

Critic slams 'sneaky' child-care clawback: Government denies concealing \$400M-a-year savings through phase-out of former young child supplement [CA] ^[1]

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EXCERPTS

As the federal government sends out the first \$100 cheques under its new Universal Child Care Benefit program, it is also cutting a \$20.75 young child supplement for hundreds of thousands of low- and middle-income families in a move one critic calls "a real sneaky one."

The Canada Revenue Agency, which says 769,000 families who received the supplement last year will no longer get it as of this month, is not including any explanation about the phase-out of the supplement with the three million Child Tax Benefit cheques it mailed yesterday.

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But Ken Battle, of the Caledon Institute of Social Policy, calls the elimination of the young child supplement "sneaky."

He says he suspects the government is relying on the complexities of the programs to keep people from grasping that they won't get as much as they think.

"The government didn't come out and explain to people that, yes, you are going to get a \$1,200-a-year new benefit, but by the way, if you get the young child supplement -- which is mainly for low- and middle-income people -- you are going to lose \$249," from cuts to the Child Tax Benefit program, said Mr. Battle.

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The \$100 monthly benefit was to be universal, regardless of income, to families with children under six.

But families with young children who qualify for the new universal benefit program can no longer collect the young child supplement paid under the Canada Child Tax Benefit Program, leaving those affected with a net gain of less than \$80 a month, not \$100.

But because July marks the start of a new program year, when each family's benefit amounts are changed based on their previous year's income tax filing, it may be difficult for some people to spot what has changed when they get their cheques in the next few days.

Colleen Cameron, press secretary to Human Resources Minister Diane Finley, who has the lead responsibility for the program, says there was no attempt to mislead or sneak anything by the public in how the program was structured or would be carried out.

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The elimination of the young child supplement won't effect all families with young children, since many don't receive the supplement, said Ms. Cameron. In any event, those who are losing it "will now get \$100 -- which is not \$20 less than they used to receive, it is \$80 more than they used to receive."

Mr. Battle says that because the new child-care Benefit is a taxable program, virtually no family will keep the full \$1,200 annual grant. His analysis of how taxes on the new grant would hit three Ontario families, each earning \$50,000, shows that a single-parent family would be hit much harder than other family types.

According to Mr. Battle, a couple with one wage earner would keep \$987 of the \$1,200 after tax; a two-earner couple would keep \$935, and the single-parent family would keep just \$826 because the \$1,200 of extra taxable income pushes that parent into a higher tax bracket than either of the other two.

Even a single mother, on welfare with an income too low to tax, would not escape some sort of clawback, he said. Her \$1,200 per child payment would melt to \$951, due to the loss of the young child supplement in the Child Tax Benefit program.

Finance officials say eliminating the young child supplement will save the government about \$340 million this year and \$400 million annually after it is completely eliminated next year.

Another \$300 million will be collected from taxing the new child-care benefit. Together, those two provisions can recover more than one-quarter of the \$2.5-billion program cost.

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