

Niagara-on-the-Lake Hydro Inc.
Tax rate calculation

	2001	2002	2003	2004	2005
Calculation of federal small business deduction impact					
Regulatory income	187,232		567,751		
Taxable income	-	361,729	-	654,899	504,575
Business limit	50,411	200,000	225,000	250,000	300,000
Gross LCT	-	9,945	9,304	4,640	5,631
	11,250	11,250	11,250	11,250	11,250
Business limit reduction	-	176,800	186,075	103,111	150,160
Reduced business limit	50,411	23,200	38,925	146,889	149,840
Small business deduction @ 16% of least of regulatory taxable income and reduced business limit	8,066	3,712	6,228	23,502	23,974
Federal small business deduction as percent of regulatory taxable income	(4.31%)	(1.03%)	(1.10%)	(3.59%)	(4.75%)
Calculation of Ontario small business deduction impact					
Ontario business limit	70,575	280,000	320,000	400,000	400,000
Small business deduction rate	6.50%	6.50%	7.00%	8.50%	8.50%
Small business deduction	4,587	18,200	22,400	34,000	34,000
Ontario small business deduction as percent of regulatory taxable income	2.45%	5.03%	3.95%	5.19%	6.74%
Tax rates					
Regular federal tax rate	28.12%	26.12%	24.12%	22.12%	22.12%
Regular provincial tax rate	12.50%	12.50%	12.50%	14.00%	14.00%
Federal small business deduction	(4.31%)	(1.03%)	(1.10%)	(3.59%)	(4.75%)
Ontario small business deduction	(2.45%)	(5.03%)	(3.95%)	(5.19%)	(6.74%)
Total tax rate net of SBD	33.86%	32.56%	31.57%	27.34%	24.63%
Federal surtax	1.12%	1.12%	1.12%	1.12%	1.12%
Gross up rate	32.74%	31.44%	30.45%	26.22%	23.51%
Original rate					
Difference					
		0.225%	0.225%	0.225%	
Taxable capital	14,096,180	14,135,005	17,923,826	17,449,019	20,120,905
		10,000,000	10,000,000	10,000,000	
		4,135,005	7,923,826	7,449,019	
		9,304	17,829	16,760	