

More than a name change: The universal child care benefit ^[1]

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AVAILABILITY

- Report in pdf ^[2]

Abstract:

The federal government's new Universal Child Care Benefit (UCCB) ^[2] formerly known as the Choice in Child Care Allowance ^[2] contains two serious flaws. First, the UCCB will be taxable in the hands of the lower-earner parent in the case of couples or the parent in one-parent families. As a result, different types of family with the same income will pay different amounts of federal and provincial/territorial income taxes on their \$1,200 annual payment and so will receive different after-tax benefits. Single-parent families typically will end up with the smallest after-tax benefits from the new program. Second, to help pay for the new scheme, the Canada Child Tax Benefit's \$249 annual young child care supplement ^[2] used mainly by low- and modest-income families ^[2] will be axed. The resulting distribution of net benefits (i.e., after the loss of the young child supplement and income tax increases) will be irrational, confusing and unfair. No family will end up with \$1,200. The largest net benefit ^[2] \$971 ^[2] will go to upper-income one-earner couples, while those on welfare will get \$20 less. Working poor families will get less than those on welfare, so the Universal Child Care Benefit will raise the welfare wall. The paper compares the UCCB with Caledon's proposal to deliver the \$1,200 through the Canada Child Tax Benefit, and finds the latter option superior on a range of criteria.

Related link: The incredible shrinking \$1,200 child care allowance: How to fix it ^[3]

Region: Canada ^[4]

Tags: federal programs ^[5]

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