



# Extending the disability tax credit to low-income Canadians

Maytree submission to the pre-budget  
consultation for the 2019 federal budget

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## To the Honourable Bill Morneau, Minister of Finance:

Maytree is pleased to participate in the consultations for the 2019 federal budget. We have been dedicated to creating solutions to poverty since 1982 and work with governments, researchers, the non-profit sector, and community organizations to build strong and vital communities. While our work touches on a variety of policies and programs that affect the lives of Canadians living in poverty, we would like to focus our comments on a single program: the disability tax credit.

## Context

Itemizable costs that can be attributed to a disability may be offset through various government programs. However, almost all those with a disability face unavoidable additional expenses that are difficult to itemize, above and beyond the ordinary expenses of daily living. The disability tax credit (DTC) partially compensates for some of these costs. These costs include, for example, “higher utility costs for heat or air conditioning, additional transportation costs and higher prices for goods because of fewer shopping choices.”<sup>1</sup> As such, the DTC promotes equity between taxpayers with disabilities and those without.<sup>2</sup>

## The issue

To be eligible for the DTC, an individual must have a severe and prolonged impairment certified by a medical practitioner. The effects of the impairment must be such as to markedly restrict the performance of basic activities of daily living most or all of the time.<sup>3</sup> Given the severity of impairment required to be eligible for the DTC, it is not surprising that most of those who meet the eligibility criteria pay little or no income tax.

This is the “catch 22” – since the DTC is non-refundable, the credit is only of value to those who pay income tax, and the people who most need the DTC are least likely to pay income tax. Even though somebody who is eligible for the DTC can transfer the benefit to their spouse or other family member, the evidence suggests that a significant number of people who meet the disability criteria are not receiving the DTC. An estimated 2.7 million Canadians have a severe or very severe disability,<sup>4</sup> compared to only 1.2 million individuals who claimed an amount for the disability tax credit in the 2017 tax year.<sup>5</sup> This suggests that

about 1.5 million Canadians – about two-thirds of the eligible population – do not benefit from the DTC.

## The solution

This issue could be remedied by adopting the recommendation of the Standing Senate Committee on Social Affairs, Science and Technology: “That the Minister of Finance introduce legislation to make the disability tax credit a refundable tax credit.”<sup>6</sup> Making the DTC refundable would mean that all eligible people could benefit from it equally.

Without a detailed study, it is difficult to estimate accurately how much this policy change would cost. In 2014, it was estimated that the cost would be about \$900 million for working-age adults.<sup>7</sup>

While this policy change would cost a substantial amount, it is correcting an oversight in the original design of the DTC. Furthermore, the new benefits paid by a refundable DTC would be exceptionally well-targeted – all of the new spending would go largely to those with disabilities and low incomes.

We urge the government, at the very least, to conduct a feasibility study into the cost of this policy change, how it would interact with other government transfers, and its impact on provincial/territorial programs linked to the DTC.

Supporting low-income people with disabilities to meet their additional living costs aligns with the government’s poverty reduction agenda. It helps to ensure all Canadians can meet their basic needs and live a dignified life.

## ENDNOTES

- 1 Torjman, S. (2002). The Canada Pension Plan Disability Benefit. Ottawa, ON: Caledon Institute of Social Policy.
- 2 Mendelson, M. (2015). Options for a Refundable Disability Tax Credit for “working age” persons. Ottawa, ON: Caledon Institute of Social Policy.
- 3 Standing Senate Committee on Social Affairs, Science and Technology. (2018). Breaking Down Barriers: A Critical Analysis of the Disability Tax Credit and the Registered Disability Savings Plan. Ottawa, ON: Senate of Canada.
- 4 Statistics Canada. (2017) Table 13-10-0375-01. Severity of disability for persons with disabilities aged 15 years and over, by age group and sex, Canada, provinces and territories. Retrieved from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1310037501>
- 5 Department of Finance Canada. (2018). Report on Federal Tax Expenditures – Concepts, Estimates and Evaluations 2018. Retrieved from [https://www.fin.gc.ca/taxexp-depfisc/2018/taxexp1804-eng.asp#\\_Toc473794518](https://www.fin.gc.ca/taxexp-depfisc/2018/taxexp1804-eng.asp#_Toc473794518)
- 6 Standing Senate Committee on Social Affairs, Science and Technology. (2018). Breaking Down Barriers: A Critical Analysis of the Disability Tax Credit and the Registered Disability Savings Plan. Ottawa, ON: Senate of Canada.
- 7 Mendelson, M. (2015). Options for a Refundable Disability Tax Credit for “working age” persons. Ottawa, ON: Caledon Institute of Social Policy.

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