

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

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Abstract:

As proposed to date, the new \$1,200 Child Care Allowance will be a flawed scheme creating deep inequities. Working poor and modest-income families will end up with low net benefits, and one-earner couples will get more than single parents and two-earner couples. For example, an Ontario two-earner couple with net family income of \$30,000 would end up with just \$199, while a \$200,000 one-earner couple would get a net benefit of \$1,076.

The paper explores several options to fix the flaws in the Child Care Allowance. First, Ottawa should not go ahead with its plan to eliminate the \$249 young child supplement, which is part of the Canada Child Tax Benefit. Second, the Allowance could be exempt from the calculation of net family income. Third, it could be designed as a universal non-taxable benefit. Fourth, it could be delivered through the existing Canada Child Tax Benefit. Caledon favours the first and fourth of these options.

Region: Canada ^[3]

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