

Drop income splitting and hike the deduction for childcare ^[1]

Author: Thomas, Gregory

Source: Globe and Mail

Format: Article

Publication Date: 26 Sep 2014

AVAILABILITY

Access online ^[2]

EXCERPTS

With a federal budget surplus now pegged at \$6.8-billion - at least - the Harper Conservatives are hitting the fast-forward button on their timetable for tax relief.

At a Conservative rally this week in Ottawa, the Prime Minister hinted that the fall update from the Finance Minister could contain tax cuts. And the Commons finance committee has revved up its pre-budget process. Hearings are scheduled to begin in a few days, a month earlier than last year.

We could be headed into a spring election.

To win that election, the Prime Minister needs to deliver on the promise he made in 2011 to cut taxes once the budget is balanced.

The challenge Stephen Harper faces, as the fall economic update rolls around, is the weakness of his 2011 election promise to introduce income-splitting for working-age couples - allowing the higher-earning spouse to transfer \$50,000 of income to the lower-earning spouse, provided a child under the age of 18 is part of the household.

The problem with this pledge, presumably written on the back of an envelope as the campaign bus pulled out of Ottawa, is that it's been denounced by every credible economic think tank, representing every shade of the political spectrum. Even the federal finance department has weighed in - that analysis is so damning that nearly everything but the commas was redacted before it was released to the public.

What's worse, writing income splitting into the Income Tax Act - topping up the Harper government's inventory of boutique tax gimmicks - could collapse the book shelf. Canada's tax law is already 197,891 words longer since the Conservatives took office, growing at an average pace of 87 pages a year.

Last week in a national survey, more than 5,000 supporters of the Canadian Taxpayers Federation offered their judgment on the income-splitting idea. The news wasn't good for the government.

The highest priority, our supporters say, for any federal surplus is to pay down debt. Fifty-two per cent place debt reduction as the highest priority, while 44 per cent favour tax cuts. Just 2 per cent want more federal spending.

So the top priority for the Harper Conservatives is simple: they need to reverse some of the damage done to Canada's balance sheet on their watch. Tax relief comes second.

Where tax relief is concerned, 72 per cent prefer lower income tax rates and fewer income brackets, compared to just 21 per cent support for income splitting.

And if only families with children are going to get tax cuts, then income splitting comes second in the survey as the best way to do it. The preferred option is extending the child care deduction.

The reason is simple. The current income-splitting proposal fails the fairness test in many ways. Single parents would get no tax relief. Families with one 17-year-old and one high-earning parent would get far more tax relief than average-income couples with four pre-schoolers at home.

Region: Canada ^[3]

Tags: federal programs ^[4]

Source URL (modified on 27 Jan 2022): <https://childcarecanada.org/documents/child-care-news/14/10/drop-income-splitting-and-hike-deduction-childcare> Links

[1] <https://childcarecanada.org/documents/child-care-news/14/10/drop-income-splitting-and-hike-deduction-childcare> [2]

<https://www.theglobeandmail.com/opinion/drop-income-splitting-and-hike-the-deduction-for-childcare/article20799970/> [3]

<https://childcarecanada.org/taxonomy/term/7864> [4] <https://childcarecanada.org/category/tags/federal-programs>