

Choices Mr. Flaherty, Choices...

By

Sharon Manson Singer, CPRN President

Government budgets are all about choices – how to invest the money collected from us to make life better for all Canadians. Federal Finance Minister Jim Flaherty delivered the Conservative government's budget choices this week, and sifting through the numbers makes those choices quite clear.

Since this was a budget touted to help Canadian families – how did they fare?

Mr. Flaherty chose to focus on personal income tax relief for families. The Working Families Tax Plan delivers up to \$2,000 per child in a tax credit for children under the age of 18. Further, fewer families are paying taxes because he raised the deduction allowed for dependents - either spouse or dependent child. .

What does this measure do for families? Let's take a look at the numbers.

The new Child Tax Credit reduces taxes for some families – but does nothing for those low income families that pay no income tax. For individuals and families with incomes who do pay taxes, their tax bill will go down by a maximum of \$310 per year or \$25.83 per month – less than a dollar a day. Eighty-five cents a day is the sum total of the change in a family's bottom line and no change at all for Canada's lowest income families.

Not only is the amount gained in this budget measure small – the benefit *only* goes to parents who pay income taxes – so even high income parents will receive this \$310 yearly sum per child – but those earning less won't benefit at all. The Child Tax Credit will help more than 1.2 million parents, and will cost taxpayers \$1.4 billion dollars in 2007-08.

That's \$1.4 billion to put 85 cents a day in a parent's pocket.

Where else could that money make a difference? How best to make life better and richer for Canadian families?

My first choice would be to put the \$1.4 billion dollars for the Child Tax Credit into the National Child Benefit Supplement (NCB Supplement). The NCB Supplement is a targeted income support program that helps most families with incomes below approximately \$36,000. About 1.5 million families with more than 2.7 million children in Canada receive this benefit. This program serves approximately 40% of all Canadian families including the poorest families who are receiving welfare or welfare income supplements to make ends meet. The poorest families in Canada receive about \$3,200 per child per year. The program helps ensure that parents can go to

work and not be penalized because work pays less than welfare – so it essentially takes kids off of welfare. When this program began in 1998, parents with children virtually flew off of the welfare rolls across Canada demonstrating that parents *want* to work and *will* to support their children. And when they get to work they never look back. Thousands of families have permanently escaped the trap of welfare and improved their family's income thanks to the NCB.

The federal government contributes about \$2.5 billion per year to the NCB Supplement. If Mr. Flaherty had added the \$1.4 billion earmarked for the new Child Tax Credit to the NCB Supplement he would have increased it substantially. And, if he had chosen to put that nugget from his last budget – \$2.4 billion for the Universal Choice in Childcare Benefit (\$100 per month for each child under 7), we could have brought the annual payment per child to around the \$5,000 dollar level. That is the level analysts have said is needed to reduce child poverty significantly in our country. It would mean that more children would leave the welfare rolls and their parents would have a benefit to support their children while they went to work – wherever they reside in Canada. Fewer children on welfare means lower costs for provincial governments and better yet, the outcomes for children not on welfare are better – they have better prospects for good health, graduation from high school and finally better prospects for finding and keeping a job – meaning they will become better, more prosperous and more productive citizens for Canada's future.

Mr. Flaherty, for my money, 85 cents a day, I would have chosen to invest in permanently removing children from poverty and contributing to building a stronger participation rate in the labour market both for today's parents and tomorrow's.

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