 106
Person living alone, \$50 000	2 259	-208	-420	-1 075	-1 525	-947	-1 338	-1 451	-1 276	-1 364	-1 445	-1 284	-1 017	-910
Couple with two children under 6, \$75 000	3 330	-310	-651	-1 168	-2 280	-1 373	-1 912	-2 122	-1 783	-2 070	-2 164	-1 758	-1 392	-1 176
Person living alone, \$75 000	2 749	-225	-524	-1 014	-1 890	-1 144	-1 578	-1 760	-1 489	-1 683	-1 763	-1 463	-1 165	-971
Couple with two children 17 and 18 years of age, \$100 000	3 981	-334	-785	-1 221	-2 750	-1 633	-2 230	-2 521	-2 062	-2 484	-2 583	-2 020	-1 581	-1 265
Person living alone, \$100 000	3 346	-252	-645	-1 059	-2 330	-1 372	-1 874	-2 128	-1 742	-2 060	-2 152	-1 706	-1 336	-1 051
Couple with two children 17 and 18 years of age, \$250 000	6 464	-395	-1 263	-1 792	-4 579	-2 351	-3 410	-4 048	-3 094	-4 070	-4 164	-3 097	-2 262	-1 517
Person living alone, \$250 000	5 503	-299	-1 071	-1 493	-3 910	-1 963	-2 867	-3 440	-2 607	-3 430	-3 506	-2 600	-1 897	-1 203

TABLE 17

SALES TAX RATES AND SPECIFIC GASOLINE TAX RATES IN AUGUST 1997

	SALES TAX		SPECIFIC TAXES ON GASOLINE		
	Rate as a % ¹	Discrepancy in relation to Montréal	Tax in Canadian cents per litre ²	Discrepancy in relation to Montréal (cents per litre)	Application of the sales tax
Montréal	13.95	—	26.70	—	Yes
Toronto	15.00	1.05	24.70	-2.00	No
Vancouver	14.00	0.05	25.00	-1.70	No
Atlanta	6.20	-7.75	9.37	-17.33	No
Boston	5.00	-8.95	14.28	-12.42	Yes
Chicago	7.80	-6.15	13.66	-13.04	Yes
Dallas	8.30	-5.65	13.91	-12.79	No
Detroit	6.00	-7.95	12.10	-14.60	Yes
Miami	6.00	-7.95	11.19	-15.51	Yes
New York	8.10	-5.85	14.77	-11.93	Yes
Philadelphia	6.00	-7.95	16.03	-10.67	No
Phoenix	6.90	-7.05	13.19	-13.51	No
San Francisco	8.30	-5.65	13.19	-13.51	Yes
Seattle	8.60	-5.35	15.00	-11.70	No

1 Rate including all governments. The following American cities, districts or counties administer a sales tax: Atlanta (2.2%), Chicago (1.55%), Dallas (2.05%), New York (4.1%), Phoenix (1.9%), San Francisco (2.3%) and Seattle (2.1%).

2 Specific taxes levied by all governments. The specific federal tax is 10.0 cents per litre in Canada and 18.3 American cents per gallon (1 US gallon = 3.785 litres) in the US, equivalent to 6.65 Canadian cents per litre.

— Payroll taxes

Hypotheses

Payroll taxes in Canada and the United States are based on wages and are used to finance certain social insurance programs. The following table describes such programs and indicates the characteristics that determine a household's contribution to such taxes.

TABLE 18

PAYROLL TAXES RATES AND MAXIMUMS IN AUGUST 1997

	Rate as a % of wages subject to tax	Maximum wages subject to tax, in Canadian dollars	Maximum annual contribution in Canadian dollars
CANADA			
Québec Pension Plan and Canada Pension Plan ¹	3.00	35 800	969
Employment insurance	2.90	39 000	1 131
Total, Canada	5.90	—	2 100
UNITED STATES			
Social security ²	6.20	89 934	5 576
Hospitalization insurance	1.45	—	no limit
Total, United States	7.65	—	no limit

1 A \$3 500 exemption applies to eligible earnings (wages or business income) in respect of the Québec Pension Plan or the Canada Pension Plan.

2 Includes two programs: the Old Age and Survivors Insurance Program (5.6%) and the Disability Insurance Program (0.6%).

Findings

Given that payroll taxes are usually established solely as a set proportion of wages, the discrepancies between urban centres are the same for a given level of remuneration. Moreover, there is no discrepancy between Canadian cities since the plans have the same features.

Payroll taxes are higher in the United States than in Canada. Moreover, they represent a relatively heavier burden for low- and middle-income families since they are limited by a maximum contribution, except in the case of the American hospitalization insurance program.

The lower level of payroll taxes in Québec and Canada contributes to making the Québec and Canadian taxation systems more progressive than the American system. Furthermore, the availability to Québec and Canadian taxpayers of tax credits in respect of their contributions further enhances this advantage since this tax relief generally does not have an equivalent in the United States.⁹

⁹ Among the American jurisdictions studied, only Massachusetts allows taxpayers to reduce their taxable income by a portion of their payroll taxes.

TABLE 19

**DISCREPANCIES IN THE COST OF PAYROLL TAXES
IN VARIOUS URBAN CENTRES**
(annual amounts in Canadian dollars)

	DISCREPANCY IN RELATION TO MONTRÉAL													
	Cost in Montréal	CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	780	—	—	368	368	368	368	368	368	368	368	368	368	368
Couple with one child under 6, \$30 000	1 665	—	—	630	630	630	630	630	630	630	630	630	630	630
Person living alone, \$30 000	1 665	—	—	630	630	630	630	630	630	630	630	630	630	630
Couple with two children under 6, \$50 000	2 740	—	—	1 085	1 085	1 085	1 085	1 085	1 085	1 085	1 085	1 085	1 085	1 085
Person living alone, \$50 000	2 100	—	—	1 725	1 725	1 725	1 725	1 725	1 725	1 725	1 725	1 725	1 725	1 725
Couple with two children under 6, \$75 000	3 765	—	—	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973	1 973
Person living alone, \$75 000	2 100	—	—	3 638	3 638	3 638	3 638	3 638	3 638	3 638	3 638	3 638	3 638	3 638
Couple with two children 17 and 18 years of age, \$100 000	4 200	—	—	3 450	3 450	3 450	3 450	3 450	3 450	3 450	3 450	3 450	3 450	3 450
Person living alone, \$100 000	2 100	—	—	4 926	4 926	4 926	4 926	4 926	4 926	4 926	4 926	4 926	4 926	4 926
Couple with two children 17 and 18 years of age, \$250 000	4 200	—	—	10 577	10 577	10 577	10 577	10 577	10 577	10 577	10 577	10 577	10 577	10 577
Person living alone, \$250 000	2 100	—	—	7 101	7 101	7 101	7 101	7 101	7 101	7 101	7 101	7 101	7 101	7 101

— Local taxes

Hypotheses

Local taxes mainly comprise the property taxes levied by local authorities, e.g. Québec municipalities and school boards.

Property taxes depend above all on the value of the property, while local rates vary according to the services of which households avail themselves. The study also takes into consideration bridge and road tolls.

Findings

Households in Montréal, whether couples or individuals living alone, spend less on local taxes than households in any urban centre studied, except Vancouver and Phoenix, regardless of household income. Generally speaking, the findings reflect the high cost of properties in cities other than Montréal and the responsibilities normally assumed there by local governments.

Property taxes are frequently deductible from income tax in the American states and cities. They are always deductible for the purpose of US federal income tax, which reduces the importance of income tax as a component of the cost of living in the United States. In addition, certain American states, like Québec and Ontario, offer tax assistance in respect of the property taxes paid by less privileged taxpayers.¹⁰

¹⁰ Québec and Ontario offer the partial reimbursement of property taxes to low- and middle-income households. Massachusetts allows the deduction of a portion of rent for the purpose of calculating income tax. New York City and State, Arizona, California and Georgia allow the deduction of property taxes from taxable income. Illinois and Michigan offer a tax credit in respect of property taxes.

