

Federal budget child-care tax break causes new headache for feds^[1]

Author: Scoffield, Heather

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EXCERPTS

The federal budget's key anti-poverty measure cures one headache and causes another.

Changes to the tax treatment of the \$100-a-month Universal Child Care Benefit to help single-parent families "will create new inequities," says the Caledon Institute of Social Policy, an Ottawa-based think-tank known for its work on social security.

Critics of the benefit have long complained that it is subject to income tax, penalizing single-parent families in particular. Last week's budget acknowledged that, until now, single-parents could end up paying more tax on their \$100 per child benefit than a two-parent family with the same income.

The budget set out to address the problem by allowing single-parent families to claim the payments as income for their dependents. The new measure means most single-parent families will likely avoid paying any tax on their \$100 because the money will be claimed as their children's income.

But the change means two-parent families will end up paying more taxes on their benefit than single-parent families of the same income.

"This is patently unfair," says the Caledon Institute. "So the UCCB will remain a complicated and virtually incomprehensible social program in terms of its real as opposed to apparent value to families."

Officials at the Department of Finance said the change was intended to ensure consistent tax treatment between two-parent and single-parent families, since single-parent families can't take advantage of a spouse's lower income to claim the benefit.

The Caledon Institute, like many other social policy groups, has opposed the benefit from the start. But even the conservative Institute of Marriage and Family Canada, which is supportive of the scheme, sees the inequity in the recent changes.

"It doesn't solve the problem," said executive director Dave Quist. He hopes the measure is merely the first step toward income splitting for all families.

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- reprinted from the Canadian Press

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