

OTTAWA CITIZEN

## Income splitting makes sense

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What is income splitting? If you've been following the news lately, you may have been led to believe it is a terrible idea, intended only to benefit traditional types alongside close friends of The Simpsons' Mr. Burns. ("Excellent," he says, rubbing his cartoon hands together.)

Reality check. Income splitting is what a broad swath of families across Canada wish they could do officially in law. Why? Because it's what they are already doing.

Well, let's be clear. Families are doing the part where they pool income to make ends meet in the family budget.

The government is failing to do their part, where they recognize this and tax you accordingly. Instead, they tax your family as individuals, as if you had nothing to do with the man or woman you sleep beside every night, and the children you get up to care for.

Income splitting is code for — wait for it — lower taxes for families. You know, the sleep deprived folks who need their money most because they are busy raising kids.

It allows one spouse to transfer some earnings to the other, thereby placing them in a lower tax bracket.

Done right, governments could place an upper limit on this transfer, which makes it most meaningful to the middle class and those on lower incomes.

Done right, as in France, single parents can split their income with children, so that all family forms can benefit.

In fact, looking internationally at the many countries that already have family income splitting, it's not too terribly hard to bust the myth that this is only for June and Ward Cleaver.

Speaking of June and Ward, those who are against income splitting very often betray a not-so-soft paternalism. They claim it's a sexist policy that will force women back into the kitchen.

It's as if they had never considered that a woman might be in a higher tax bracket than a man.

They also seem to think that a working woman, given money back for the family budget, couldn't choose what she wants to do with that extra money. No, no, no! She shouldn't have to worry her pretty little head about that.

Opponents of income splitting are fond of saying that 78 per cent of women with school-age children are in the paid labour force. But we don't know whether this is full-time or part-time, inside or outside the home.

Another, less cited stat, but valid nonetheless, says that only 45 per cent of two-parent families with at least one child four or under worked for at least 50 weeks in 2009.

That is to say that the majority of families with small children do not have both parents working full time. Note that many of them do not actually wish to both work full-time outside the home at this busy stage in their children's lives.

Those against income splitting go on to say that single earner families don't need any help. Because they have a person in the home to do all that work and that person should be perfectly happy to do that for free. Furthermore, they never leave the home, so they don't really need any extra money.

This is insulting for many reasons. But let's just say right off the bat that even those who don't use full time institutional daycare do have other expenses. Children simply don't raise themselves and as any "stay-at-home" parent will tell you, the descriptor is a misnomer.

It may be self-evident to the ivory tower folks decrying income splitting that families with a parent at home full or part time don't need money, but that's not reality on the ground.

Importantly, income splitting bestows value on the man or woman who stays home to take care of children and helps with the additional costs that all families pay, regardless of whether they are using official daycare or not.

There may be one point of agreement — when the government grants a tax cut, they accrue less money for their coffers. In this sense, yes, income splitting could be "costly." All tax cuts are generally "costly" for the government. This is not a reason to turn away from them.

Family income splitting, as per Canadian economist Jack Mintz, makes sense and benefits a large group of families.

Families do not live, work or budget as individuals. Therefore, they should not pay taxes as individuals. It's truly as simple as that.

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