



OCTOBER 21, 2014

Presentation to Finance Committee

The IMFC was invited to address the *Standing Committee on Finance* as part of this year's pre-budget consultations. Andrea Mrozek explained to the committee how tax policy could be used to help families:

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"Thank you, Mr. Chair, for the opportunity to take part in the 2014 pre-budget consultation process.

We are very pleased that the notion of supporting families is one of the theme areas for this year's consultation process, and we're eager to share our recommendations with the committee this evening.

In February 2016, the Institute of Marriage and Family Canada will celebrate ten years of creating, compiling and respectfully presenting research with an eye to helping families flourish so that Canada will likewise flourish and retain our strong footing in the global economy.

Sadly, Canadian families are struggling today.

Canadians have about a 40 percent chance of divorce before their 30th wedding anniversary.ⁱ

We see increasing rates of single parent families,ⁱⁱ who are more likely to be poor.ⁱⁱⁱ We see increasing rates of common law families, which are unions that are more likely to break up.^{iv} We see a decreasing marriage rate and a birth rate that is below replacement.^v

We should be concerned.

Behind those family statistics is a great deal of emotional pain for people, particularly children. We examine family-related research with an eye to diminishing suffering.

Tax reform is one way to help families.

Our research leads us to recommend the following:

Firstly, eradicate an existing inequality by introducing family taxation, also known as income splitting.

Income splitting establishes horizontal equity, or tax fairness between families. It ensures that families that look the same and make the same amount of money are also taxed the same, regardless of how they earn that money.

Families balance budgets not as individuals, but together. Sharing is a good thing; it is a hallmark of strong families. It is to be encouraged by tax policy.

A healthy majority of Canadians from every political party recognize the current unfairness. For instance, 65% of Conservative supporters, 55% of NDP supporters and 54% of Liberal supporters all agree that income splitting makes sense.^{vi}

Income splitting is sanctioned by one of Canada's pre-eminent economists, Dr. Jack Mintz.^{vii}

It has been enacted without controversy in an array of countries like the Czech Republic, Germany and France.^{viii}

Certainly, the main reason to implement income splitting is to establish tax fairness.

Still, almost half of all Canadian families with children under 18 right now would receive a tax cut.^{ix}

If implemented *only* federally, a secondary school teacher in Manitoba would save 28% on his or her tax bill.^x

Another example: An accountant in Saskatchewan would save 25% with income splitting.^{xi}

We cannot look down upon these savings for average, middle-income Canadians, which would only increase if income splitting were also offered provincially.

Secondly, we recommend in favour of increasing the money parents receive directly, whether through the UCCB, the CCTB or another vehicle.

While we prefer the tax code be used to leave money in the hands of parents in the first place, a second consideration would be to increase the Universal Child Care Benefit, the Child Care Tax Benefit or other measures.

Money in a family's pocket empowers that family to make the best choices to suit their needs.



Families balance budgets not as individuals, but together. Sharing is a good thing; it is a hallmark of strong families. It is to be encouraged by tax policy.



Finally, we recommend against the use of tax dollars to create a national daycare program.

State-funded daycare, indeed all daycare, is extraordinarily expensive to do well. The costs only go up, as we have seen in Quebec.^{xii}

Neither does state-funded daycare account for different family situations across Canada. It does not help those who work shifts. Some families go to extraordinary lengths to tag team care between parents. If national daycare starts, those families may find other benefits are cancelled to pay for the one program that they do not choose to use.

Most importantly, across party lines, gender, and income levels, 76% of Canadians believe the best place for a child under six is at home with a parent.^{xiii}

It is our concern that national daycare would become a national boondoggle, as the federal government struggles to provide that which ought to be the purview of sources much closer to home.

The Institute of Marriage and Family Canada has a number of resources on income splitting and daycare, some of which have been provided to you today. I thank you for your time and welcome any questions you might have.”

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Endnotes

ⁱ The percentage of marriages in a given year that will end in divorce before their 30th wedding anniversary has increased from 36.1 per cent in 1998 to 40.7 per cent in 2008. Milan, A., Keown, L.A., & Urquijo, R. (2011, December). Families, living arrangements and unpaid work. *Women in Canada: A gender-based statistical report 2010-2011*. Ottawa: Statistics Canada. Retrieved from <http://www.statcan.gc.ca/pub/89-503-x/2010001/article/11546-eng.htm#a7>

ⁱⁱ For absolute numbers, see Census in brief. Fifty years of families in Canada: 1961-2011. Families, households and marital status, 2011 Census of population. Retrieved from http://www12.statcan.gc.ca/census-recensement/2011/as-sa/98-312-x/98-312-x2011003_1-eng.pdf

ⁱⁱⁱ “Lone-parent families consistently experience higher rates of low income than other family types. In 2007, the rate of low income among lone-parent families was 21.3%, over four times higher than the rate among two-parent families.” Collin, C. and Jensen, H. (2009, September 28). **A statistical profile of poverty in Canada**. Library of Parliament, Social Affairs Division. Retrieved from <http://www.parl.gc.ca/content/lop/researchpublications/prb0917-e.pdf>

^{iv} Census in Brief. Fifty years of families in Canada: 1961-2011.

^v *Ibid.*

^{vi} Coletto, D. (2014). Opinion soft and split on income splitting. Abacus Data. Retrieved from <http://abacusinsider.com/politics-public-affairs/opinion-soft-split-income-splitting/>

^{vii} Mintz, J. and Krzepkowski, M. (2013, April). No more second-class taxpayers: How income splitting can bring fairness to Canada’s single-income families. University of Calgary: The School of Public Policy. Retrieved from <http://policyschool.ucalgary.ca/sites/default/files/research/krzepkowski-mintz-income-splitting.pdf> and Mintz, J. (2008, March 1). Taxing families: Does the system need an overhaul? Ottawa: Institute of Marriage and Family Canada. Retrieved from http://www.imfcanada.org/sites/default/files/Taxing_families_Mintz.pdf

^{viii} *Ibid.*

^{ix} Forty-six percent of families with children under 18 would benefit. Broadbent Institute. (2014, June). The big split: Income splitting’s unequal distribution of benefits across Canada. Retrieved from <https://www.broadbentinstitute.ca/sites/default/files/documents/thebigsplit-final.pdf>

^x Watson, W., Solomon, L., Kheiriddin, T., Malvern, P., Rogusky, D. and Mrozek, A. (2014, June). Busting income splitting myths. Ottawa: Institute of Marriage and Family Canada. Retrieved from http://www.imfcanada.org/sites/default/files/IMFC_Income%20Splitting_June2014.pdf

^{xi} *Ibid.*

^{xii} Editorial. (2014, September 23). Change to Quebec’s \$7-a-day daycare can’t come soon enough. *Macleans*. Retrieved from <http://www.macleans.ca/news/canada/quebecs-plan-to-end-7-a-day-daycare-is-a-breakthrough-for-economic-fairness-and-common-sense/>

^{xiii} Poll conducted by Abingdon Research. Institute of Marriage and Family Canada. (2013, May). Canadian daycare desires. Retrieved from <http://www.imfcanada.org/daycaredesires>