

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Budget 2021. A list of the PBO's cost estimates of components of the Budget can be viewed on [its website](#).

Publication Date: 2021-06-23

Short Title: Increasing Old Age Security for Canadians 75 and Over

Description:

1. Providing a one-time taxable payment of \$500 in August 2021 to OAS pensioners who will be 75 or over as of June 2022. This will include seniors whose OAS pensions have been fully clawed back through the OAS Recovery Tax.
2. Increasing OAS payments for pensioners 75 and over by 10 per cent on an ongoing basis as of July 2022.

Data Sources:	Variable	Source
	OAS benefits	SPSD/M v. 28.0, adjusted for PBO's population projections
	Federal income tax payable	SPSD/M v. 28.0, adjusted for PBO's population projections
	Taxable income	SPSD/M v. 28.0, adjusted for PBO's population projections
	Number of individuals aged 75+	PBO
	OAS pension take-up rate (2010)	Participation in the Old Age Security program, Employment and Social Development Canada, 2016

Estimation and Projection Method: **One-time payment of \$500 in August 2021**

The total gross cost was estimated by multiplying the number of estimated eligible seniors in June 2022 by the one-time payment amount. The number of eligible seniors in June 2022 was estimated by using PBO's projection of individuals aged 75 or over in the second quarter of 2022 and multiplied by their estimated take-up rate.

10 per cent increase in OAS payments for pensioners 75 and over as of July 2022

Statistics Canada's Social Policy Simulation Database/Model (SPSD/M, version 28.0)¹ was used to estimate the impact of a 10 per cent increase in the basic OAS pension amount for the 2022 to 2025 period. For the 2026 period PBO projections were used.

For both measures, the effective tax rate for individuals aged 75 and over in SPSP/M was used to determine the personal income taxes that could be collected due to the measures.

¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSP/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.

Sources of Uncertainty: SPSD/M is a simulated database and the resulting calculations may differ from actual payments. Using SPSD/M implicitly assumes that incomes for individuals 75 and over rebound to their pre-COVID level by June 2022.

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Cost of proposed measure

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Total cost	1,405	1,527	2,154	2,293	2,437

Supplementary information

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Cost of new benefits	1,530	1,667	2,362	2,516	2,672
Personal income tax revenue	-125	-140	-208	-224	-235
Total cost	1,405	1,527	2,154	2,293	2,437

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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