

# Income-splitting helps only wealthy families <sup>[1]</sup>

Single parents, low income family won't benefit from proposed tax change.

**Author:** Yalnizyan, Armine

**Source:** Straight Goods

**Format:** Article

**Publication Date:** 30 May 2011

## EXCERPTS

The Harper Conservatives have championed income-splitting right from the start, starting with the pensions of the elderly.

In 2006, the Library of Parliament was asked to estimate how much a suite of measures that would reduce taxes through income splitting would cost. It came up with a price tag of almost \$5-billion.

Today's reality is that it is getting harder for young families to get into and stay in the middle class.

The Conservatives haven't provided a cost estimate for their latest election promise, but back then this initiative was estimated to cost \$2.2-billion in 2007. It is undoubtedly more costly today.

Who will benefit from \$2.2-billion or more in giveaways?

Single parents certainly won't. Single parents account for almost one in five families with young children (19 per cent), and have the highest rate of poverty in Canada. Single parents have the most difficulty making ends meet precisely because there isn't a second income earner in the family. Income splitting means nothing for them.

Most two-parent families won't benefit from income splitting either. They just can't afford to keep one earner at home.

There will be some families who will choose to give up income to spend more time with their kids, even if it means tighter family budgets. I know all about that - our family made that choice, without tax incentives.

But the families that will most benefit from Harper's income splitting promise will be those who need the least help. The higher the income, the bigger the tax break, and a much lesser challenge of keeping one parent at home.

Today, half of Canada's families raising children make less than \$65,000, and most (80 per cent) have two people working. Only one in five families raising kids make more than \$100,000.

Median incomes of families with young children were at or below 1976 levels until 1996 (in inflation-adjusted terms). Between 1997 and 2007 - the prosperous decade before the global economic crisis hit - modest increases in household incomes for most of these families were primarily driven by more people working more hours.

The average family raising kids spent 3,300 hours at work before the global economic crisis hit - about 200 hours more a year than a decade before.

The biggest increase in working time comes from families in the bottom half of the income distribution. But the biggest income gains of the decade were enjoyed by the richest 10 per cent - and they were the only group that saw no increase in working time over the decade.

We may all long for a world where there is always someone to take care of things at home, and there is steady, comfortable income coming through the door. Stephen Harper and I grew up in such a world. But we can't turn back the clock.

Today's reality is that it is getting harder for young families to get into and stay in the middle class. Today, with rare exceptions, upward mobility takes two incomes. We need policies that meaningfully address that reality.

- reprinted from Straight Goods

**Region:** Canada <sup>[2]</sup>

**Tags:** poverty <sup>[3]</sup>

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