

How the Tax System Could Help to Reduce Poverty and Inequality

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END CHILD & FAMILY POVERTY IN CANADA

Who does what to reduce/eradicate poverty in Canada?

Federal government has primary role in:

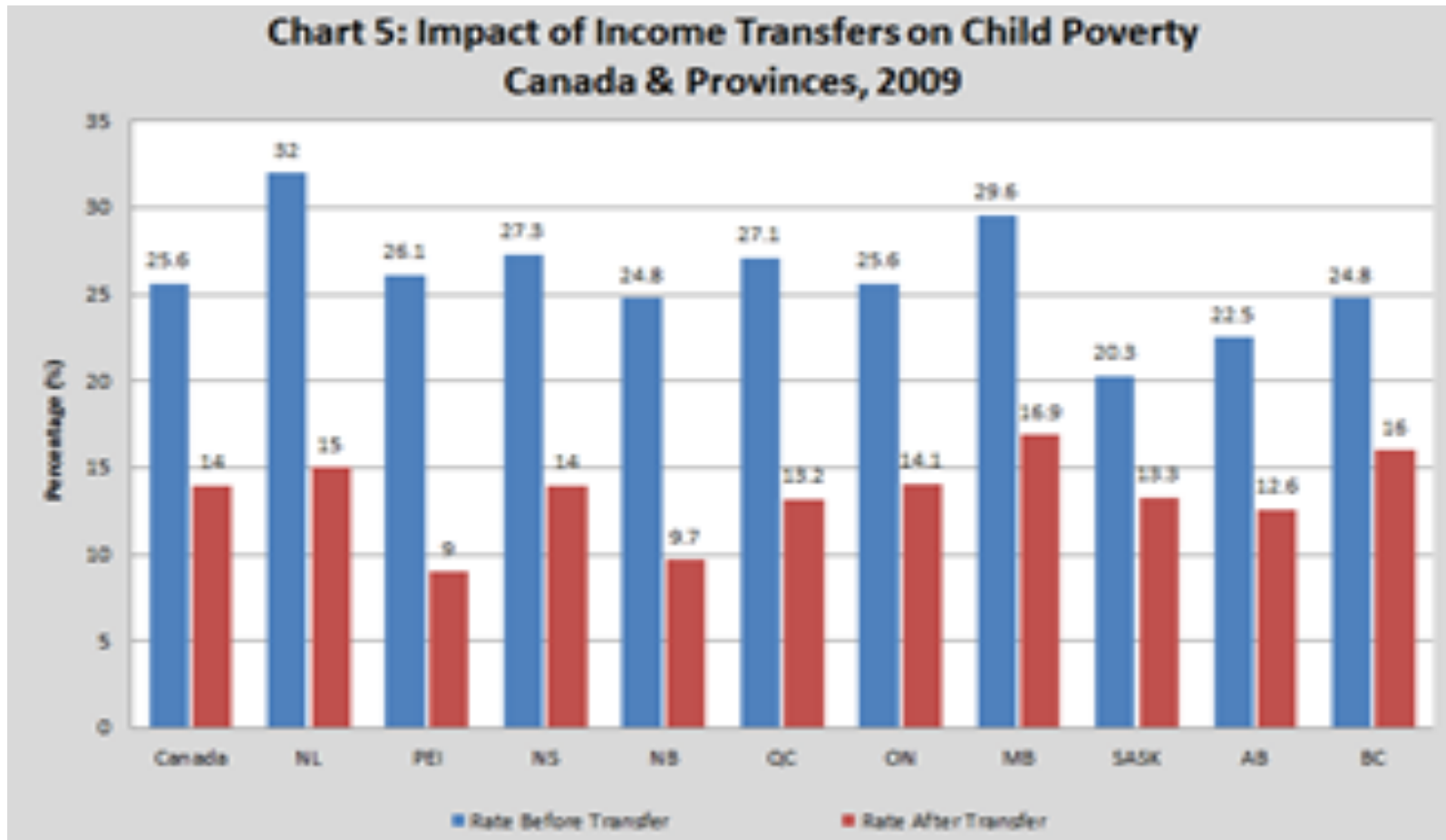
Income security across the life cycle: Seniors (Canada Pension Plan, Old Age Security/Guaranteed Income Supplement); Children (Canada Child Tax Benefit & National Child Benefit Supplement); Unemployment insurance (now EI); Aboriginal communities.