TABLE 20
DISCREPANCIES IN THE COST OF LOCAL TAXES IN VARIOUS URBAN CENTRES
(annual amounts in Canadian dollars)

	DISCREPANCY IN RELATION TO MONTRÉAL													
	Cost in Montréal	CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Couple with two children under 6, \$50 000	2 518	748	-472	1 507	2 049	2 799	2 046	1 906	2 609	3 075	2 000	-450	2 509	1 464
Person living alone, \$50 000	2 254	793	-397	1 340	1 979	2 449	1 717	1 510	2 035	2 952	1 791	-470	2 146	1 358
Couple with two children under 6, \$75 000	3 038	1 555	-625	1 169	4 264	4 094	2 262	1 264	2 912	5 261	2 350	-441	3 677	2 143
Person living alone, \$75 000	2 779	1 552	-630	958	3 739	3 532	1 891	1 051	2 432	4 738	1 994	-482	3 126	1 840
Couple with two children 17 and 18 years of age, \$100 000	3 287	1 969	-661	1 949	4 405	4 574	2 723	1 738	3 953	5 815	2 706	-160	4 188	3 062
Person living alone, \$100 000	3 038	1 914	-681	1 735	3 665	3 929	2 354	1 482	2 912	5 261	2 350	-319	3 630	2 630
Couple with two children 17 and 18 years of age, \$250 000	3 998	1 823	-664	2 222	7 718	12 393	4 098	3 980	5 611	7 214	5 932	1 074	6 121	4 663
Person living alone, \$250 000	3 606	1 839	-565	1 906	6 643	10 438	3 557	3 474	4 809	6 513	5 166	636	5 379	4 051

Note: Homeowners only. Tenants do not directly pay local taxes, which are included in the analysis of the cost of housing.

TAXATION SYSTEM OVERALL

The two tables that follow indicate the study's overall findings with respect to the tax component of the cost of living. The tables reveal the total tax burden in Montréal and the discrepancies in the tax burden in other urban centres in relation to Montréal. Next, a comparison of the total tax burden is presented in the form of an index where Montréal serves as a reference (Montréal = 100).

Findings

Compared with other Canadian cities, Montréal offers of low- and middle-income families with children a relatively advantageous tax environment. Several tax measures that apply in Québec create a bias that is clearly favourable to such households. This is true, in particular, of personal tax credits geared to recognize the essential needs of households, the tax reduction for families, the refundable Québec sales tax credit, the property tax refund, and the refundable tax credit for child care expenses, where applicable. These provisions appreciably reduce the taxes paid by such households, notably middle-income families, most of which pay less tax in Montréal than in any of the other jurisdictions considered.

As for high-income households, Québec levies higher taxes, mainly because its taxation system is more progressive and because it levies higher consumption taxes.

TABLE 21

**DISCREPANCIES IN THE COST OF TAXES OVERALL
IN VARIOUS URBAN CENTRES**
(annual amounts in Canadian dollars)

	Cost in Montréal	DISCREPANCY IN RELATION TO MONTRÉAL												
		CANADA		UNITED STATES										
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	3 145	-246	248	-392	-314	-152	-679	-649	-693	-162	401	-474	-393	-549
Couple with one child under 6, \$30 000	4 601	660	1 098	-326	-448	-155	-1 185	-818	-1 136	-42	855	-818	-698	-887
Person living alone, \$30 000	9 451	-1 727	-902	-2 130	-2 280	-2 298	-3 384	-2 616	-3 374	-1 493	-1 291	-2 686	-2 271	-3 118
Couple with two children under 6, \$50 000	10 391	2 028	994	2 321	1 972	2 346	1 302	1 378	1 506	2 048	3 341	-58	550	798
Person living alone, \$50 000	21 578	-2 518	-3 253	-5 615	-6 251	-6 355	-7 027	-6 472	-7 261	-5 789	-5 061	-7 840	-7 466	-7 821
Couple with two children under 6, \$75 000	23 945	-146	-1 550	-4 473	-3 363	-3 602	-6 165	-5 233	-5 754	-4 420	-3 105	-6 975	-6 290	-6 771
Person living alone, \$75 000	34 149	-3 114	-4 821	-9 151	-9 489	-9 681	-10 737	-10 016	-10 686	-10 697	-9 289	-10 954	-12 109	-12 251
Couple with two children 17 and 18 years of age, \$100 000	39 152	-3 350	-4 925	-10 030	-10 327	-11 006	-12 509	-11 850	-12 713	-10 918	-9 386	-13 015	-13 986	-14 347
Person living alone, \$100 000	47 270	-3 107	-5 110	-12 638	-13 619	-14 468	-15 385	-14 106	-15 417	-14 621	-13 028	-15 216	-17 089	-17 329
Couple with two children 17 and 18 years of age, \$250 000	118 108	-7 657	-7 568	-30 606	-35 419	-36 765	-39 041	-33 456	-39 441	-38 235	-29 333	-37 230	-38 470	-42 735
Person living alone, \$250 000	128 512	-5 278	-3 725	-35 659	-40 890	-43 318	-43 754	-38 982	-44 384	-44 230	-35 756	-41 046	-42 406	-47 857

TABLE 22

**COST INDICES OF TAXES OVERALL
IN VARIOUS URBAN CENTRES**
(Montréal = 100)

	CANADA			UNITED STATES										
	Montréal	Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	100.0	92.2	107.9	87.5	90.0	95.2	78.4	79.4	78.0	94.8	112.7	84.9	87.5	82.5
Couple with one child under 6, \$30 000	100.0	114.3	123.9	92.9	90.3	96.6	74.2	82.2	75.3	99.1	118.6	82.2	84.8	80.7
Person living alone, \$30 000	100.0	81.7	90.5	77.5	75.9	75.7	64.2	72.3	64.3	84.2	86.3	71.6	76.0	67.0
Couple with two children under 6, \$50 000	100.0	119.5	109.6	122.3	119.0	122.6	112.5	113.3	114.5	119.7	132.1	99.4	105.3	107.7
Person living alone, \$50 000	100.0	88.3	84.9	74.0	71.0	70.5	67.4	70.0	66.4	73.2	76.5	63.7	65.4	63.8
Couple with two children under 6, \$75 000	100.0	99.4	93.5	81.3	86.0	85.0	74.3	78.1	76.0	81.5	87.0	70.9	73.7	71.7
Person living alone, \$75 000	100.0	90.9	85.9	73.2	72.2	71.7	68.6	70.7	68.7	68.7	72.8	67.9	64.5	64.1
Couple with two children 17 and 18 years of age, \$100 000	100.0	91.4	87.4	74.4	73.6	71.9	68.1	69.7	67.5	72.1	76.0	66.8	64.3	63.4
Person living alone, \$100 000	100.0	93.4	89.2	73.3	71.2	69.4	67.5	70.2	67.4	69.1	72.4	67.8	63.8	63.3
Couple with two children 17 and 18 years of age, \$250 000	100.0	93.5	93.6	74.1	70.0	68.9	66.9	71.7	66.6	67.6	75.2	68.5	67.4	63.8
Person living alone, \$250 000	100.0	95.9	97.1	72.3	68.2	66.3	66.0	69.7	65.5	65.6	72.2	68.1	67.0	62.8

Note: An index over 100 indicates a higher cost than in Montréal.

Section 4 — Cost of Living: Taxation and the Cost of Goods and Services

The findings with respect to various components of the cost of living enable us to present an overall picture of the situation, including discrepancies in the tax burden and those arising from the consumer prices in effect in the various jurisdictions considered.

OVERALL FINDINGS

An examination of the overall findings gives rise to a number of observations. A comparison of the cost of living in Montréal and Canadian urban centres reveals that, broadly speaking, it is always cheaper to live in Montréal. Moreover, a comparison with American urban centres puts Montréal in an advantageous position from the standpoint of low-income households. As for middle-income households, the cost of living in Montréal is advantageous for households with children and is comparable in the case of individuals living alone. In the case of high-income households, Montréal is less competitive from the standpoint of taxation, which is reflected in the overall cost of living.

The tables that follow present the overall findings of the study.

