

Introduction

This Fact Sheet highlights spending measures outlined in the 2015 federal budget affecting Edmontonians with low and modest incomes. The budget applies to the fiscal year between April 1, 2015 and March 31, 2016, and includes spending and revenue projections for the following four years. The federal government forecasts a small surplus of \$1.4 billion in 2015-16 with slowly growing surpluses thereafter.

A Pre-Election Budget

All government budgets contain self-serving political spin. In comparison to Alberta budgets, despite their voluminous length, federal budgets are short on detail and heavier on spin. For instance, line by line spending estimates are not tabled in Parliament until later. The spin machine really went into over-drive in the preparation of this budget. The budget is designed to appeal to Conservative voters and fulfil a number of promises made during the 2011 election campaign. And for the most part it's not even called a budget, with the term Economic Action Plan favoured instead.

Child Tax Benefits/National Child Benefit

Other than indexing for inflation, Budget 2015 makes no changes to monthly payments for the National Child Benefit Supplement and the Canada Child Tax Benefit. Further investment in refundable child tax benefits is the single most effective way to reduce child and family poverty. Budget 2015's failure to improve financial assistance to Canadian families, including low income families with children who benefit the most from these benefits, is a disappointment.

Family Tax Cut

Previously announced last October, this part of the budget is more accurately called income splitting. It provides up to \$2,000 in tax savings for higher income sole earner families with children with the maximum benefit going to the highest income families. There is no benefit to single parent families, and little benefit to two-earner families where both spouses earn comparable incomes. By making income splitting retroactive to the 2014 tax year, many sole earner families will already be receiving a larger tax refund than would otherwise be the case. The independent Parliamentary Budget Officer (PBO) has determined that only 15% of Canadian families with children will derive any benefit from this tax expenditure. The PBO further projects that the FTC will reduce federal government revenues by \$2.2 billion in 2015.

Universal Child Care Benefit

Previously announced last November, the Universal Child Care Benefit is increased to \$160 per month from \$100 for pre-school children (newborn to age 5). Families with children aged 6 to 17 will also receive \$60 per month. While the UCCB has little or nothing to do with child care, these enhancements are more progressive than previously especially with the elimination of the non-refundable Child Tax Credit, though less progressive than if they were delivered through the Canada Child Tax Benefit instead. By making the enhanced benefit retroactive to January 2015, all families with children will receive a substantial federal government cheque in July this year.

Children's Tax Fitness Credit

Budget 2015 doubles the value of the Children's Fitness Tax Credit to \$1,000 and makes it refundable. The decision to make this credit refundable is positive insofar as lower income families who pay little or no federal income tax are now eligible to claim this benefit if they enrol their children in qualifying fitness activities. By making the enhanced fitness tax credit retroactive to the 2014 tax year, qualifying families will see a modest increase in their 2014 tax refund.

Tax-Free Savings Accounts

Effective for the 2015 tax year, the maximum amount Canadians can invest in Tax-Free Savings Accounts is doubled to \$10,000 per year. The budget document goes to great lengths to point out the take up of the existing program by seniors and middle income Canadians. Even with the current \$5,000 limit, fewer than one in five account holders contribute the maximum. With a higher limit, contributors will skew toward those with higher annual incomes. The fact that 70% of account holders are 55 years and older suggests a lot of the savings are from existing accounts, not new.

Seniors and Retirement Security

Budget 2015 contains several measures likely to be appeal to seniors. The extension of Employment Insurance compassionate care leave benefits from six weeks to six months will be helpful to workers needing to care for loved ones. Reducing the rate at which withdrawals are required from Registered Retirement Income Funds will benefit seniors with large amounts saved in these investment vehicles.

Budget 2015 does not enhance retirement security for those still working. There is some urgency to do so, as fewer of today's workers are enrolled in employer pension plans. The Canada Pension Plan (CPP) is a proven vehicle for delivering retirement security for those Canadians needing it the most. No mention is made of the CPP in the federal budget. In fact, the federal government opposes even modest improvements to the CPP that are supported by the provinces.

Employment Insurance

EI premium rates increased to \$1.88 per \$100 of insurable earnings in 2013. They are set to remain at this level through 2016. Last September, an offsetting credit was introduced that lowered the contribution to \$1.60 per \$100 of insurable earnings for employers who paid premiums equal to or less than \$15,000 in 2015 and 2016. A promise was made to reduce premiums by 21% but this will not take effect until 2017.

Affordable and Accessible Housing

Budget 2015 allows housing cooperatives and non-profit social housing providers to pay out mortgages held by the Canada Mortgage and Housing Corporation and replace them with private sector mortgages to take advantage of today's lower lending rates. The savings from lower interest rates can then be applied to capital repairs and renovations. A non-refundable Home Accessibility Tax Credit on up to \$10,000 in renovations to make homes for seniors and persons with disabilities was also introduced.

Public Transit Funding

Starting in 2017, the federal government proposes to begin directly funding public transit projects in Canadian cities. Funding starts at \$250 million in 2017-18 and grows to \$1 billion by 2019-20. The funding is conditional on public transit infrastructure being built using a Public-Private Partnership (P3) arrangement. Edmonton's Southeast LRT project is being built as a P3 even though the federal government is contributing less than one-quarter of the total cost.

Aboriginal Communities

Modest additional investments are proposed for K-12 (\$200 million over four years), post-secondary bursaries (\$12 million over three years), mental health services (\$2 million per year), and statistical surveys (\$33 million over four years) in First Nations communities.

Concluding Comment on Tax Expenditures

Tax expenditures are deductions against taxes that would otherwise be payable. Until recent years, tax expenditures were netted against tax receipts and not even disclosed. Due to the urging of auditor generals', these expenditures are now disclosed in the fine print of government annual reports. Two of the biggest 2013-14 tax expenditures (deductions from federal income tax) are RRSP contributions (\$13.2 billion) and partial inclusion of capital gains (\$5 billion). By comparison, federal child tax benefits cost \$10.5 billion.

The problem with tax expenditures is they disproportionately benefit high income Canadians thereby increasing inequality. Yet this spending receives very little public scrutiny or media commentary. There is a tendency to not see tax expenditures for what they really are—just another form of government spending. A good example is income splitting. People often think what's wrong with giving sole earner families a break. But the \$2.2 billion spent on higher income families who need the least help could otherwise go to low and middle income families if refundable child tax benefits were increased by the same amount.

References

Canada (2015). Budget 2015. Retrieved online from: <http://www.budget.gc.ca/2015/docs/plan/budget2015-eng.pdf>

