



## Who will benefit from the Tories' proposed family tax cut?

Published March 28, 2011

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OTTAWA – The Conservative promise of future tax help for families with young children is a politically clever pitch to parents that may not help many, but could appeal to most.

Never mind that it wouldn't kick in until at least 2015-2016, the first year that the Conservatives' dead-on-arrival budget projected Canada's books to be balanced.

Its real value, some say, is right now — to the 2011 electoral ambitions of Stephen Harper.

The proposal — estimated to cost \$2.5 billion — is cast as a family-friendly policy, but it especially targets one kind of family — with a stay-at-home spouse — and would give most benefit to those where the working parent earns a high income.

It is a clear bid to broaden the Conservative base because it appeals to stay-at-home professional mom who might otherwise have voted for the Green Party, which proposed income-splitting in the last election, says Carleton University economics professor Frances Woolley.

"Typically the Conservatives get more men's votes in Canadian politics," said Woolley in an interview. "So they have to somehow build their base."

"They don't need most of the women's votes. They only need enough."

Armine Yalnizyan, senior economist at the Centre for Policy Alternatives, predicts many women may not realize the promised tax measure would do little for them if they work outside the home and earn about the same as their working spouse, but many will be drawn to it on an emotional level.

"It taps into a longing that a lot of young families have to spend more time at home with their kids, whether it's the man or the woman," says Yalnizyan. "It's pitched as a message that it's your choice...and should you stay at home, we'll give you a tax break, but you can't actually live off a tax break."

Because of the progressive nature of Canada's tax system, Yalnizyan said, "the proposal does not help a lot of the people it speaks to, and it helps people who don't need the help."

Income-splitting works like this.

Spouses would be able to divide their total taxable family income for tax purposes, so the higher-income earning spouse who is now taxed at a higher rate would be taxed at a lower marginal rate, and overall the total household tax bill is likely to be reduced.

Family-owned businesses and some professionals like doctors can already income-split by hiring a spouse to do paperwork or other jobs.

Yalnizyan said with Monday's proposal, the Conservatives are appealing "to women who — if they don't read the fine print and realize they're never going to benefit from this — think that maybe they could stay at home and raise their kids."

However, it means giving up an income, and "most young families raising kids do not have high incomes, so it's not an option that's economically available to them," she said.

Yalnizyan points to an analysis by the Library of Parliament of the 2007 tax year that shows most of the tax savings from income-splitting — nearly two-thirds — would go to families with children with an income of \$90,000 or more.

She said the proposal is based on "a very old world view of the country in which both Stephen Harper and I grew up in...where Mom was at home and the husband was out there making a steady comfortable income that could be relied on."

"But this generation of young families is not in that world anymore."

Yalnizyan questions why those who need the help the most are not getting it.

"Don't single moms need help? They've got the highest poverty rate of any group in society. They're going to get zero, bupkiss, nothing out of this measure."

She said the Conservatives could cut taxes or bring in a refundable tax credit in a way that benefits the lowest-income people the most.

"The base that the Harper Conservatives are appealing to like the idea of the woman staying at home and taking care of kids...it's very much a Harper-knows-best model...but it's not the average family that's going to be able to do that

because they can't afford to lose one income-earner when half of Canada's families raising young children are earning less than \$65,000 a year. Most of them are two-parent families."

Yalnizyan says it is politically clever because the Conservatives are the only party suggesting parents "have the choice to stay at home with your kids if you want. I don't think they even use that language, but if I was them, that's what I'd be doing."

Woolley says the Conservatives know they are unlikely to win the votes of downtown urban professional working women, and are deliberately narrowing their pitch.

She worries it feeds "the Mommy Wars" – the often bitter debate that pits stay-at-home mothers against working mothers – by "giving validation to one particular way" of raising children.

"That's how Mommy Wars get started – people say 'I've sacrificed to stay at home with my kids, I deserve a tax break,' and then others who work outside the home say 'wait a sec, we're struggling too.'"

Dave Quist, executive director of the Institute of Marriage and Family Canada which has long lobbied for such a change, praised the Conservative promise and said the only disappointing aspect is the "timing."

He would like it to take effect "sooner than later."

Quist cited a 2007 study for the advocacy group done by Jack Mintz of the University of Calgary that shows single-income family of four earning \$70,000 is "penalized" by paying \$3,800 more in taxes than a dual-income family with the same household income. Quist said any measure that helped families "in any way, shape or form is a benefit."

As for whether it's a political vote-getter, Quist said all parties are in the middle of an election and all the measures propose are targeted.

"I think we'd both be naïve to say it wasn't some sort of a vote-getter in some fashion. But does it target a large group of Canadians? I think it does, and I think it will serve them well."