TABLE 23

DISCREPANCIES IN THE COST OF LIVING FOR ALL TAX AND NON-TAX COMPONENTS IN VARIOUS URBAN CENTRES
(annual amounts in Canadian dollars)

	DISCREPANCY IN RELATION TO MONTRÉAL													
	Cost in Montréal	CANADA		UNITED STATES										Seattle
		Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	
Person living alone, \$15 000	13 999	4 606	2 691	5 293	9 123	8 435	3 565	4 858	5 605	10 020	7 480	4 332	10 283	4 181
Couple with one child under 6, \$30 000	25 892	5 987	2 649	6 492	12 447	10 846	4 158	6 748	6 554	17 865	12 429	6 058	14 151	6 075
Person living alone, \$30 000	30 557	3 326	629	1 862	8 289	6 104	7	2 479	1 690	10 693	6 783	1 415	9 605	1 581
Couple with two children under 6, \$50 000	54 648	8 416	13 257	4 240	12 682	12 022	4 715	7 712	6 507	15 000	13 858	2 238	19 481	5 727
Person living alone, \$50 000	55 742	3 399	7 089	-5 398	2 607	1 253	-6 194	-2 946	-5 062	3 989	1 707	-7 209	7 904	-4 029
Couple with two children under 6, \$75 000	82 600	9 020	11 619	-2 374	12 222	6 095	-3 114	489	-2 169	16 802	10 840	-5 350	17 823	2 678
Person living alone, \$75 000	78 587	5 241	5 501	-7 733	2 809	-1 802	-9 787	-5 819	-9 307	7 154	1 599	-10 481	7 504	-4 990
Couple with two children 17 and 18 years of age, \$100 000	99 606	8 955	8 529	-4 867	13 410	6 356	-6 587	1 718	-4 448	17 212	12 975	-7 937	18 693	1 574
Person living alone, \$100 000	102 956	6 794	4 948	-10 519	-1 217	-3 776	-14 463	-8 482	-14 302	4 922	-1 153	-14 642	8 565	-7 067
Couple with two children 17 and 18 years of age, \$250 000	212 289	10 903	11 724	-21 914	7 771	5 821	-27 114	-11 309	-26 119	12 839	1 294	-21 715	14 090	-14 903
Person living alone, \$250 000	210 267	11 481	13 501	-29 314	-9 786	-9 459	-36 192	-24 329	-35 519	-2 183	-14 594	-30 714	2 306	-25 945

Note: Given that the household consumption profile reflects an average situation in Canada and that the methodology consists in applying to this profile discrepancies in the prices of goods and services and in the tax burden between urban centres, the total cost of living may in some instances exceed household income.

TABLE 24

COST-OF-LIVING INDICES FOR ALL TAX AND NON-TAX COMPONENTS IN VARIOUS URBAN CENTRES
(Montréal = 100)

	Rank of Montréal	CANADA			UNITED STATES										
		Montréal	Toronto	Vancouver	Atlanta	Boston	Chicago	Dallas	Detroit	Miami	New York	Philadelphia	Phoenix	San Francisco	Seattle
Person living alone, \$15 000	1	100.0	132.9	119.2	137.8	165.2	160.3	125.5	134.7	140.0	171.6	153.4	130.9	173.5	129.9
Couple with one child under 6, \$30 000	1	100.0	123.1	110.2	125.1	148.1	141.9	116.1	126.1	125.3	169.0	148.0	123.4	154.7	123.5
Person living alone, \$30 000	1	100.0	110.9	102.1	106.1	127.1	120.0	100.0	108.1	105.5	135.0	122.2	104.6	131.4	105.2
Couple with two children under 6, \$50 000	1	100.0	115.4	124.3	107.8	123.2	122.0	108.6	114.1	111.9	127.4	125.4	104.1	135.6	110.5
Person living alone, \$50 000	7	100.0	106.1	112.7	90.3	104.7	102.2	88.9	94.7	90.9	107.2	103.1	87.1	114.2	92.8
Couple with two children under 6, \$75 000	5	100.0	110.9	114.1	97.1	114.8	107.4	96.2	100.6	97.4	120.3	113.1	93.5	121.6	103.2
Person living alone, \$75 000	8	100.0	106.7	107.0	90.2	103.6	97.7	87.5	92.6	88.2	109.1	102.0	86.7	109.5	93.7
Couple with two children 17 and 18 years of age, \$100 000	5	100.0	109.0	108.6	95.1	113.5	106.4	93.4	101.7	95.5	117.3	113.0	92.0	118.8	101.6
Person living alone, \$100 000	10	100.0	106.6	104.8	89.8	98.8	96.3	86.0	91.8	86.1	104.8	98.9	85.8	108.3	93.1
Couple with two children 17 and 18 years of age, \$250 000	7	100.0	105.1	105.5	89.7	103.7	102.7	87.2	94.7	87.7	106.0	100.6	89.8	106.6	93.0
Person living alone, \$250 000	11	100.0	105.5	106.4	86.1	95.3	95.5	82.8	88.4	83.1	99.0	93.1	85.4	101.1	87.7

Note: An index above 100 indicates a higher cost of living than in Montréal. The cost of living encompasses taxes and spending on goods and services.

CONCLUSION

This study on the cost of living seeks to extend to all of the components of the cost of living the comparisons between various jurisdictions that often focus solely on the tax component of the cost of living.

When they are confined to the tax component, the comparisons between different jurisdictions are limited. They fail to reflect that the level of taxation and the cost of goods and services are indissociable facets of the standard of living of individuals and families.

By comparing the situation of households in Montréal with those in other North American urban centres, the study indicates that goods and services are generally cheaper in Montréal. This finding is attributable not only to lower housing costs in Montréal, but also to the numerous services provided by the Québec and federal governments free or charge or at a cost that seems modest in relation to their true value, e.g. education and health services.

Given this societal choice, Montréal and Québec households overall may, depending on their situation, have to assume a heavier tax burden than elsewhere, notably in the United States.

Broadly speaking, the analysis of the cost of living, i.e. the overall tax burden and the cost of goods and services, reflects a situation that generally favours Montréal households compared with low- and middle-income households elsewhere. However, the cost of living is generally higher for high-income households because of more progressive taxation in Montréal.

Appendix — Additional information concerning the study methodology and data

REFERENCE SITUATION

The approach adopted by Runzheimer Canada is noteworthy in that it establishes a reference situation in respect of each of the typical households in the study. The socio-economic characteristics used to ascertain the cost of living of households were based on an average data pertaining to roughly 130 urban centres in Canada. Specifically, the characteristics are:

- type and size of residence;
- number of motor vehicles, their category and the use made of them;
- array of goods and services consumed by the households.

These characteristics remain the same for all the jurisdictions studied when the situation of the different types of households is compared. They only vary according to the type of household, defined by the number of persons therein and household income. The cost of living corresponding to the reference situation for each household is presented in the graphs at the end of the appendix.

SOURCES OF DATA

The basic data used in the study, particularly those describing the reference situation and the prices of different goods and services in each jurisdiction, were produced by Runzheimer Canada, which specializes in cost-of-living comparisons. Child care expenses, tuition fees, the cost of private health insurance premiums borne by American households and fees for municipal services when such fees are not included in general property taxes, have been added to the study's findings in light of the information obtained in this respect by Runzheimer Canada.

CALCULATION OF INCOME TAX

Based on the parameters obtained by Runzheimer Canada, the ministère des Finances calculated income taxes in different jurisdictions. These calculations take into account several tax expenditures that obtain in the jurisdictions studied. In particular, mention should be made of tax credits for contributions to a registered retirement savings plan (RRSP) or a registered pension plan (RPP), child care expenses, charitable donations, tuition fees, and general education expenses. Tax expenditures are often higher in the United States since mortgage interest, property taxes, charitable donations and local and municipal income taxes are frequently deductible from taxable income.

Moreover, some states allow a portion of rent to be deducted from income or grant a tax credit in respect of rent. Massachusetts grants a deduction for a portion of payroll taxes. The US government offers a non-refundable tax credit in respect of child care expenses, which is also considered in this study. The procedures governing the recovery of the personal exemptions and tax deductions of high-income American taxpayers, which apply to different income thresholds in various states and as regards the US federal government, are also considered where applicable.

