

# The deja vu all over again budget <sup>[1]</sup>

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## AVAILABILITY

Report in pdf <sup>[2]</sup>

Excerpts from the report:

The 2006 Budget brought the Universal Child Care Benefit, one of the Conservatives' key election platform promises. The program pays \$100 a month to all families with children age 5 and under.

Budget 2010 announced a significant change in the Universal Child Care Benefit, one of the federal government's three child benefit programs -- the Canada Child Tax Benefit and the nonrefundable child tax credit being the other two. Unfortunately, the new measure will simply trade one inequity for another and leave the Universal Child Care Benefit just as complicated and inequitable as before.

The Universal Child Care Benefit (UCCB) is subject to federal and provincial/territorial income taxes. In two-income couples, the parent with the lesser income pays income tax on the UCCB. In one-income couples, the parent with the income pays tax on the UCCB, and ditto for single-parent families.

This feature of the program creates unfairness because families of different types (i.e., one-income couples, two-income couples and single-parent families) with the same net income can end up with differing after-tax UCCB benefits. To confuse matters even more, families with the same net income but living in different jurisdictions may receive different after-tax benefits because their UCCB payments are also subject to variable provincial/territorial income tax regimes.

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So the UCCB will remain a complicated and virtually incomprehensible social program in terms of its real as opposed to apparent value to families -- i.e., its after-tax rather than pre-tax value. Its name is also deceptive: The Universal Child Care Benefit is not tied to use of child care and, even if used for this purpose, covers but a fraction of the cost of child care for most families.

Oddly, the Universal Child Care Benefit is the only federal income program that is not indexed. The much-touted \$100 monthly payment when the UCCB was introduced in 2006 is now worth only \$92 and will continue to erode each year by the amount of inflation -- a classic case of social policy by stealth.

There is a simple solution to the failings of the Universal Child Care Benefit: Get rid of it and use the \$2 billion in savings to bolster the geared-to-income Canada Child Tax Benefit, a fair and transparent social program that pays the same non-taxable amount to all types of family with the same income everywhere across the country.

**Region:** Canada <sup>[3]</sup>

**Tags:** funding <sup>[4]</sup>

federal programs <sup>[5]</sup>

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