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May 2005 ISBN # 1-55382-134-3

Disability Tax: The Budget's Quiet Little Secret

The 2005 federal Budget will be remembered not only for its drama. It also will be noted for its big-ticket items: child care, cities and environmental technologies.

But the Budget contains many other important pledges, including substantial improvements to disability tax measures. Yet these are rarely reported or discussed. They come with no theatrics, fanfare or photo ops. They are merely modest changes that can make a real difference in the lives of many Canadians – notably the 12 percent of the population with some form of disability.

The underlying premise of disability tax measures is actually quite simple. Any form of disability – especially one that is severe and that lasts over an extended period – typically comes with additional costs. Various tax provisions acknowledge these costs.

The tax system generally recognizes, through the medical expense tax credit, disability-related costs that can be itemized. These include technical aids and devices, personal assistance with daily living and modifications to homes and vehicles.

There are other disability expenses that are more difficult to quantify. Some individuals may need to pay extra, for example, for specially altered clothing or the replacement of garments due to wear and tear from assistive devices.

The 'hidden' costs of disability also include greater utility bills for additional heat or air conditioning, and higher prices for goods because of fewer accessible shopping choices. Parents may have to hire a trained person for child care depending upon the type and severity of their child's disability.

Because these costs are not easily measured, the tax system recognizes them through a flat amount known as the disability tax credit. It may be claimed by individuals who meet certain criteria.

There are myriad problems with current tax provisions, including the fact that many potentially eligible Canadians have been denied access. Persons with impairments in mental function are especially disadvantaged because their conditions are not as well understood and sometimes not as visible as impairments in physical function.

To address these concerns, the federal government appointed in 2003 a Technical Advisory Committee on Tax Measures for Persons with Disabilities to advise the Ministers of Finance and National Revenue. The Minister of Finance announced in the 2005 federal Budget his intention to proceed with virtually all the recommendations in the Committee's final report.

Its proposals can be grouped into three major themes. First, a package of changes was put forward to clarify eligibility for the disability tax credit and to improve its administration.

The second group of recommendations focused upon tax measures that enable persons with disabilities to pursue education, training or employment. The Committee had proposed – and the government accepted in 2004 – a new disability supports deduction. Additional improvements in the 2005 Budget would include the cost of job coaches and readers, Braille note takers, page turners, print readers, deaf-blind interveners and bliss symbol boards.

The third cluster of proposals addressed the tax measures that recognize the additional costs of raising a child with a severe disability. The 2005 Budget doubled the limit of the medical expenses claimable in respect of all dependents (whether or not they have a disability) from $5,000 to $10,000.

The Committee recommended a modest step to allow greater flexibility to families saving privately to ensure a better quality of life for their children. It also proposed an increase to the recently created Child Disability Benefit, paid to low- and modest-income families with children with severe and prolonged disabilities. The Budget raised the maximum annual benefit from $1,681 to $2,000 per child as of July 2005.

While improved tax measures are essential, they are not sufficient to ensure the type of recognition and supports required by persons with disabilities and their families. Among the major problems they face are isolation, loneliness and the absence of caring relationships – which can diminish their well-being as much as lack of money.

The Committee recommended that any new substantial funding to promote fairness and inclusion for persons with disabilities not be allocated to tax measures. One possibility is to invest in the supply of disability supports, such as technical aids and equipment and personal assistance with feeding, grooming, shopping and housekeeping. Many individuals who require assistance to live independently or to participate in education, training or employment are unable to do so because they have limited access to these essential supports.

There has been little action on this front – even though recommendations to this effect have been made repeatedly over the past quarter century. In the meantime, these Canadians wait patiently for the adoption of the quiet measures kept well off the radar screen and far from public attention.

Just like the way we treat persons with disabilities.

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