

Queen's Park Report

Noel Duignan MPP
Halton North

Sometime last year I talked about the establishment of the Fair Tax Commission and the various working groups studying different taxation issues.

This spring you heard about the recommendations of the Environment and Taxation Working Group. Another of the working groups — this one dealing with Low Income Tax Relief — has also finished its report.

The seventeen members who donated their time and expertise were working on the question of "What changes to, or restructuring of, existing tax-delivered assistance would increase the fairness of the overall tax burden on low-income individuals and families?"

The report indicates that poverty in Ontario is not the result of any one cause. People are poor, not only because they have to pay taxes, but also because they have limited access to the job market and often must rely on cash transfer programs like unemployment insurance and social assistance.

The working group also concluded that the overall tax system is not very progressive, particularly above the \$40,000 income level.

This means that, on average, when income rises, the proportion of income paid in total taxes (tax burden) does not always increase significantly.

The report recommends changes to Ontario's tax-delivered assistance programs to alleviate the tax burden on low-income Ontarians, but does not confine its recommendations to areas that are specifically under provincial jurisdiction.

It also indicates changes that require either federal-provincial collaboration or unilateral federal moves.

Here are some of the key recommendations:

- The point where federal income tax becomes payable is far below the poverty line.

The group recommends that families and individuals with inadequate incomes should not pay any personal income taxes. Statistics Canada's after-tax low income cut-off (LICO) should be used by both the federal and Ontario governments as the measurement.

- Sales taxes and property taxes force people in low-income situations to spend a greater portion of their income on necessities.

The group recommends that both the Ontario Sales Tax Credit and federal Goods and Services Tax Credit be increased and fully protected by inflation.

- The federal and Ontario governments should provide protection from the effects of inflation on the

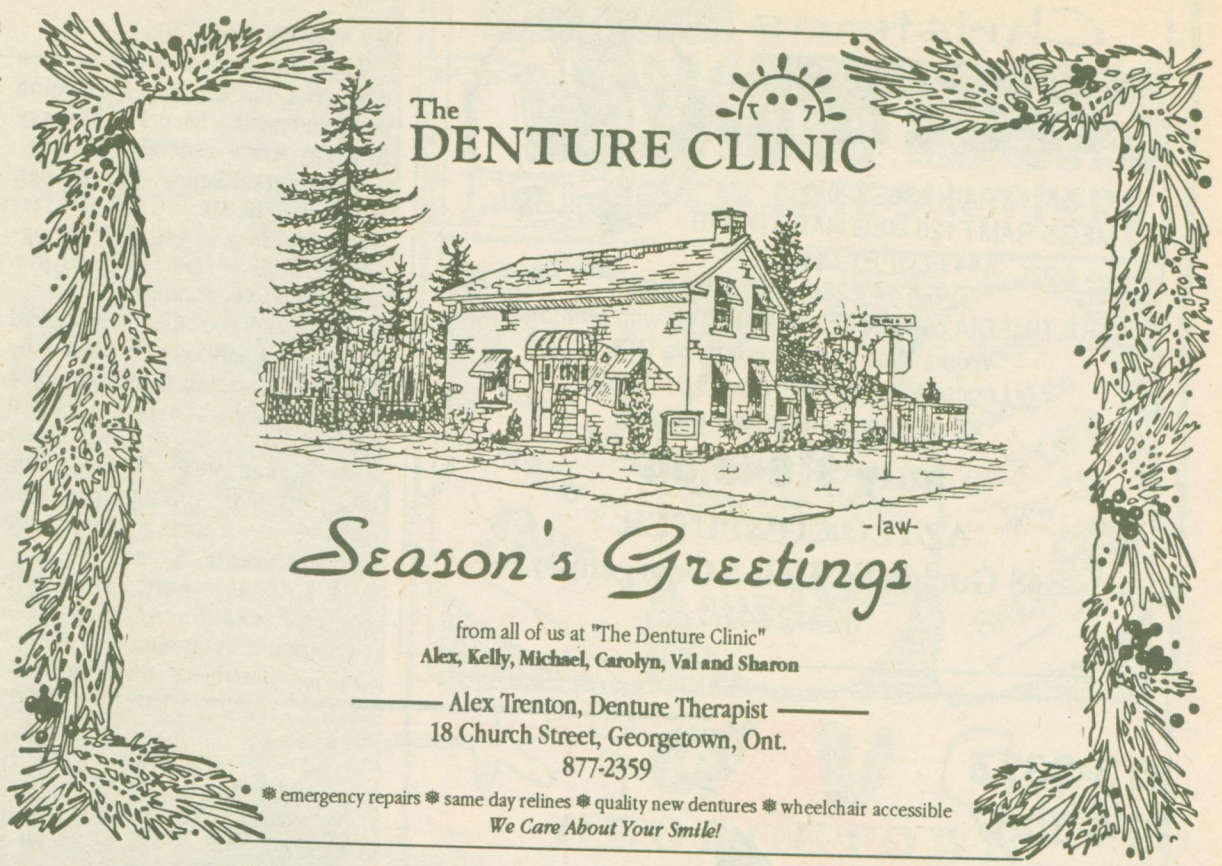
purchasing power of people with incomes below the poverty line, by providing for full indexation of income tax brackets, tax credit amounts and income thresholds for tax credit calculations.

- The personal income tax system (federal and provincial) should be based on family unit whenever it reduces its normal rates in the interests of recognizing reduced ability to pay.

This will eliminate the unfair practice of awarding benefits to individuals and families with adequate incomes.

- A move from a tax deduction to a tax credit approach for child care expenses would provide greater fairness for those low income people with receipts for child care since tax credits reduce the amount of tax owing by the same amount at all income levels.

The group suggests that the federal government convert the child care deduction to a non-refundable tax credit.



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