

## Tax fairness with an added bonus

**Andrea Mrozek**

*Monday, June 02, 2008*

I dread taxes. I know I'm not alone there, but it's not just the personal payment I dislike. Tax policy can take an esoteric turn -- numbers fly, and I get lost in discussions of the benefit of GST reductions versus income tax cuts, flat taxes versus progressive systems, income splitting, marginal rates, corporate taxes and more. I may be missing the "fiscal lobe" -- that area that allows me to engage intelligently on all things financial.

My "disability" notwithstanding, tax policy is certainly not boring -- and it's always important. After all, this is about how much of our hard-earned dough we hand over to faceless strangers -- the government. Discerning what constitutes good tax policy is important -- taxes often hold the key to social policy decisions, and tax policy, good or bad, has broader implications for society.

So when international tax expert Jack Mintz, newly minted professor of public policy at the University of Calgary, suggests family taxation (or income splitting, as it is also known) makes good sense in Canada, it's worth paying attention.

Family taxation, though already in use in countries across the globe, has been the subject of much debate here at home. It taxes families together, rather than as individuals. By sharing income between couples and even with children, as is the case in France, the tax burden is lower, allowing couples to keep more of their own money.

Family taxation has benefits beyond merely lowering your taxes. It strengthens the family unit, too. Sharing income in a family reflects the existing tendency of families to share -- with spouses, with children, even with parents and grandparents. As such, it gives a value to personal care of parents and kids -- because it assigns a dollar value to work so important it can hardly have a dollar value high enough.

Compare, as Mintz does in his paper, two Ontario families, "one with two working parents earning \$35,000 each and the other with one working parent earning \$70,000.

The two-earner family pays \$10,364 in 2007 federal and Ontario tax while the one-earner family pays \$14,165, or 37 per cent more." In short, family taxation would save a single-earner family \$315 dollars monthly.

There are myths associated with income splitting -- that it only helps high-income earners or that it pushes women back into the kitchen, barefoot and pregnant. In point of fact, the vast majority of single-earner families today are not among Canada's wealthy, and women are certainly left with the freedom to choose what they want to do with or without family taxation.

Still others believe family taxation tells you "how to live." Currently, we don't have the policy in Canada, without it, 69 per cent of Canadians still live in traditional family units. Family taxation does not say you must form a family, neither does it tell you what to do with the increased dollars -- it merely puts them in your pocket.

There are those who view family taxation as bad policy. Jonathan Kesselman, another tax expert published a paper in February 2008 suggesting it can't work. And Martha Friendly, founder of the Toronto-based Childcare

Resource and Research Unit, spoke against the idea on a recent news broadcast in Ontario, citing the need for women in the workforce and the need for a national day-care system. Sure, family taxation is not overtly child care policy, but good public policy doesn't tell parents what to do with their money, or their children -- as a national day-care system would at least symbolically do.

Albertans aren't likely to disagree with the concept -- Alberta has a rough equivalent to family taxation provincially already, through the flat tax rate and large personal deductions for each parent. But this debate still matters in Alberta, because federally, says Mintz, we are unlikely to move away from our progressive rate structure anytime soon.

Family taxation helps create a Canada we would all like to see. One that values those not in the paying workforce -- those who sit on voluntary boards for disabled children, those who cook dinners for the homeless, those who care for our children or elderly parents.

Family taxation is not a boutique tax cut, nor does it coerce behaviour, rather reflecting what people are already doing and in many cases, what they would like to do but can't afford. Jack Mintz says family taxation makes sense. It's a fiscal policy that would almost certainly create a stronger social climate through stronger families as an additional benefit -- something even the fiscally dyslexic can understand.

Andrea Mrozek is manager of research at the Institute of Marriage and Family Canada.