

For Immediate Release

Family tax cut levels the playing field for Canadian families

October 30, 2014, Ottawa — Today's federal government announcement to allow income splitting will help level the financial playing field for Canadian families with children.

Income splitting corrects a longstanding injustice in Canada's tax code whereby two families earning the same total income pay different amounts in taxes depending on who earns that income. Currently, families with a single primary earner often pay significantly more than families with income evenly distributed between two earners. This bias puts a financial strain on families with a lower-earning spouse, typically families struggling with child care, elder care or the care of family members with special needs.

Our research shows that families work as a unit, sharing money and resources as needed. This sharing strengthens families, which in turn benefits society and the economy. To date, the Canadian tax code has done a poor job of reflecting this reality since family members are taxed as individuals. Income splitting more accurately reflects the reality of shared finances within the family unit.

Our research indicates that since families are unique and have differing needs at different stages, it is best for tax policy to maximize freedom and adaptability in parental choices. Money in a parent's pocket is generally more efficient than one-size-fits-all government programs that benefit some more than others and have the unintended end effect of limiting choices for families.

Related:

The IMFC's October 21st address to the Standing Committee on Finance:
<http://www.imfcanada.org/news/presentation-finance-committee>

The IMFC's recent report on Income Splitting: <http://www.imfcanada.org/busting-income-splitting-myths>

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