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Income-splitting plan glaringly unfair

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It's blasts from their pasts for Canada's Conservatives and Liberals.

Hoping to channel their three back-to-back majority governments of the 1990s, the Liberals released their entire platform as a book on Sunday. Entitled *Your Family. Your Future. Your Canada.*, it carries on the tradition of the Liberal Red Books of the 1993, 1997 and 2000 elections.

Determined as usual to pacify their social conservative core while keeping their fiscal conservative base loyal, the Conservatives unveiled a \$2.5-billion plan to allow income splitting of up to \$50,000 for families with children. It's a not-so-subtle attempt to recreate and reward the 1950s television sitcom world of *June and Ward Cleaver*: Mom at home in the kitchen baking cookies and Dad alone in the workforce providing a comfortable lifestyle in the suburbs. This *Leave It To Beaver* dream has two big catches. It won't happen until after the next federal election and only then if the deficit is eliminated.

Both parties are focused on families. But there the similarities end. The Liberal "Family Pack" highlights education and learning to equip Canadians to meet the challenges of the future economy: \$1 billion in grants for high school students to attend university, \$500 million for aboriginal education, \$120 million over two years to provide free post-secondary education for military veterans and a \$500-million fund rising to \$1 billion within four years for the provinces to increase early childhood education spaces. The Liberals also propose \$500 million to achieve 100 per cent high-speed Internet connectivity in rural and remote Canada within three years and \$1 billion to support families caring for aged relatives at home.

Since winning power in 2006, the Conservatives have geared their nation-building policies to initiatives that also help them, in former prime minister Brian Mulroney's memorable words, to "dance with them what brung ya." Their one big-ticket item, income-splitting, is near the top of the wish list of social conservative groups like REAL Women and the Institute of Marriage and The Family but was immediately condemned by economists and social policy experts for being regressive fiscally, socially and economically.

Simon Fraser University tax expert Jonathan Kesselman argues that far from being punished by the tax system, the one-earner family at any income is better off financially than one with two working adults. It has far lower work-related expenses like transportation and clothing and doesn't pay for child care, housecleaning or other household needs. Ottawa's Caledon Institute has called income splitting "a perfect wedge issue" for the Conservatives, "reducing the size of government while giving most of the benefit to their base."

Only 2.8 million of Canada's 18 million families are "traditional," that is, with father in the workforce and mother at home with the children. The poorest of those families, the ones making \$36,000 or less, will save a mere \$200, whereas top earners, those earning \$230,000 or more, would pocket an extra \$9,000.

"Today, half of Canada's families raising children make less than \$65,000 and most -- 80 per cent -- have two people working," economist Armine Yalnizyan writes on The Globe and Mail's Economy Lab blog. "Median incomes of families with young children were at or below 1976 levels until 1996 (in inflation-adjusted terms). Between 1997 and 2007 -- the prosperous decade before the economic crisis hit -- modest increases in household incomes for most of these families were primarily driven by more people working more hours. The average family raising kids spent 3,300 hours at work before the global economic crisis hit, about 200 hours more a year than the decade before.

"The biggest increase in working time comes from families in the bottom half of the income distribution," she writes. "But the biggest income gains of the decade were enjoyed by the richest 10 per cent -- and they were the only group that saw no increase in working time over the decade."

A 2007 Library of Parliament analysis found that two-thirds of the tax savings from income-splitting would go to families with children with an income of \$90,000 or more. Single parent families, who have the highest poverty rate of any group in society, would get nothing.

The glaring unfairness of income splitting for poor and lower middle-income families, not to mention its negative impact on the equality and status of women in society, explains why 21 of the 30 member countries of the Organization for Economic Co-operation and Development have rejected it.

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