Estimating the Fiscal Cost of Motion M-24: Three New Federal Personal Income Tax Brackets for High-Income Taxpayers

At the request of Member of Parliament Don Davies, the Parliamentary Budget Office (PBO) estimated the fiscal cost of motion M-24, which proposes the introduction of three new federal personal income tax (PIT) brackets for high-income tax filers. This note summarizes the impact of adding these new tax brackets over a five-year period with an implementation date of January 1, 2027. As requested, estimates include a behavioural response as well as any changes to taxes payable associated with Alternative Minimum Tax calculations.

Key Findings

> PBO estimates that introducing three new federal PIT brackets above the current top bracket, with marginal tax rates increasing by one percentage point at each threshold, will generate $4.5 billion in total net federal revenues over the 2026-27 to 2030-31 projection period after accounting for behavioural responses.

> PBO estimates that behavioural adjustments would reduce gross federal revenues from the measure of $8.7 billion by roughly $4.2 billion between 2026-27 to 2030-31, offsetting approximately 48 per cent of the gross revenue gain.

> A substantial share of projected revenues is generated from those reporting taxable income above $1 million, reflecting the current income distribution and the progressive structure of the proposal. Consequently, the estimates are sensitive to assumptions regarding behavioural responses and the income distribution within this group.

Summary

Motion M-24 proposes the introduction of three new federal personal income tax (PIT) brackets for high-income tax filers. Taxable income:

- between $500,000 and $750,000 (inclusive) would face a federal PIT rate of 34 per cent;
- between $750,000 and $1 million (inclusive) would face a federal PIT rate of 35 per cent; and,
- above $1 million would face a federal PIT rate of 36 per cent.

This report assumes an implementation date of January 1, 2027.

The Parliamentary Budget Office (PBO) estimates that, on a mechanical basis and before accounting for any behavioural response, motion M-24 would generate approximately $8.7 billion in additional federal revenues over the 2026-27 to 2030-31 projection period. This gross revenue estimate reflects the direct effect of applying the proposed tax rates and brackets to the status quo distribution of taxable income and assumes taxpayers do not change their behaviour in response to the measure.

PBO estimates behavioural responses are expected to reduce these gross revenues by approximately $4.2 billion over the same period. These responses are captured through an elasticity of taxable income (ETI) of 0.38, which is PBO's selected ETI for affected high-income individuals. In this analysis, affected taxpayers are individuals with taxable income above $500,000. The estimated behavioural response includes potential changes in labour supply, such as working fewer hours, declining promotions, bonuses or other forms of compensation, as well as tax planning and optimization strategies, including changes in the timing of income realization, reducing or deferring capital gains realizations, income shifting and other forms of taxable income adjustment.

After accounting for these projected behavioural responses, motion M-24 is estimated to generate $4.5 billion in net federal revenues over the 2026-27 to 2030-31 period. In other words, behavioural responses are projected to offset roughly 48 per cent of the motion's gross mechanical revenue gain.

The magnitude of the projected behavioural response reflects two factors. First, taxpayers affected by the proposal already face relatively high combined federal-provincial marginal tax rates, meaning that the additional tax increase further reduces the after-tax return on earning, reporting or realizing additional income. Second, the proposal primarily affects very-high-income taxpayers, who have greater opportunities

to adjust the amount and timing of taxable income through tax planning strategies. Therefore, these combined factors result in a sizeable reduction in reported taxable income, and consequently a reduction in the projected revenues generated by motion M-24.

Motion M-24 does not modify the Alternative Minimum Tax (AMT). However, by increasing regular federal income tax liabilities, the proposal would reduce the likelihood that affected high-income tax filers are subject to the AMT. PBO estimates that AMT liabilities would decline in 2027, as higher regular income tax liabilities would cause more taxpayers' regular tax to exceed their AMT liabilities. This does not reflect a reduction in total taxes payable. Rather, taxpayers would shift from paying AMT to paying higher regular income tax liabilities under the proposal. In total, the interaction with the AMT is estimated to increase net federal revenues by $596 million in 2027.

Since AMT paid can generally be carried forward for up to seven years and claimed against future regular income tax liabilities, lower AMT payments today may reduce the stock of available AMT carryover, potentially increasing federal revenues in later years.[1]

As requested, this report also examines the distributional impacts of motion M-24 across taxable-income groups for the 2027 calendar year. The distribution of revenues reflects the interaction of the proposal’s progressive rate structure and the behavioural responses incorporated in the estimates. Consequently, the proposed 36 per cent tax bracket generates the largest share of net revenues under Motion M-24. This reflects both the larger amount of taxable income above the $1 million threshold and the fact that taxpayers with incomes above $1 million are subject to all three proposed tax brackets.

Of note, the current PBO estimate does not incorporate broader international mobility effects, such as individuals relocating abroad or changes in immigration decisions. To the extent that such responses were to occur and are not captured by the assumed ETI, actual revenues could be expected to be lower than presented here.

