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## PM's income-splitting plan praised, panned and years away from coming into force

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OTTAWA \_ To hear Stephen Harper tell it, every family with young children stands to benefit from his proposed income splitting policy.

``This is for all families who have children under 18 so it's pretty broad," the prime minister said Monday.

``This hits a pretty broad group of Canadians, 1.8 million Canadian households. That's a pretty large number."

It isn't the only large number. Canada will have to erase its deficit before this proposal becomes a reality. That deficit now stands at a projected \$40 billion. The Conservatives say it won't be eliminated for at least another four years.

Given the rate at which Canadians have been going to the polls, Harper could campaign on this promise for two more elections before it ever becomes reality. That would change if the Conservatives are handed a majority mandate.

By Harper's calculation, the lucky families that would benefit from income splitting would be able to share up to \$50,000 of their annual household income, saving themselves an average of \$1,300 per year.

But some family tax experts warn that the benefits of the income sharing proposal won't be spread as widely or as equitably as Harper suggests.

Carleton University economist Frances Woolley says the biggest beneficiaries will be families in which one parent earns more than \$127,000 and the other stays home. They'll save themselves \$6,300 a year.

But a single or dual-income family in which the highest earner brings in less than \$40,000 in taxable income will get nothing.

``Low income people are not going to benefit at all. At all. Period," Woolley said in an interview.

And she said the benefits for self-employed and dual-income families in which both parents earn roughly similar amounts will be "piddly."

"To give this (tax break) that will just benefit such a limited set of families and such a relatively privileged set of families, it just seems wrong."

Moreover, Woolley said the current tax system provides incentives to women to re-enter the labour force once their children are in school. Harper's change will encourage them to stay home.

"This is a socially conservative move, it's not a fiscally conservative move," she said, lamenting that it smacks of "wedge politics" that will pit working mothers against at-home moms.

However, University of Calgary economist Jack Mintz applauded the move, which he has championed for five years and which would bring Canada more in line with tax policies in other countries, including the United States, France, Germany, Belgium, Norway and Spain.

He acknowledged it will disproportionately benefit families in which one parent stays home. But he said it will create a fairer tax system for families overall and will give them more choice in how they raise their children.

At the moment, Mintz pointed out that a single-earner family with \$80,000 annual income pays several thousand more in taxes than a dual-earner family with two incomes of \$40,000. Harper's proposed change is aimed at evening out the tax burden between single and dual-income families.

While Woolley saw the proposal as encouraging women to stay home, Mintz preferred to view it as ending a policy that discourages women from staying home.

"Currently, there's a disincentive for one spouse to stay at home and this helps reduce some of that disincentive. It depends how you want to look at it."

In any event, Mintz said tax policy doesn't necessarily have to be all about encouraging more people to work.

"I think there are other considerations in tax policy that are important, such as giving families choice in how they want to organize their lives . . . particularly when it comes to child-rearing."

David Quist, executive director of the Institute of Marriage and Family Canada, also cheered Harper's announcement. The institute has been pushing for such a change, arguing that families should be treated as cohesive economic units, not just groups of individuals who happen to live together.

Of course the debate may all be moot.

Families will have to wait until the country's books are balanced before he'll put the \$2.5-billion-per-year tax change into effect, assuming he's still in power by then.

The country will have gone through at least one and possibly more elections by then, depending on whether the current contest produces a majority government.