Provincial governments have primary responsibility in:

labour markets (minimum wage, employment standards, collective representation); basic incomes (social assistance – OW & ODSP); public education for JK – 12.

Shared responsibility – while provinces have the primary responsibility to administer human services (child care, affordable housing), the federal government has a direct responsibility to ensure that adequate funding is available. ²

Public investments are central to poverty eradication



By Laurel Rothman, Campaign 2000 & Family Service Toronto

Canada has primarily taken a life cycle approach to address poverty reduction: Children & Families

- Canada Child Tax Benefit with accompanying National Benefit Supplement and Child Disability Benefit is the main program.
- The National Child Benefit (NCB) is a joint initiative of the federal, provincial and territorial governments. This initiative is designed to:
 - Help prevent and reduce the depth of child poverty;
 - Ensure that families will always be better off as a result of parents working; and
 - Reduce overlap and duplication of government programs and services

2011 Federal expenditure is \$10.2 b (estimated)

CCTB/NCB is non-taxable, progressive, non-refundable, based on previous year's income according to tax return; paid monthly to eligible families.



Who's eligible?

- Maximum annual benefit of \$3,485 for first child paid (to June 2012 benefit) to families with net incomes below \$24,183 in 2011.
- Families with net incomes between \$24,183 and \$41,544 will get maximum CTB and a partial supplement.
- Families with net incomes \$41,544 to \$109,894 may receive partial benefits.
- Ninety percent (estimated) of children receive some portion of the CCTB/NCB.

What impact has CCTB/NCB had?

- Since its inception of NCB in 1998, incidence of low income among families with children has gone down from 17.6% (1996 LICO after-tax) to 10.5% (2005 LICO after-tax). (2007 National Child Benefit Progress Report, p. 34. HRSDC.)
- In 2005, the NCB was responsible for a decrease of 67,500 families with 144,500 children living in poverty (p. 39).

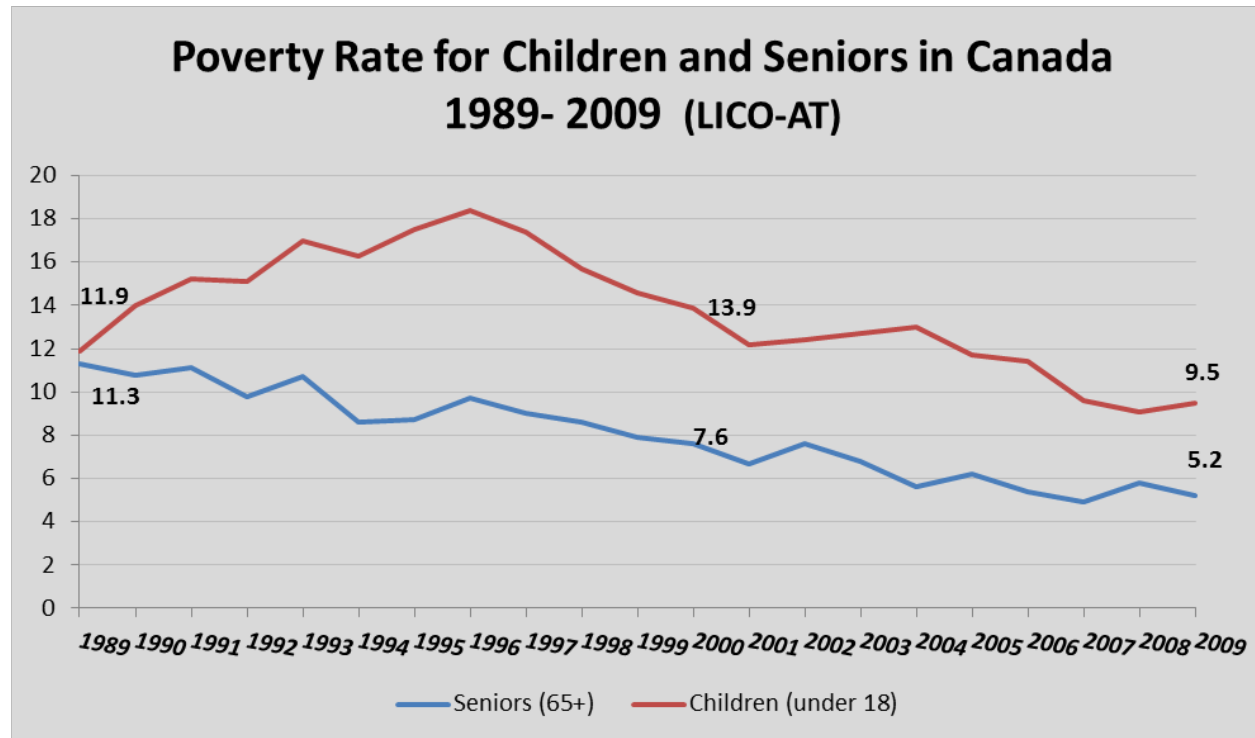
What's needed to facilitate greater poverty reduction?