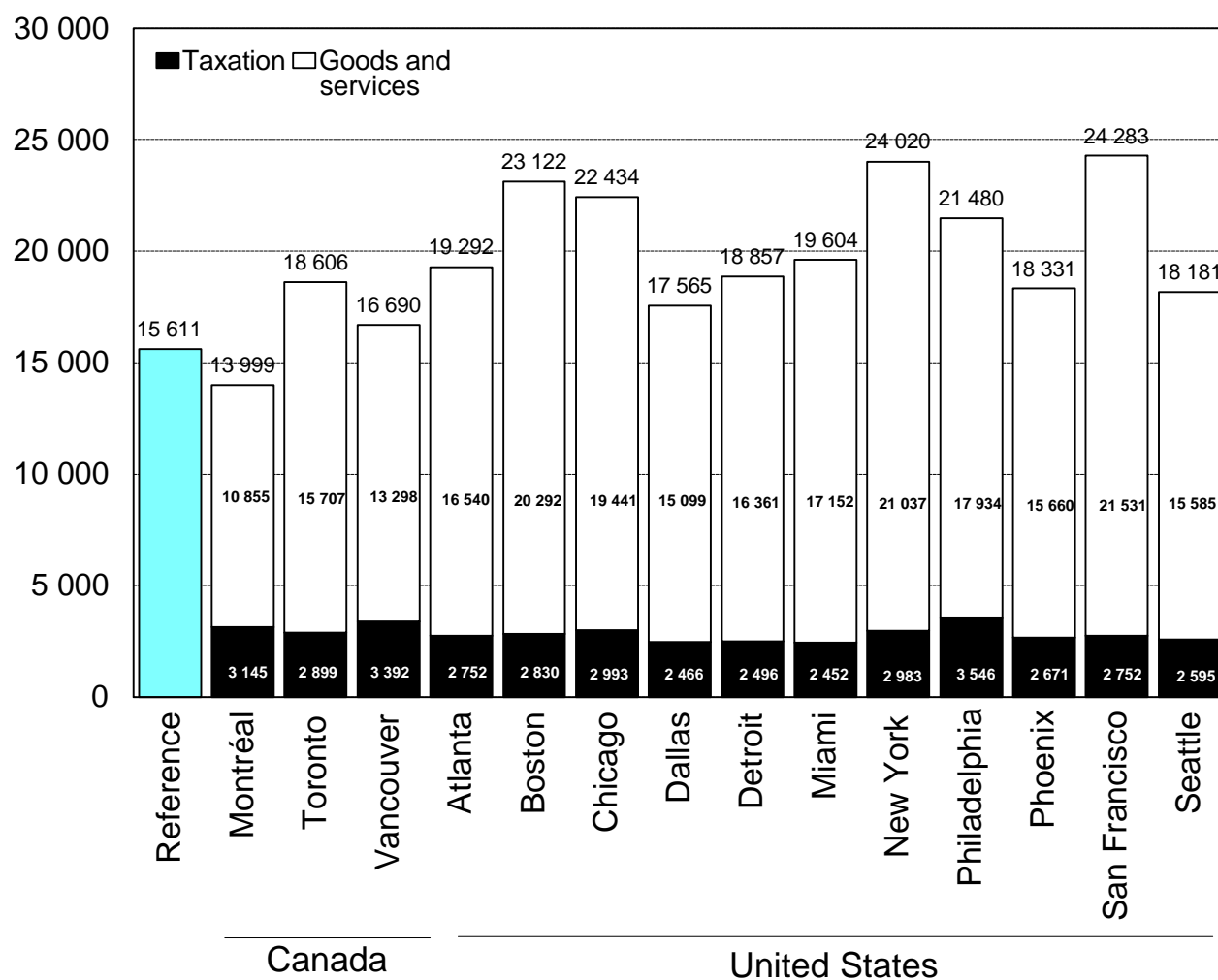
The refundable tax credits offered by various governments are taken into account to establish income tax. Among such credits, mention should be made of the refundable property tax credit, the sales tax credit and family allowances in Québec, the Ontario property tax and sales tax credits, the family bonus program in British Columbia, the refundable GST credit, the federal child tax benefit in Canada, and the earned income tax credit intended for low-income households in the United States. Runzheimer Canada has provided the necessary parameters to evaluate tax expenditures.

CONSUMPTION AND LOCAL TAXES

Runzheimer Canada evaluated the consumption taxes, local property taxes, fees for municipal services and bridge and road tolls considered in the study, based on the socio-economic profiles of the households examined in the study.

GRAPH A.1

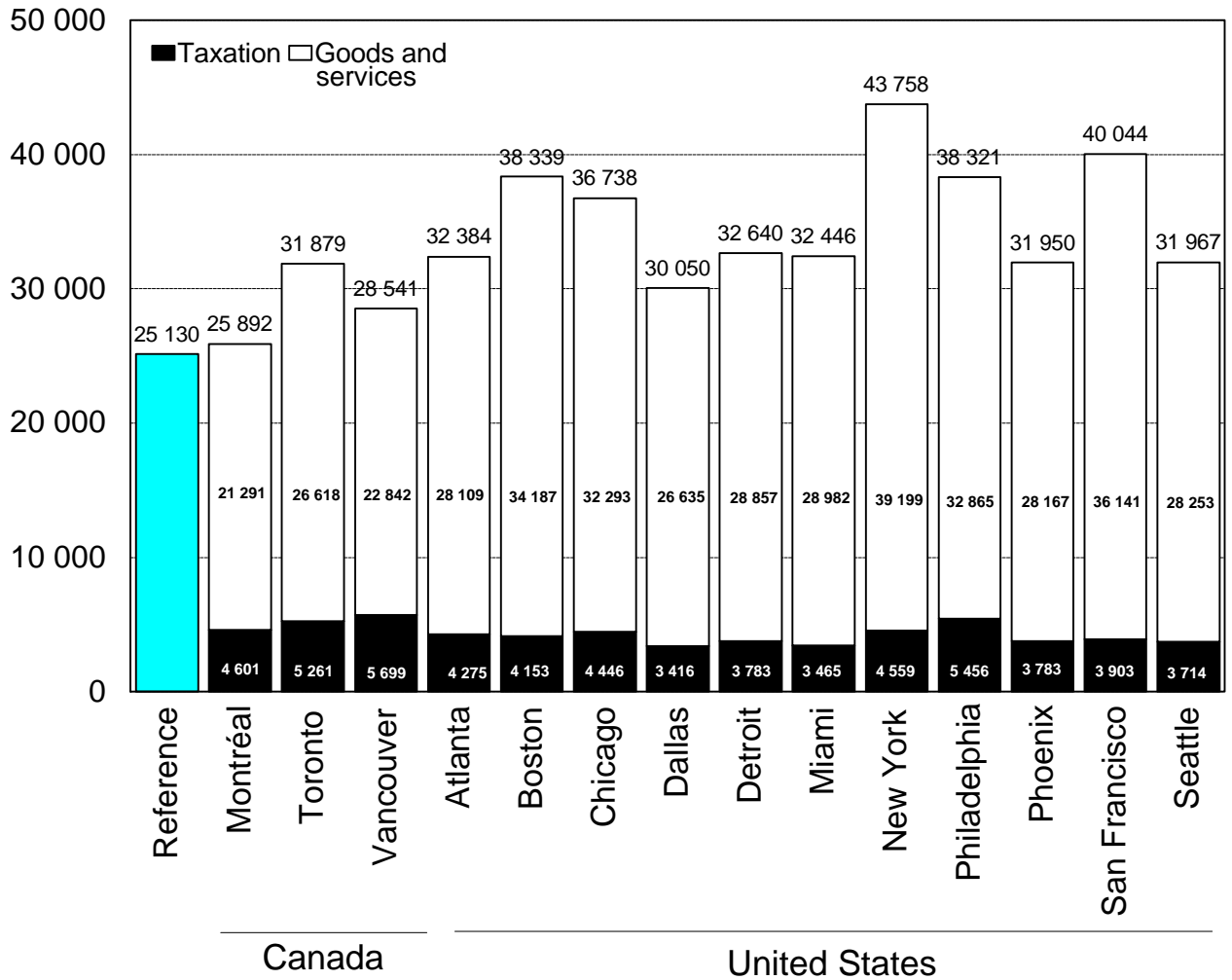
TOTAL COST OF LIVING IN AUGUST 1997
PERSON LIVING ALONE, WITH AN INCOME OF \$15 000
TENANT
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.2

