

Mobility tax deduction for tradespersons and indentured apprentices



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This bill proposes to allow tradespersons and indentured apprentices to deduct, for income tax purposes, the costs associated with travelling when employed in a construction activity at a job site that is located at least 80 kilometers away from their ordinary place of residence. This act is to apply to the 2022 tax year and any subsequent taxation years.

5-Year Cost

\$ millions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total cost	29	117	121	125	130	522

Detailed 5-Year Cost

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Cost – Commuters	4	14	13	14	14	59
Cost – Temporary Relocation	25	103	108	112	116	463
Total Cost	29	117	121	125	130	522

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

Estimation and Projection Method

To calculate the mobility tax deduction, we divided the subset of eligible tradespersons into two streams. The first stream included tradespersons and indentured apprentices that commute to a job site that is at least 80 kilometers, one-way, from their ordinary place of residence. The second stream included tradespersons and indentured apprentices that temporarily work and live at a worksite that is located at least 80 kilometers, one-way, from their ordinary place of residence.

PBO used employment data from Statistics Canada and projected forward the eligible subset of tradespersons and indentured apprentices by taking the average 5-year growth rate, excluding the pandemic.

To calculate the first stream, the Labour Force Survey was used to estimate the proportion of self-employed workers. Self-employed workers were removed from the eligible subset as it was assumed they would utilize tax deductions and depreciations as part of their business. Next, 2020 US census data was used to estimate the proportion of construction workers that had a car, truck or van as a means of transportation to work.

The 2016 Census published data on the straight-line distance, in kilometers, between the respondent's residence and their usual workplace. The Census grouped all individuals with a commute over 35 kilometers into a single category. Using a distributional analysis, we estimated the probability that an individual will have a commute of at least 80 kilometers, one way. This resulted in approximately 14,000 eligible commuters. Next, we assumed 232 eligible commute days. This presumed a 5-day work week with 3 weeks of vacation per year and all public Canadian holidays. The cost per kilometer travelled utilized current gas prices and was indexed to the average spot price of West Texas Intermediate (WTI) crude oil. Depreciation, parking and maintenance costs were excluded.

To estimate the cost for eligible workers that temporarily relocate, we used estimates from Canada's Building Trades Unions to determine the number of eligible workers and their average eligible expenses. An annual cost of \$4,100 was assumed and indexed to inflation. It was estimated that 10% of construction workers temporarily relocate each year.

No behavioural effects were assumed for both subsets of eligible workers.

Sources of Uncertainty

The main source of uncertainty relates to the assumptions used to determine the number of eligible workers and their average eligible expenses. A taxpayer does not qualify for the deduction if they received an allowance for these expenses from their employer or received an income tax deduction or tax credit under any other provision in the Act for the same expenses. Data on the percentage of construction workers that receive reimbursement was unavailable. We assumed costs of \$4,100 based on an estimated 6-week relocation and assumed longer relocations would receive employer paid reimbursements.

There is also uncertainty surrounding the behavioural response. There may be a behavioural response as eligible workers relocate to a residence that is 80 kilometers away from their job site or take a job that is located 80 kilometers from their ordinary place of residence. Additionally, there may be a behavioural response as eligible workers may be more willing to take assignments that require unpaid temporary relocation.

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Data Sources

Variable	Source
Number of construction workers and percent of self-employed construction workers	Statistics Canada
Percent of construction workers that use a car, truck or van as a means of transportation, including carpool	United States 2020 Census
Average commute in Canada	Statistics Canada's 2016 Census
Percentage of eligible workers who relocate for work and average eligible expenses	Canada's Building Trades Union
CPI inflation, WTI crude oil	PBO's March 2022 EFO

Variable

Effective Federal Tax Rate

SourceSPSD/M¹

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¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.