- Enhanced public policies & more good jobs.
- A full child benefit (CCTB/NCB) to \$5,400 (2011 \$ indexed) per year. When coupled with full-time work of \$11. Per hour, this CCTB/NCB enables a sole support parent with one child to lift herself out of poverty.
- Estimated cost: \$5.5 b – about the amount of the cuts to the GST.

Addressing the needs of seniors

- Old Age Security/Guaranteed Income Supplement prevents and ameliorates poverty for seniors – the “basic block of Canada’s retirement system” (Monica Townson. *Old Age Security: Can We Afford It?* AFB 2012)
- Most people who have lived in Canada for at least 10 years (after 18) are eligible; paid to individuals, not dependent on paid work experience nor income of partner/spouse; annual maximum OAS/GIS for a single is \$1,272/mo. Or \$15,264 (est.)
- Clawback begins at \$69,562 (2012); at \$122,772 income, eligibility ends. Only 6% of seniors were subjected to clawback in 2010.
- Total expenditures (OAS/GIS) are expected to increase from \$36.5 billion (2010) to \$48.3 b in 2015 (figures include inflation; not constant dollars); or, from 2.3% of GDP to 3.1% in 2030.
- Canada spends proportionately less than European countries & US 8

A comparison of seniors' poverty and child poverty in Canada



By Laurel Rothman, Campaign 2000 & Family
Service Toronto

What's needed to facilitate greater poverty reduction?

- OAS/GIS together comprise 36% of the income of seniors; for low-income seniors, it's between 2/3 and 3/4.
- Avoiding cuts to OAS/GIS which could reverse Canada's progress in reducing poverty among seniors
- Increasing CPP/QPP benefits is one way to ease the growth in GIS expenditures over the long run; this strategy enjoys broad public support.
- In contrast, 64% of Canadians think raising the age of OAS/GIS to 67 from 65 is not a good idea (Angus Reid/*Toronto Star* online survey of 1,007 adults. Mar. 2012)

Working age adults (18 – 65 years)

- Limited attention to this age group.
- Underlying expectation is that adults support themselves through market income unless they are disabled.
- EI, an important income replacement program, does include supplement for low income families.

Working Income Tax Benefit (WITB)

- Beginning in 2007, the Working Income Tax Benefit (WITB) is a refundable tax credit for eligible working low-income individuals and families who are already in the workforce.
- Eligibility: those over 19, not in school, with incomes of at least \$3,000. For individuals the maximum benefit is \$944 (2011) with phase out at a net income of \$17,005. For single parents and couples, the maximum benefit is \$1,714 (2011) with phase out at a net income of \$26,218.
- Impact: most effective at poverty prevention and reduction for workers not able to secure full-time hours.

What about a guaranteed annual income?

- GAI is sometimes described as a negative income tax that would be available, as of right, to all adults who were determined eligible; obviously, the eligibility criteria would be crucial.
- Canada, in effect, has set the policy framework for guaranteeing income for children and seniors.
- Among policy-makers and political parties, the Senate Report *In From the Margins* (2009) recommended that a Green Paper examine cost-benefit analysis of options including a basic annual income; no implementation to date.

A snapshot of most recent poverty statistics

- 2009 Thresholds for Low Income in Large Cities (500,000+)

	Before Tax	After Tax
Low Income Cut-Off (LICO)	1 person = \$22,229 4 people = \$41,307	1 person = \$18,421 4 people = \$34,829
Low Income Measure (LIM)	1 person = \$21,128 4 people = \$42,256	1 person = \$18,680 4 people = \$37,360

Statistics Canada. CANSIM Table 202-0808. accessed Sept. 17 2011.