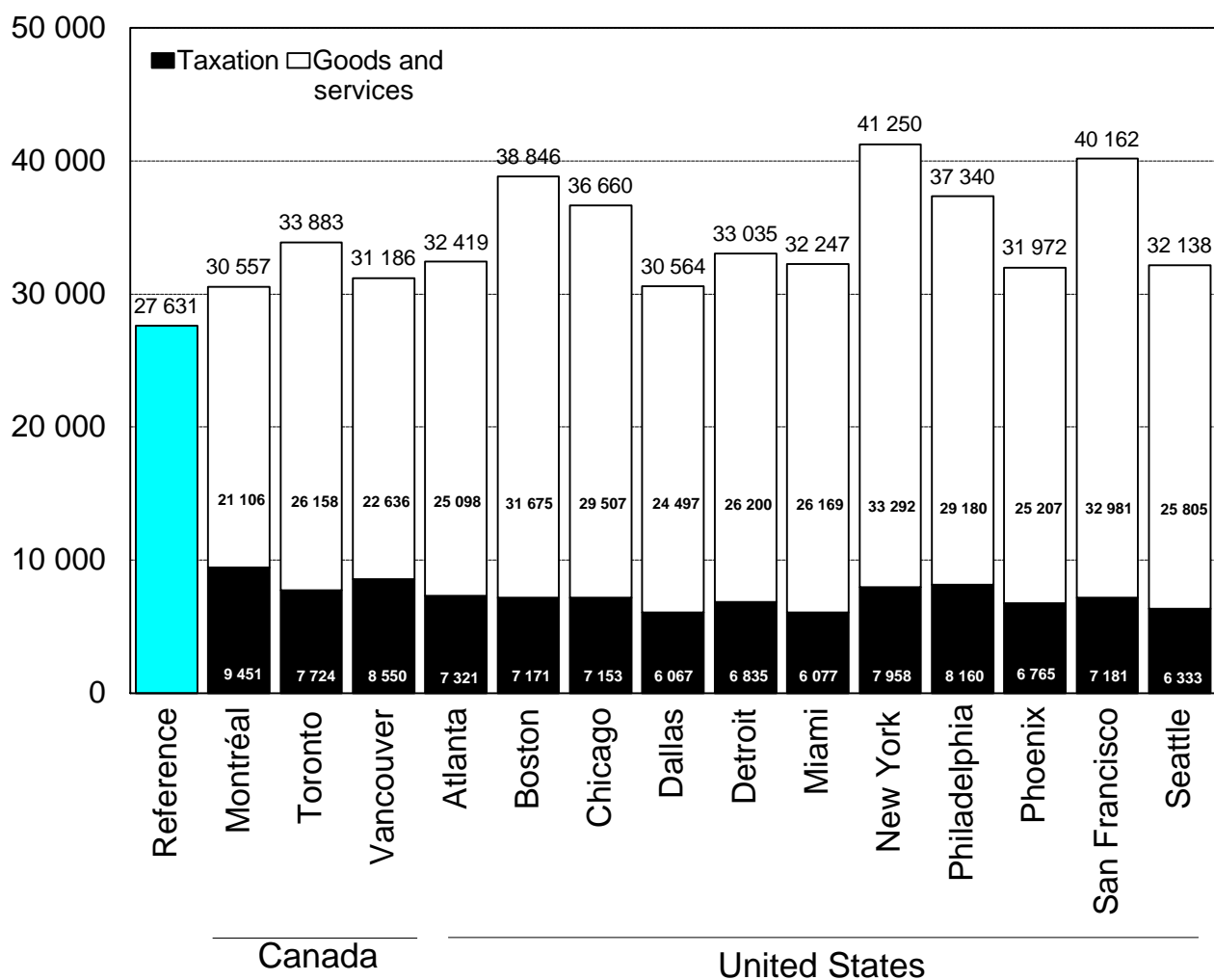
TOTAL COST OF LIVING IN AUGUST 1997
COUPLE WITH ONE CHILD UNDER THE AGE OF 6
AND AN INCOME OF \$30 000
TENANTS
(in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.3

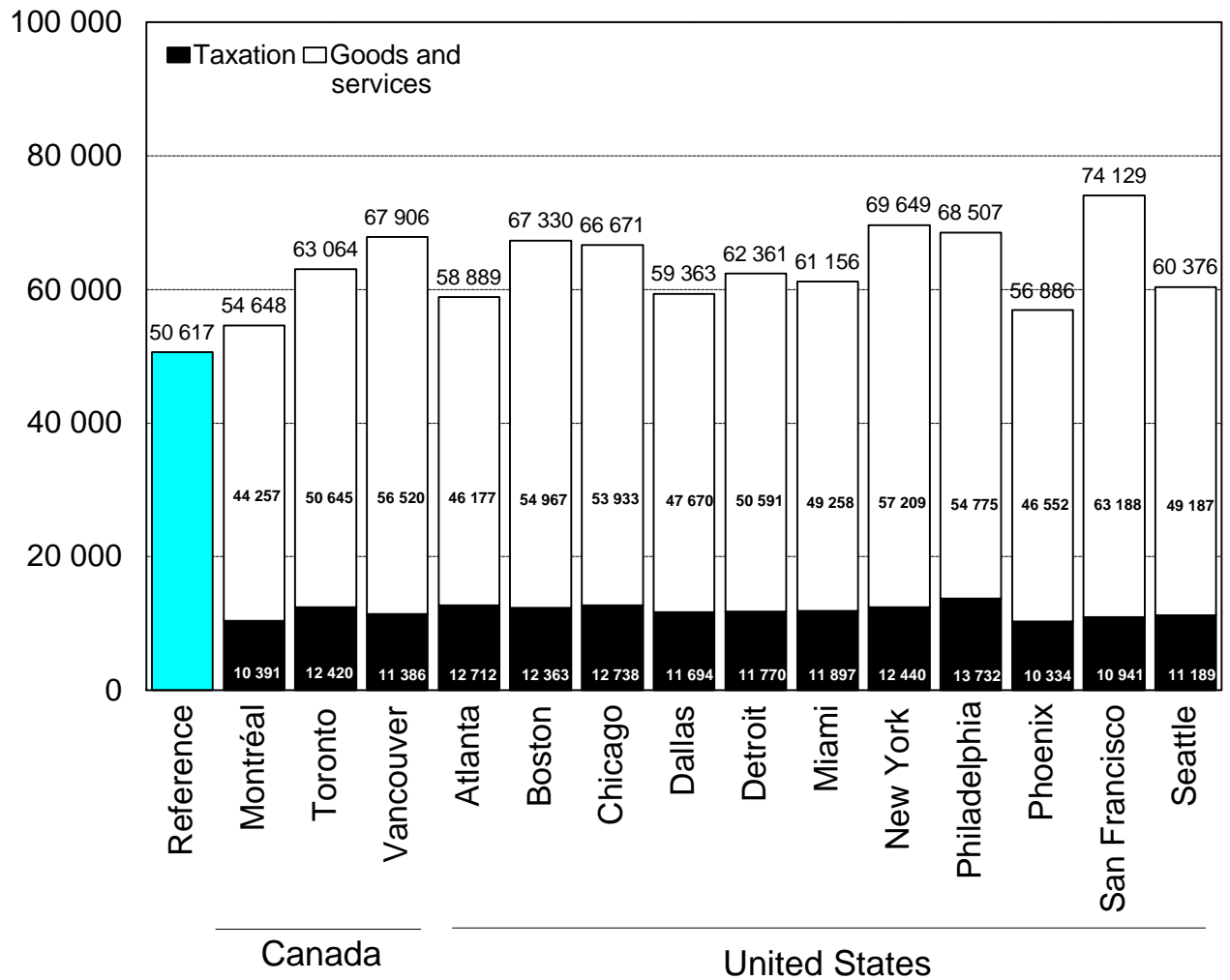
TOTAL COST OF LIVING IN AUGUST 1997
PERSON LIVING ALONE, WITH AN INCOME OF \$30 000
TENANT
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.4

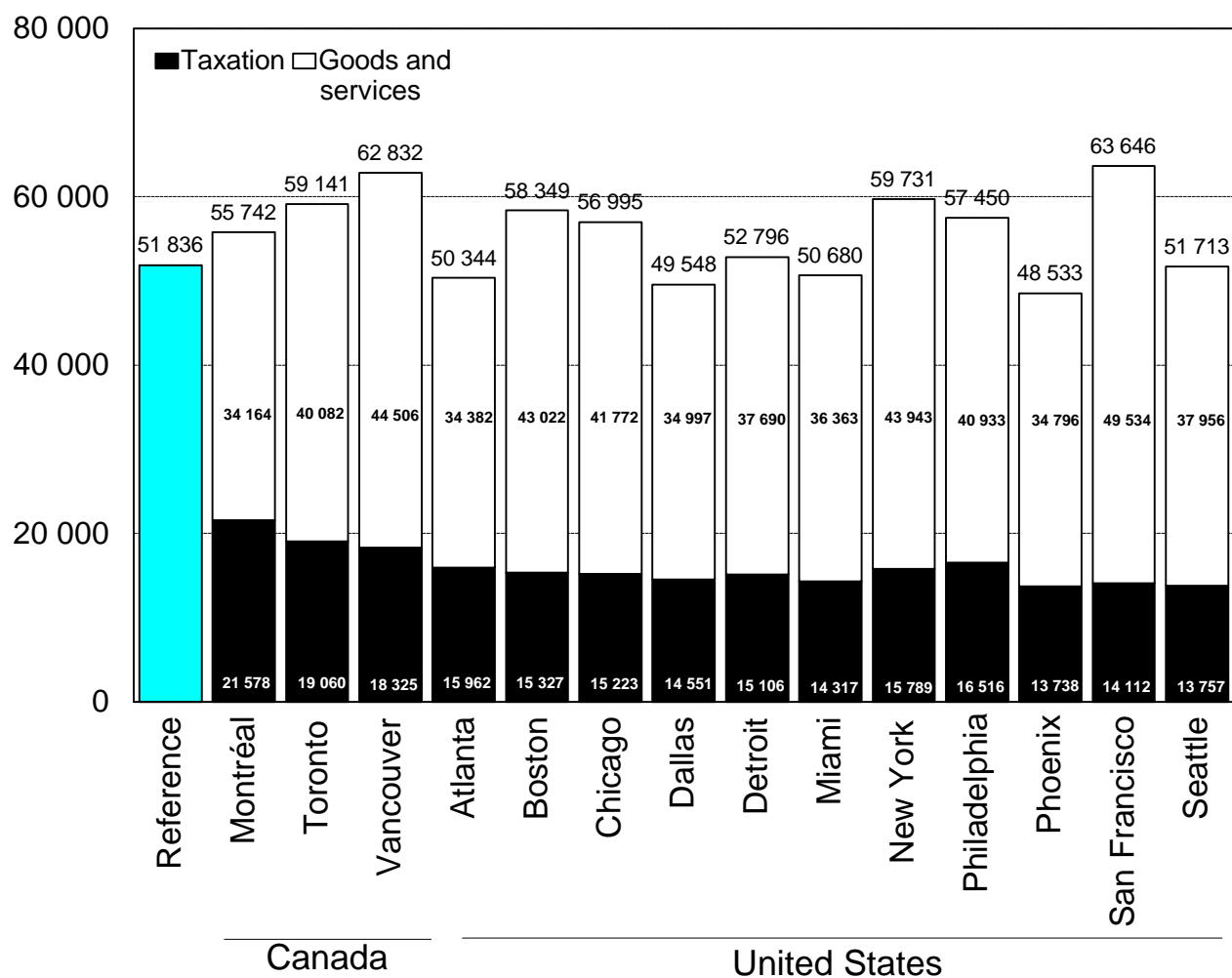
TOTAL COST OF LIVING IN AUGUST 1997
COUPLE WITH TWO CHILDREN UNDER THE AGE OF 6 AND
TWO INCOMES TOTALLING \$50 000
HOMEOWNERS
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.5

