

Talking Turkey on Taxes

As Canadians prepare for the Thanksgiving holiday, there is much for which to be grateful. We are especially thankful to the people who care for and about us.

But there are at least three million Canadians who deserve extra thanks. They are the so-called ‘informal caregivers,’ who provide personal care and assistance to elderly partners, sick or aging parents, or relatives with severe disabilities.

While most caregivers would not want to give up their caregiving role, many readily admit that it can create onerous financial stresses, which threaten to push them into poverty.

First, they often have to pay for basics, such as rent and food, for family members unable to work. People with disabilities, regardless of condition, have lower and more sporadic participation in the labour force on average than other Canadians. They often must rely on income programs, which virtually guarantee a life of poverty.

The second financial pressure arises from employment-related insecurities. Many Canadians must reduce their work hours or leave their jobs altogether in order to carry

out their caregiving responsibilities. They jeopardize both their current income and future pension.

The third economic strain derives from additional expenses related to age or disability. These include costs for home care services, transportation to medical appointments, technical aids and equipment, and structural modifications to a vehicle or residence.

In recognition of these three ghosts of poverty, the federal government provides some tax relief through two measures intended explicitly for caregiving.

The *caregiver credit* gives tax relief to individuals providing care in their home for a low-income infirm adult relative, or a parent or grandparent age 65 and over with a low income. The *infirm dependant credit* gives tax relief to individuals providing support to a low-income adult infirm dependent relative, who may live in a separate residence. The amount of both credits in 2009 is \$4,198, which reduces federal income taxes by a maximum \$630.

As a gesture of support to caregivers, governments have often talked about increas-

ing the amount of these tax credits. But a modest hike would make only a minuscule dent in personal debt because taxpayers do not receive the full “amount” of the credits. Rather, caregivers get tax savings worth only 15 percent of the value of these credits. A small increase would barely make a difference to taxpayers who now qualify – and would be of no help at all to those who do not.

In fact, if we talk turkey on taxes, here’s what the impact of a small increase to the caregiver and infirm dependant tax credits would be. Say there were three diners at the Thanksgiving table. They represent three household types: high-income households, middle-income households, and low-income households that fall below the taxpaying threshold and therefore pay no income taxes, respectively.

The first diner has loads of turkey, a mound of mashed potatoes and a stockpile of peas. The second diner has two slices of turkey, a spoonful of mashed potatoes and a dozen peas. The third diner has an empty plate.

A modest increase in the amount of these tax credits would not achieve much – other than to give slightly more to those that already have. The diner with the full plate would get about five peas added to his pile. But he has so many to begin with that he probably would not notice the difference.

The second diner would also get five more peas. She may see the slight increase but it would not be enough to make her less hungry.

The third diner would get more of the same: nothing. She does not qualify for any tax relief in the first place.

Rather than put more money into these existing provisions, a preferred option would be to make these tax credits *refundable*. This means that households too poor to pay income tax would actually receive some money from the government to help offset their caregiving costs. Canada already has a refundable Child Tax Credit and GST credit. Manitoba has just introduced a refundable Primary Caregiver Tax Credit.

Alternatively, Ottawa could turn the tax credits into a modest caregiver allowance that would assist all caregiving households. There is precedent for this approach. The UK and Australia, for example, pay a small cash benefit to the family caregiver of individuals requiring chronic at-home care.

Finally, Ottawa and the provinces could invest in a range of supports for independent living. The investment ideally would reduce, for all households, the cost of these crucial supports. It would also help prepare for the demographic tsunami coming soon to a Canadian shoreline near you.

Talking turkey on taxes is no dinner-table small talk. It is an important national conversation to help millions of Canadians tackle the bread-and-butter issues with which they are currently struggling.

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