

Cost Estimate of Election Campaign Proposal

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Short title: Adoption Expense Tax Credit increase

Description: This proposal would increase the Adoption Expense Tax Credit limit from \$15,905 in 2018-2019 to \$20,000 starting in 2020-2021 and would also make it refundable. The other aspects of the Adoption Expense Tax Credit would remain unchanged.

Operating line(s): Personal income tax

Data sources:	<u>Variable</u>	<u>Source</u>
	T1 form data	Statistic Canada
	Macroeconomic data	Office of the Parliamentary Budget Officer

Estimation and projection method: The cost of the increased Adoption Expense Tax Credit limit was estimated using the Adoption Expense Tax Credit amounts that were claimed on the T1 forms for the 2012 to 2017 taxation years. Distributions of the claimed amounts have been approximated using a polynomial function of order 3. The claim amounts have been projected to account for the new limit. The estimated costs are 10% higher than the actual program costs. The resulting estimates were then projected forward based on inflation forecasts prepared by the Office of the Parliamentary Budget Officer. Since the Adoption Expense Tax Credit amount can be split between spouses and common-law partners, we assumed that the full amount of the credit is currently claimed and that there would be little impact to making the credit refundable.

Uncertainty assessment: The estimate has low uncertainty due to the relatively low number of taxpayers claiming this credit. We assumed that most of the claimed expenses were already eligible for the current form of the program. We didn't account for behavioural response.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	small	small	small	small	small	small	small	small	small

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

"small" = cost is smaller than \$500,000