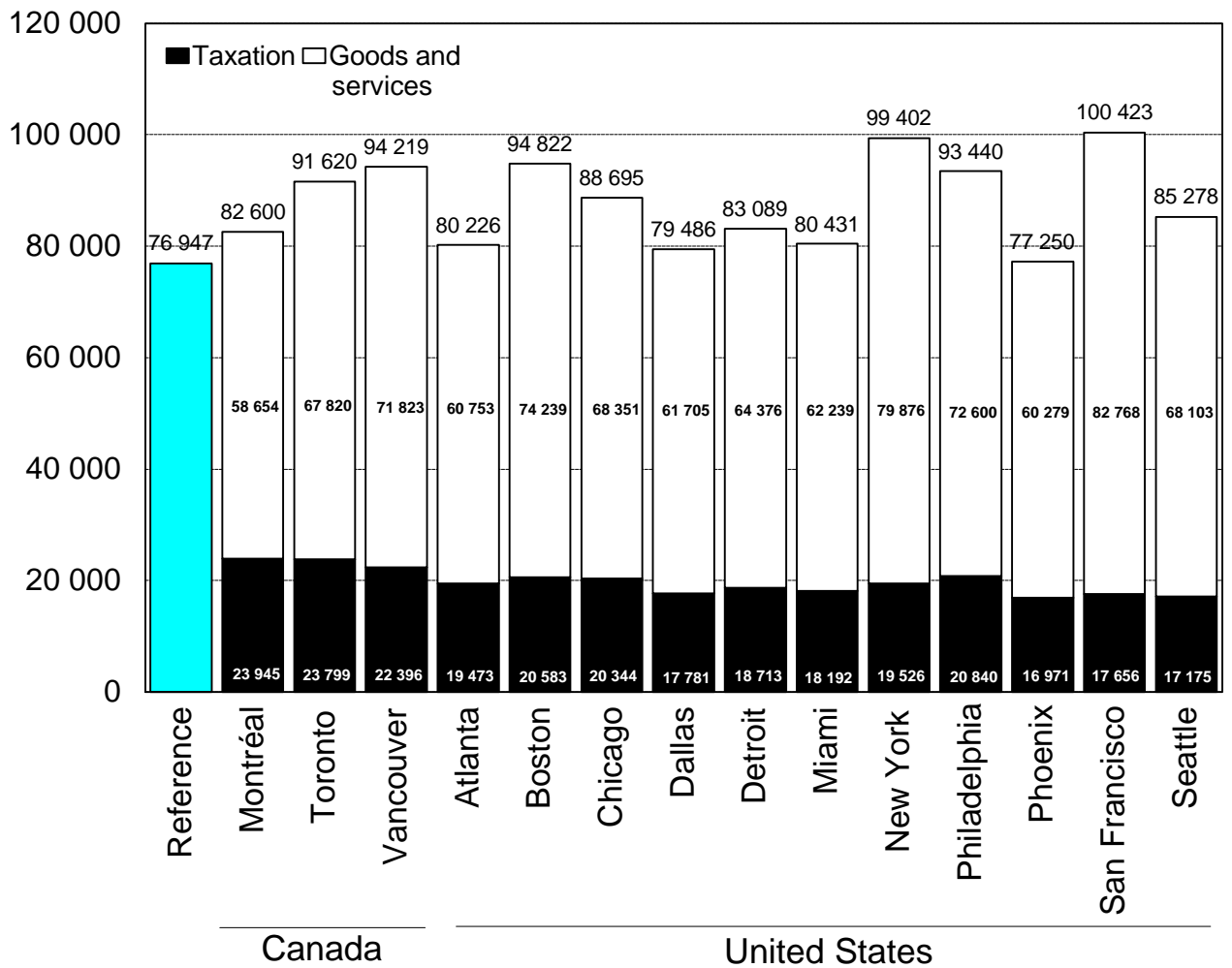
TOTAL COST OF LIVING IN AUGUST 1997
PERSON LIVING ALONE, WITH AN INCOME OF \$50 000
HOMEOWNER
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.6

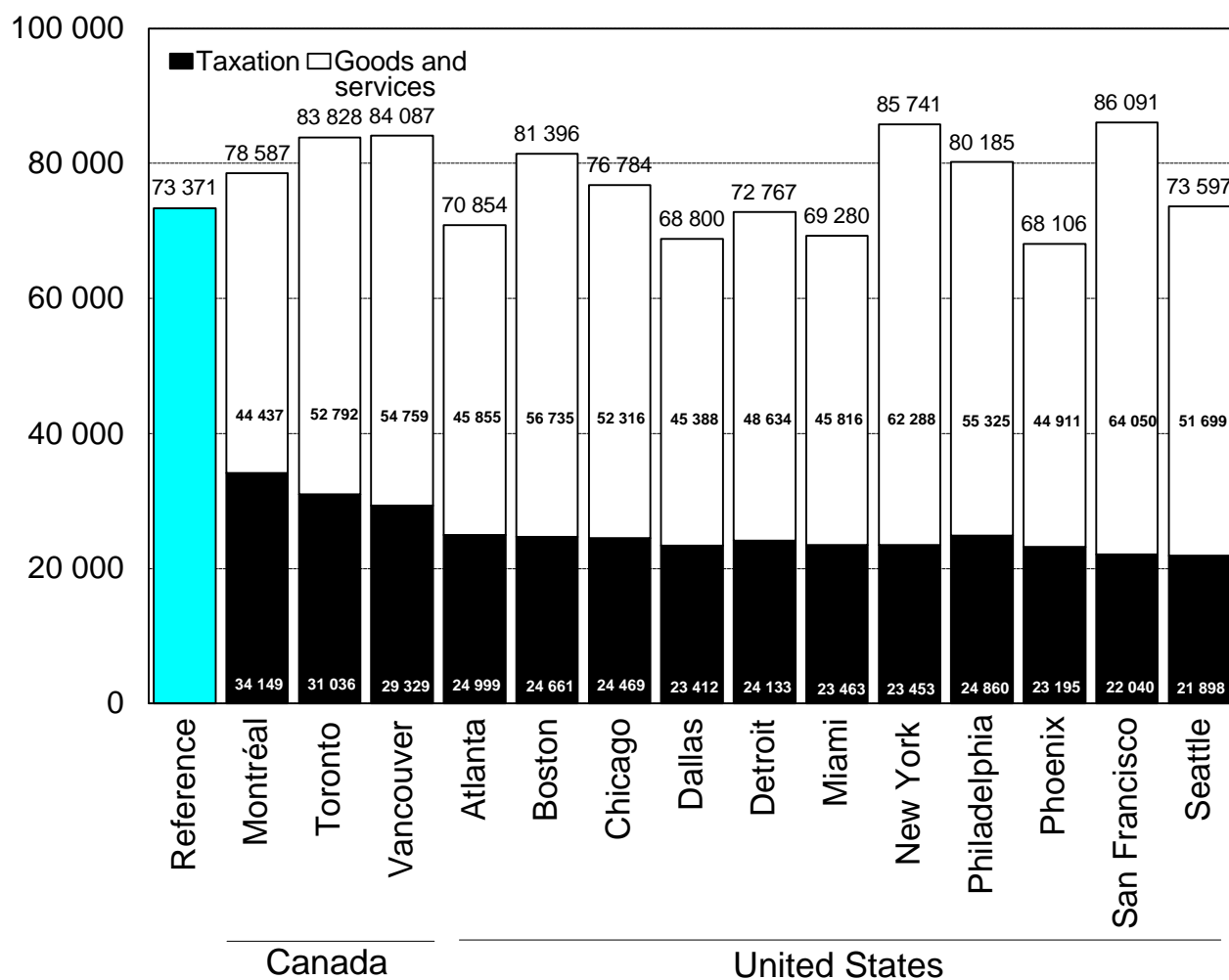
TOTAL COST OF LIVING IN AUGUST 1997
COUPLE WITH TWO CHILDREN UNDER THE AGE OF 6
AND TWO INCOMES TOTALLING \$75 000
HOMEOWNERS
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.7

