

A simpler, fairer child benefit [CA-ON]^[1]

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The creator of Canada's national child benefit, hailed by former prime minister Jean Chrétien as "the most significant new social program since medicare," was the head of a small Ottawa think-tank.

Ken Battle, president of the Caledon Institute of Social Policy, is proud of his achievement, but he is also deeply worried about it.

Since 2006, the child benefit system has been loaded with tax breaks and add-ons. Battle now considers it "complex, inequitable and virtually incomprehensible to Canadian families."

So he has drafted a plan to simplify it and lift thousands of youngsters out of poverty.

In a nutshell, Battle is proposing a \$5,000 Canada Child Tax Benefit.

Under the current system, the maximum a low-income family can receive is \$4,471 per child. But the child must be younger than 6 and the family's net income must be below \$20,883.

Under Battle's plan, all families & except the wealthiest 2 per cent & would receive an annual payment of up to \$3,012 per child. Low-income families would get a supplement of \$1,988 per child, bringing their total up to \$5,000. Children up to 18 would be covered.

Battle chose his \$5,000 target because that is the approximate cost of raising a child in a low-income family. He included middle-income parents in his plan because he believes Ottawa should help pay for child care, whether it is in the home or outside.

The redesigned benefit, Battle says, would be straightforward, progressive and non-stigmatizing.

It would cost more, he admits. The price would be roughly \$17 billion & about \$4 billion higher than Ottawa's current child support expenditures. But the improvements could be phased in over a number of years.

The government could get started without spending a dollar, Battle submits.

First, he would propose abolishing the \$1,200 per year child-care allowance introduced by Prime Minister Stephen Harper in 2006.

Although it was billed as a "universal" child-care payment, its actual value varies, depending on a family's tax bracket and province of residence. Most recipients end up with considerably less than the full amount.

Battle would use the savings & \$2.1 billion a year & to enrich the Canada Child Tax Benefit.

Next, he would do away with the \$300 non-refundable tax credit that the government brought in last year.

Although it appeals to middle- and upper-income voters, it offers nothing to the country's poorest families, Battle points out. Their income is so low that they don't pay taxes.

Closing this tax loophole would free up \$1.5 billion.

Not only would these reforms make the system fairer, Battle argues. They would rationalize Ottawa's three confusing streams of support for families with children.

The original 1998 national child benefit (which Harper kept) is a non-taxable monthly payment that treats all types of families & single-parent, one-earner and two-earner & the same. It covers children up to 18.

The 2007 non-refundable child tax credit is a once-a-year tax reduction in a family's income tax bill.

The 2006 child-care allowance arrives monthly, but it covers only preschoolers.

The best thing about Battle's all-in-one plan is that it would substantially reduce poverty.

He reckons it would lift 40,000 families over Statistics Canada's low-income cut-off.

It is hard to imagine Harper adopting such a scheme. It would involve scrapping the two programs he just launched.

But Liberal Leader Stéphane Dion has promised to "expand and improve" the child tax benefit and New Democratic Party Leader Jack Layton has pledged to increase it by \$1,000 per child.

Battle's immediate objective is to spark public discussion. He wants parents to ask what's best for their children and Canada's next generation. He wants taxpayers to ask whether their money is being spent intelligently. And he wants social policy groups to start speaking out.

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-reprinted from the Toronto Star

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