

Legislative Costing Note

Publication Date:	2022-02-03	
Short Title:	Making the Disability Tax Credit Refundable (Motion M-6, 44 th Parliament)	
Description:	Making the existing Disability Tax Credit (DTC) refundable within the meaning of the <i>Income Tax Act</i> . The applicable 2021 credit for adults is \$8,662, with an additional \$5,053 supplement for those under 18.	
Data Sources:	Variable	Source
	DTC Utilization (current program cost)	Canada Revenue Agency – DTC Statistics
	Growth rate of disability claimants	Canada Revenue Agency – T1 Final Statistics
	Individuals with a DTC certificate	Canada Revenue Agency – DTC Statistics
	Proportion of those with DTC certificates younger than 18	Canada Revenue Agency – DTC Statistics
	Tax Credit Amounts	Canada Revenue Agency – Indexation adjustment for personal income tax and benefit amounts
	Growth rate of tax credit amounts	PBO – 2021 EPC Baseline
Estimation and Projection Method:	The cost of the program is calculated as the refundable DTC, offset by eliminating the existing non-refundable DTC.	
	The savings from eliminating the existing non-refundable DTC were estimated using Canada Revenue Agency (CRA) statistics on program utilization and projected based on an average of the year-over-year growth rate from 2011 to 2020.	
	The cost of the proposed refundable DTC was estimated using CRA statistics on unique DTC certificates issued and projected based on an average of the year-over-year growth rate of T1 filings with a disability amount claimed (2009 to 2017). Amounts were estimated with the latest (2022) benefit amount and projected using CPI projections by the PBO.	
	The proportion of those with DTC certificates younger than 18 were estimated by adjusting available age-based certificate data from the CRA.	
	A behavioural response, that is, those that could potentially newly apply for a DTC certificate in response to a refundable DTC, was not assessed.	
Sources of Uncertainty:	All growth rates and adjustments used have inherent uncertainty. Changes to economic conditions leading to a different CPI rate in the future would affect amounts.	
	Current DTC payments include retroactive expenditures. Hence, the cost estimate could be higher (or lower) if the amount or distribution of retroactive payments varies.	

Cost of proposed measure

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Total cost	609	682	757	841	933

Supplementary information

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Cost of refundable DTC	2,107	2,272	2,444	2,631	2,832
Savings from eliminating the existing non-refundable DTC	(1,498)	(1,590)	(1,687)	(1,790)	(1,900)
Net cost	609	682	757	841	933

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.
- "-" = PBO does not expect a financial cost.

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