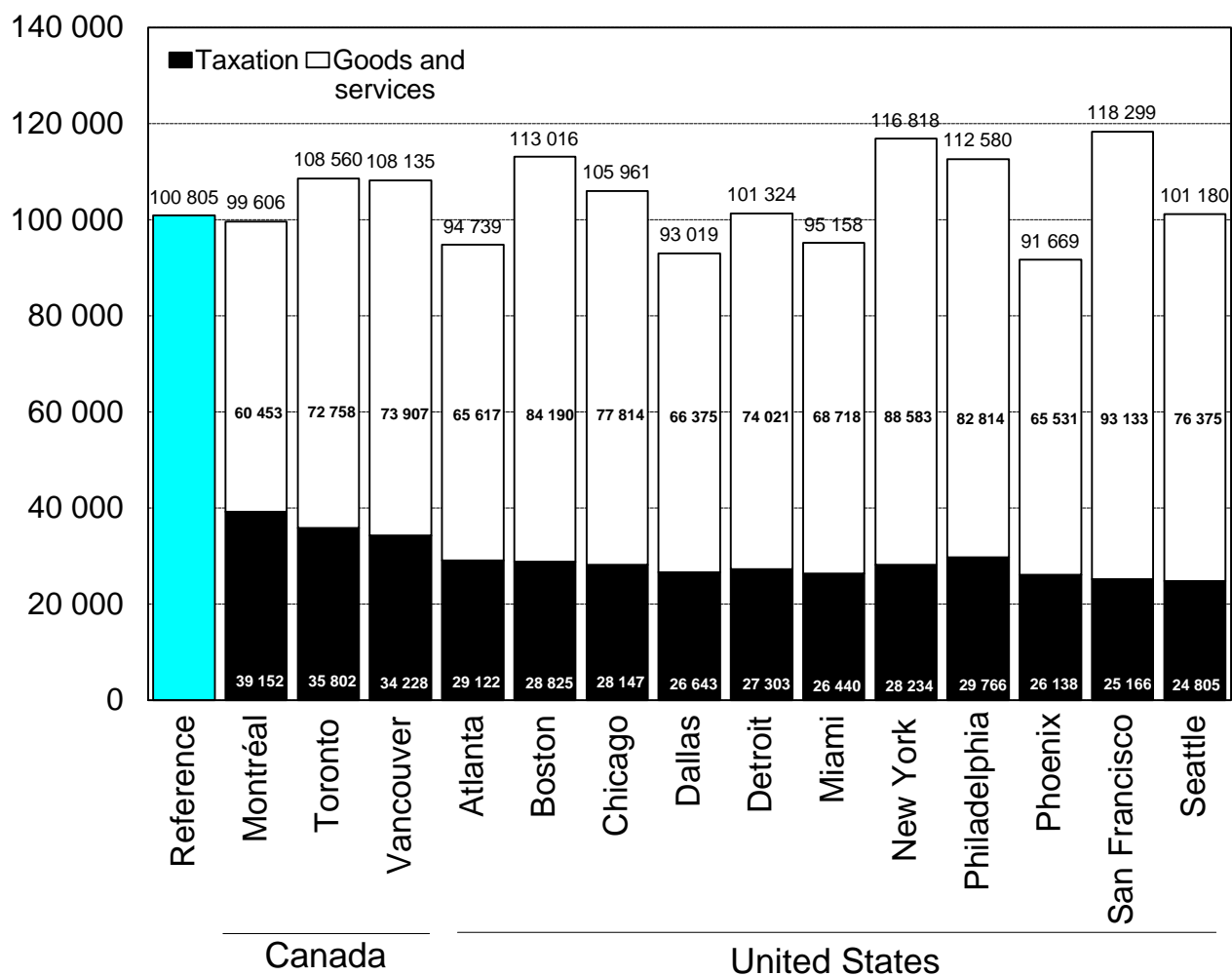
TOTAL COST OF LIVING IN AUGUST 1997
PERSON LIVING ALONE, WITH AN INCOME OF \$75 000
HOMEOWNER
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.8

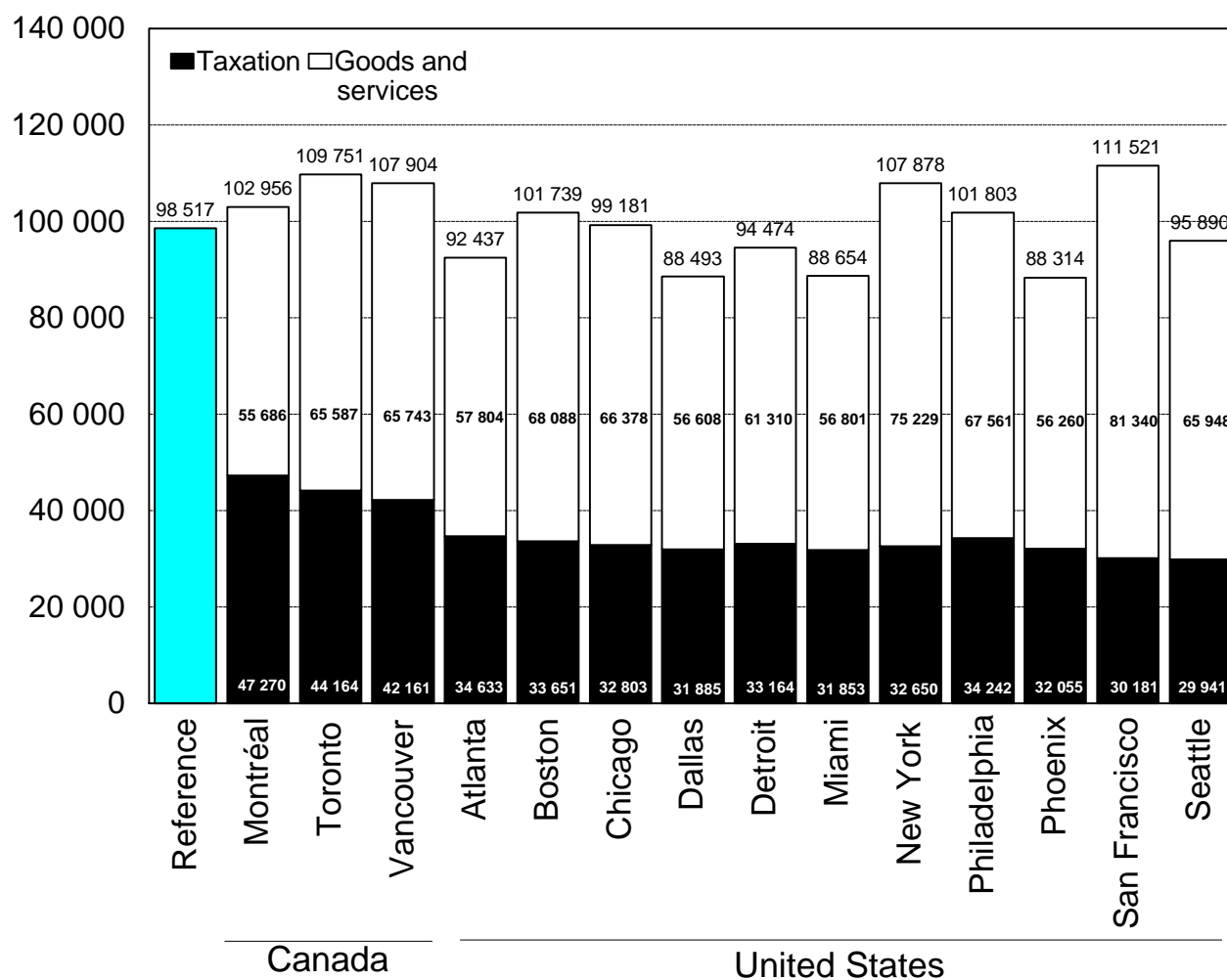
TOTAL COST OF LIVING IN AUGUST 1997
COUPLE WITH TWO CHILDREN 17 AND 18 YEARS OF AGE
AND TWO INCOMES TOTALLING \$100 000
HOMEOWNERS
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.9

