Income splitting is fairer

By Dave Quist, published April 16, 2011

Imagine a tax system that penalizes one family over another. A system that takes more money out of the pocket of one family, working equally hard as another. Doesn't sound fair does it? But it happens every year, all across Canada. According to Frances Russell's column of April 6, this is actually a fair approach to family taxation.

In a 2007 study for the Institute of Marriage and Family Canada, Jack Mintz, a Canadian authority on tax policy, compared two Canadian families. Both earned $70,000, about what Statistics Canada says is the average income for all families in 2007. Both families had two children but one paid $3,801 more in taxes.

Why? One family was a dual-income family and the other was a single-income family. The single-income family paid $316 more in taxes every single month than the other. So much for tax fairness.

Why do we tax family members separately and cause them an additional financial burden? When you go to the bank for a loan, or apply for a credit card, family income is calculated. They are asking if your household can carry the loan payments.

Our tax system taxes individuals, thus causing inequity. Moving to family income splitting for Canadian families will attempt to correct this.

In other research by the IMFC, the No. 1 challenge to families -- whether you're just starting out, sending your children to receive post-secondary education or trying to prepare for retirement -- is family finances. That's not a surprise for most of us. And yet quantifying it in black and white makes it that much clearer to our elected officials.

June and Ward Cleaver never existed except in the world of 1950s TV. Families still worked hard to pay the rent, single parents struggled to raise their children and perfection was (and still is) a long way off for most families.

In the past number of years, several important measures have been introduced to support different demographic groups. Pension splitting for seniors has assisted a number of couples and will continue as more retire. The Tax Free Savings Account is an incentive for all of us to save -- without a further tax penalty -- for the future. For parents who have a special-needs dependent who needs long-term financial stability, the Registered Disability Savings Plan is of great benefit.
Furthermore, efforts to assist low-income families (including single parents) have moved many of them off the tax rolls altogether.

There are other options that could be considered for family income splitting, as well. The French model calculates all of the family members and weights them according to the family size.

If it is a single-parent family, usually the oldest dependent is weighted as a spouse, thus negating any loss of taxation a single parent family may have to bear.

The key to remember is that the institution of family is the foundation of society. Family is where we first learn how to communicate, budget and socially interact with one another. With this enormous responsibility, why should we add an additional unfair financial burden to them?

Family income splitting creates fairness between families. Fairness allows choices to be made by family members, rather than coercion due to financial burdens and over-taxation.

This federal election has spent the first two weeks discussing a lot of social policy -- something we should all be pleased about. All of the parties are putting forward their vision of family support structures and having this type of conversation is healthy.

Many wish the family taxation policy plank was being implemented sooner rather than later; however, this also recognizes fiscal responsibility and does not pass further debt onto our children.

In closing, why penalize single-income families any longer? Study after study clearly shows that by leaving your hard-earned dollars in your pocket, you will make wiser decisions on how to spend it than any government ever could.

No two families are alike, therefore why should we expect that a government program will be able to meet their needs? It cannot, but given a chance, families can.

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