

Election looks to be about child care, taxes ^[1]

Source: Alberni Valley Times

Format: Article

Publication Date: 25 May 2015

AVAILABILITY

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EXCERPTS

When Canadian voters go to the federal polls in October, they may have to bring an accountant along.

For the extended election campaign of 2015 is shaping up to be a contest of tax rates and childcare benefits.

It's all aimed at winning over families with children and a vaguely defined middle class. And it's all about as clear and straightforward as picking a cable package.

This week, Liberal Leader Justin Trudeau jumped into the fray by proposing to raise taxes on high incomes to pay for a stimulative tax cut on middle earners and a larger means-tested childcare payment.

For lower-earning families, the tax-free Canada Child Benefit would be \$6,400 annually for children under six and \$5,400 for those six to 17. It would be progressively reduced for higher incomes and phased out at \$200,000.

The benefit would cost about \$4 billion. To help pay for it, the party would replace the taxable Universal Child Care Benefit that the Conservatives have raised to \$160 per month for children under six and to \$60 monthly for children age six to 17.

Trudeau would scrap two more pillars of the Conservative platform: doubling the allowable contribution to tax-free savings accounts and allowing couples with children to split income to reduce taxes. Another \$2 billion in savings would still have to be found, which the Liberals promise to do when they cost their complete platform.

For all earners with taxable incomes between \$44,701 and \$89,401, the Liberals would drop the tax rate from 22 per cent to 20.5 cent. They say the \$3-billion cost would be recovered by taxing the one per cent of incomes that are above \$200,000 at a new 33 per cent top rate.

NDP Leader Thomas Mulcair would retain the existing child benefit and fund 370,000 new \$15-per-day day care and early learning spaces by 2019. Ottawa's annual cost would be \$1.9 billion in four years - if the provinces will share 40 per cent of the total cost of the program.

The NDP has yet to unveil personal tax changes, but has argued for higher taxes on corporations while reducing the small-business rate by two percentage points (a promise the Conservatives matched in last month's budget).

How do these rival platforms stack up?

The Tories have an advantage in not angering anyone with a tax increase. But the Parliamentary Budget Office says higher tax-free savings limits and income splitting are heavily skewed to higher incomes. The Tories' child benefit will cover two-thirds of care expenses incurred by families with children under age 13 (up from 42 per cent previously), the PBO says. But 51 per cent of the new benefit will go to families with older children or no day care expenses - not good targeting of the benefits to family needs.

The Liberals' means-tested child benefit is better targeted. But much of it, too, goes to families with pretty high incomes.

And \$2 billion in savings still must be found.

The NDP is most focused on reducing day care costs, but their plan depends on provinces being willing and able to cost-share and on the feasibility of higher corporate taxes.

Trudeau's boldest move is a general middle-income tax cut, not just for families with children. The Tories are attacking the top tax hike, but Liberals are betting the tradeoff is acceptable. Finance critic Scott Brison and trade critic Chrystia Freedland say it's progressive, making up for flatline middle incomes, and good economics, too. They call it "growth from the middle" and it opens a new campaign front.

-reprinted from Alberni Valley Times

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