

COUNCIL REPORT – NOVEMBER 22, 2004

ONTARIO HEALTH PREMIUM

Recommendation

The Commissioner of Legal and Administrative Services recommends passing of the following resolution:

WHEREAS the provincial government introduced the Ontario Health Premium (“OHP”) effective July 1, 2004

WHEREAS the Premier and the Minister of Finance have openly expressed their view that the provincial government did not intend that employers would be required to pay the OHP on behalf of employees

WHEREAS the City of Vaughan may be financially impacted by an interpretation in the legislation resulting in employers being responsible for the cost.

NOW THEREFORE, the Council of the City of Vaughan hereby request that the provincial government take the necessary steps to enact an amendment to the legislation which clarifies the position of the government that the introduction of the Ontario Health Premium is intended as an increase to individual provincial income tax

And that a copy of this resolution be forwarded to Premier Dalton McGuinty, Minister of Finance Greg Sorbara, local Provincial Members of Parliament and municipalities over 50,000.

Purpose

To induce the provincial government to provide further clarity on the new Ontario Health Premium which was implemented on July 1, 2004, through an increase to the personal income tax of Ontarians and was not intended to be a financial burden on employers in the Province of Ontario.

Background - Analysis and Options

On May 18, 2004, the Ontario Government delivered its first Budget and announced the introduction of the Ontario Health Premium (OHP). Commencing on July 1, 2004, employers were required to deduct the OHP from their employees' taxable income.

Although the Budget stated that it will be an employee's or retiree's obligation to pay the OHP, employers have faced pressure to pay the OHP on behalf of their employees. The City of Vaughan faces these same pressures.

The question of “who should pay” still remains outstanding. Rulings from arbitrators are starting to emerge and are mixed at this time. Decisions have been issued in favour of the Employer however, there is also a decision that has been found in favour of the Union.

Conclusion

Both the Premier and the Minister of Finance have openly expressed their view that the government did not intend that employers would be required to pay the OHP on behalf of employees. Absent a legislative solution, however, the arbitration process will continue to run its

course. Given the very different approaches applied in the cases heard so far, it is difficult to predict with any certainty how future awards, including the City of Vaughan, will be decided.

Report prepared by:

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Respectfully submitted,

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Commissioner of Legal & Administrative Services