edmonton SOCIAL PLANNING COUNCIL

fACT sheet

March 2010

Commitment to Community A Legacy of 70 1940 2010

2010 Federal Budget Analysis

Introduction

This Fact Sheet is not intended to be a comprehensive analysis. Rather, it is a mix of information and analysis focusing on federal budget measures with the most impact on those with low and modest incomes.

** Note: In this Fact Sheet, Budget 2010 refers to the upcoming April 1, 2010 to March 31, 2011 fiscal year.*

Child Tax Benefits/Universal Child Care Benefit

Budget 2010 makes no changes to monthly payments for the National Child Benefit Supplement and Canada Child Tax Benefit other than normal indexing. Further investment in child tax benefits is the single most effective way to reduce child and family poverty, so Budget 2010's failure to do so is disappointing.

There were a couple of minor changes made to improve fairness and flexibility. The first allows the splitting of child tax benefits in the case of shared custody arrangements. The second involves the taxable Universal Child Care Benefit (UCCB). In two-parent families, the UCCB can be claimed by the spouse making the lowest income. Starting with the 2010 tax year, a single parent will be able to add the UCCB to the income of one of their dependants, essentially making the UCCB a tax-free benefit for these families.

Working Income Tax Benefit

The Working Income Tax Benefit (WITB) is an incentive for low income Canadians, especially those on social assistance, to seek and retain jobs by supplementing their earnings from paid employment. This refundable benefit was first introduced in the Federal budget of 2007, with an annual budget of $550 million. This amount was doubled in Budget 2009 which allotted another $580 million to the program.

Budget 2010 allocates the same additional $580 million as in the previous year, which means the real value of the WITB will be eroded by inflation.

Employment Insurance

Budget 2010 continues the temporary changes made to enhance Employment insurance (EI) benefits for a second and final year. This includes up to an extra five weeks of eligibility to collect EI benefits, enhanced work sharing, and extension of benefits for long-tenured workers who had made no previous claims.

The federal budget continues the freeze on premium rates for employers and employees until the end of 2010. Thereafter, EI premium rates could jump as much as 15 percent.

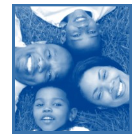
Skills Training

Budget 2010 also continues for another year the increases in skills training grants announced in last year's budget. These grants are funded either through the Employment Insurance program or general government revenues.

There are increased transfers to provinces and territories for skills training, and additional training or re-training opportunities for young people, older workers, apprenticeships, and foreign professionals seeking credential recognition.

Budget 2010 also provides $80 million for Aboriginal employment partnerships, $75 million for an Aboriginal training investment fund, and $40 million for an Aboriginal human resources development strategy.



Tax Measures

Budget 2010 leaves personal income tax rates unchanged, applying only normal indexation to basic amounts exempt from taxation and to tax brackets generally. The $3.2 billion in claimed savings is due to reductions of personal taxes in previous budgets that are continued in 2010-11.

The federal corporate tax rate was reduced from 19% to 18% on January 1, 2010. Budget 2010 further reduces the corporate tax rate to 16.5% on January 1, 2011, with a further reduction to 15% on January 1, 2012.

Canada already has the lowest corporate tax rate among G7 countries. Once fully implemented, federal government revenues from corporate taxes will be permanently reduced by about $14 billion per year compared to 2006 when the corporate tax was 22%.

Affordable Housing

A decrease in the amount of financial backing required to guarantee high risk mortgages has allowed for a modest increase to most year 2 affordable housing stimulus programs. There is a 1% increase in funding (to just over $2 billion in 2010-11) for building, renovating or retrofitting social housing. Similar to year 1 (except in the northern territories), provinces are required to contribute an equal amount into this social housing investment in order to receive the federal funds.

Budget 2010 also allocates $285 million for First Nations infrastructure (including housing) in 2010-11, $55 million more than what was allocated in 2009-10.

The popular but costly Home Renovation Tax Credit has already expired and is not being renewed. The Eco-Energy Home Retrofit Program (which partially subsidizes home energy efficiency improvements) is being continued for at least one more year.

Canadians with Disabilities

Budget 2010 makes three changes to Registered Disability Savings Plans (RDSPs) that will improve the financial security of Canadians living with disabilities.

The first change allows amounts remaining in retirement accounts to be rolled over tax-free into a Registered Disability Savings Plan for an eligible child or grandchild. There are a number of conditions, as well as maximums, that apply to such transfers. Regardless, these changes will help aging parents with disabled dependants to provide for them financially after they are no longer in a position to provide such support.

The second change provides greater flexibility in allowing unused RDSP contribution room to be carried forward to future years.

The third change allows provincial governments to make financial contributions to RDSPs without reducing matching federal contributions. This change also applies to Registered Education Savings Plans.

Concluding Comments

On November 24, 2009, with all-party support, the federal House of Commons passed a motion committing the Government of Canada to immediately bring in a plan to eliminate poverty for all. Yet, Budget 2010 fails to make any of the necessary investments in improving social programs to bring this about.

Moreover, investments in affordable housing, enhancements to employment insurance, and even the doubling of the Working Income Tax Benefit, are described as being part of the second and final year of the economic stimulus program. The stimulus program is scheduled to end after the 2010-11 budget year. With a shift in focus to deficit reduction, there are large question marks surrounding these existing investments, let alone whether the additional investments required to meet the goal of ending poverty will be made.

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