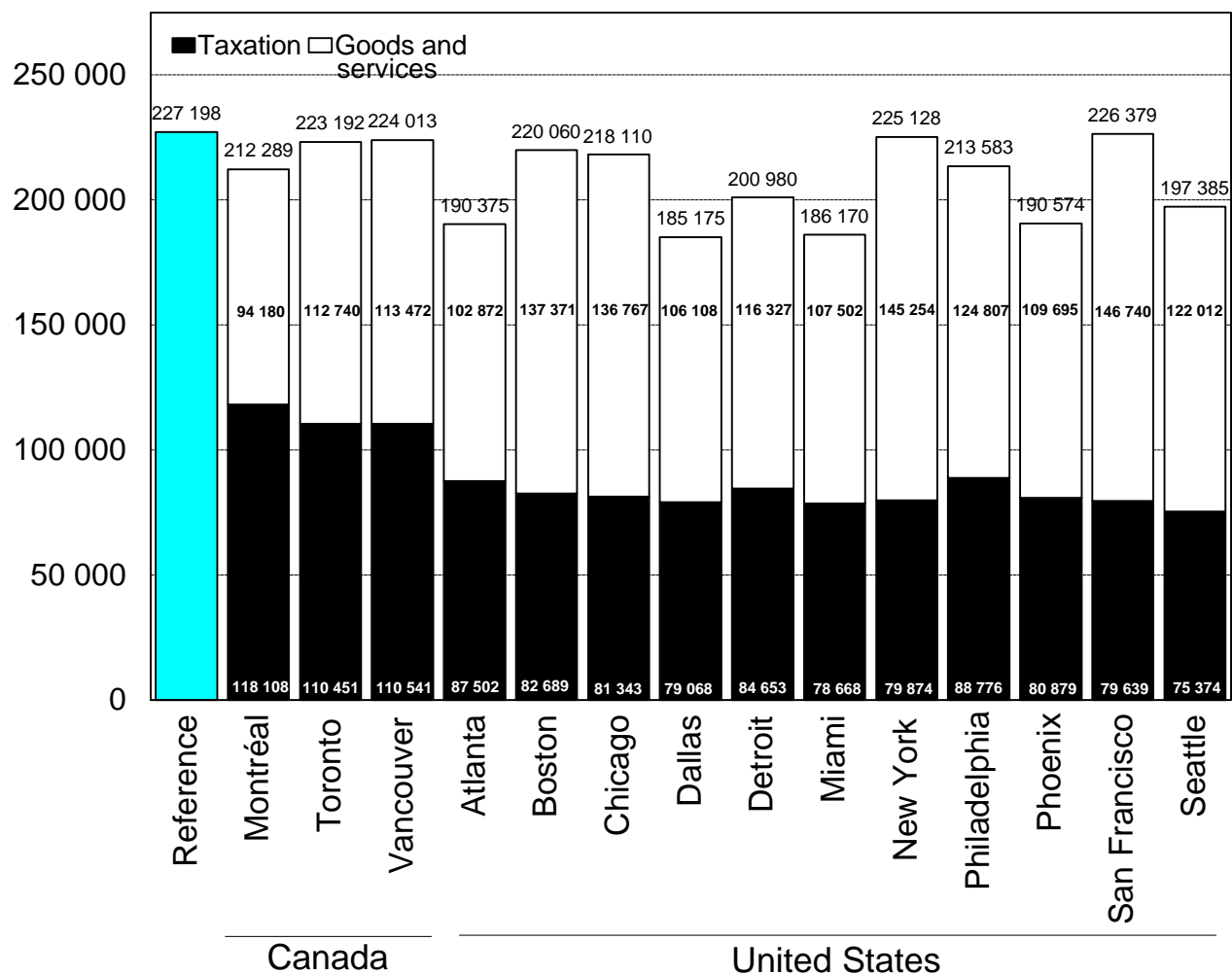
TOTAL COST OF LIVING IN AUGUST 1997
PERSON LIVING ALONE, WITH AN INCOME OF \$100 000
HOMEOWNER
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.10

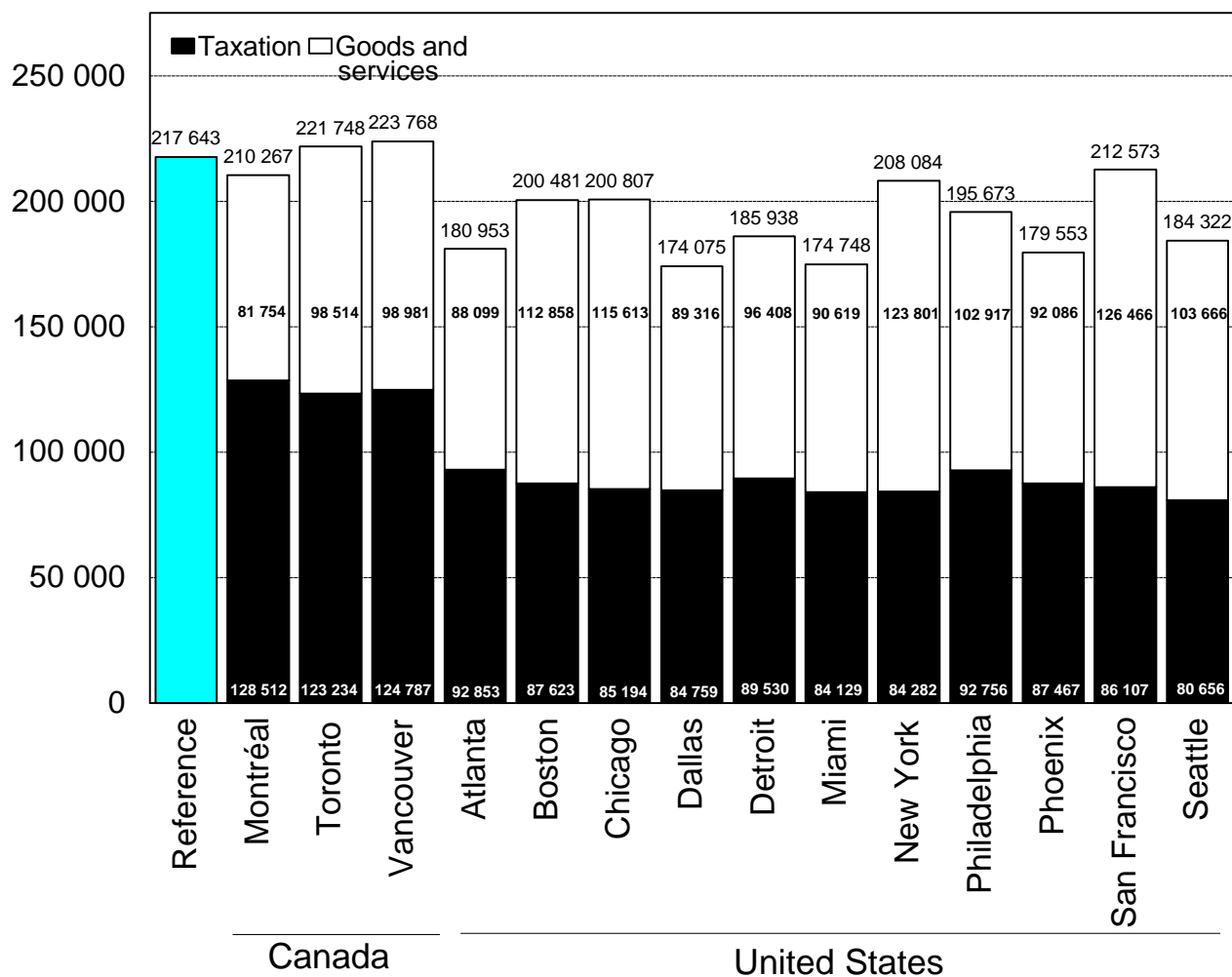
TOTAL COST OF LIVING IN AUGUST 1997
COUPLE WITH TWO CHILDREN 17 AND 18 YEARS OF AGE
AND TWO INCOMES TOTALLING \$250 000
HOMEOWNERS
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.

GRAPH A.11

TOTAL COST OF LIVING IN AUGUST 1997
PERSON LIVING ALONE, WITH AN INCOME OF \$250 000
HOMEOWNER
 (in Canadian dollars)



Note: The total may not reflect the sum of the elements because of rounding.