Finally, the PBO estimate does not calculate potential reductions in provincial and territorial revenues from personal income tax that would relate to changes in labour supply or other strategies to adjust taxable income by high-income earners in response to the federal tax bracket change.

Background

Motion M-24 proposes the introduction of three additional federal personal income tax (PIT) brackets for high-income tax filers.[2] Under current law, taxable income above $258,482 in 2026 is subject to a federal marginal tax rate of 33 per cent.[3] Motion M-24 would maintain the existing rate structure up to $500,000 and introduce three new brackets above that threshold, effective January 1, 2027. Accordingly, the proposed income thresholds were indexed from 2027 and onwards using consumer price index projections consistent with the PBO's Economic and Fiscal Outlook.[4] Table 1 presents the changes proposed in the motion.

PBO estimates the proposed thresholds correspond to very high percentiles of the taxable-income distribution. In 2027, tax filers with taxable income above $500,000 are roughly associated with the top 0.3 per cent of tax filers.[5]

Table 1

Motion M-24 proposed changes to federal personal income tax brackets and rates, 2027

Taxable Income ($)	Existing rate (%)	M-24 proposed rate (%)
Up to 59,541	14	14
59,541 to 119,081	20.5	20.5
119,081 to 184,597	26	26
184,597 to 262,979	29	29
262,979 to 500,000	33	33
500,000 to 750,000	33	34
750,000 to 1,000,000	33	35
Above 1,000,000	33	36

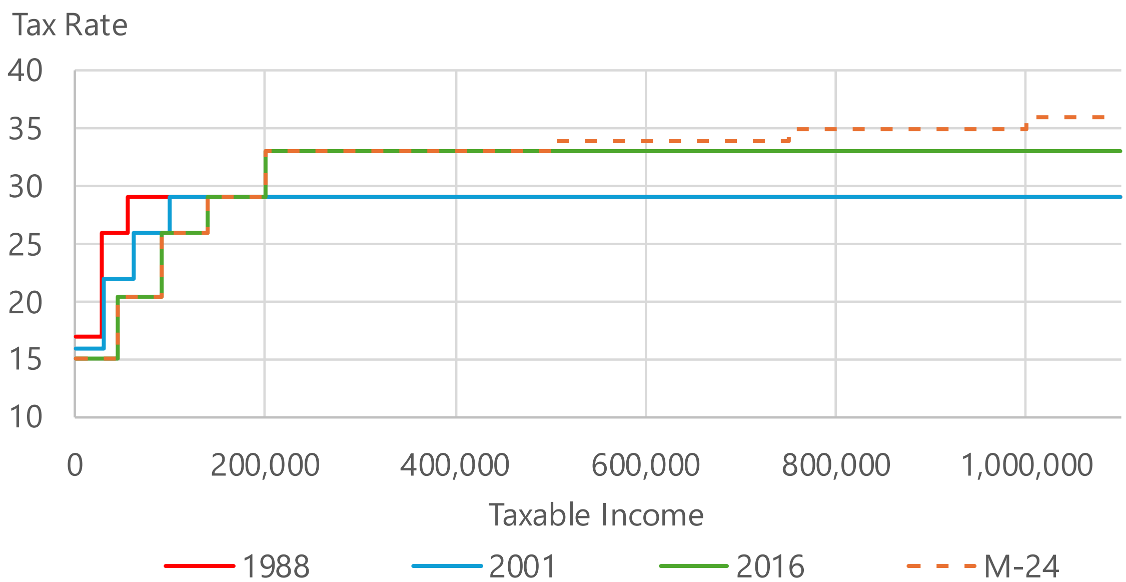
Source:
Parliamentary Budget Office, SPSD/M, Motion M-24.

Canada's federal PIT system has undergone several changes over the past six decades (Figure 1). In 1960, there were 17 federal tax brackets with marginal tax rates as high as 80 per cent.[6] By 1988, the number of tax brackets was reduced to three with a maximum federal tax rate of 29 per cent. Subsequent reforms increased the number of brackets to four in 2001 and five in 2016 when Bill C-2 (42-1) introduced the current rate of 33 per cent on taxable income above $200,000.[7]

Motion M-24 would represent a further expansion on that structure by introducing three additional tax brackets for taxable income above $500,000. If implemented, the number of federal tax brackets would increase from five to eight.

Figure 1

Historical federal PIT brackets and marginal tax rates



Source:

Various historical income tax packages from Canada Revenue Agency. Proposed tax brackets under Motion M-24.

Note:

Tax brackets are in nominal dollars.

Past research within Canada and internationally has shown that estimating revenues from changes to personal income requires more than a mechanical calculation of gross revenues generated on the status quo distribution of taxable income. Specifically, estimates of revenues should account for anticipated changes to reported taxable income in response to changes in tax. These are referred to as behavioural responses. PBO's report Costing personal income tax changes: the role of the elasticity of taxable income summarizes key aspects of this wider research, which informs the analysis in this report of potential behavioural responses associated with Motion M-24 (see "The Behavioural Response Explained").

The Behavioural Response Explained

Past research on income response to tax changes has shown that decisions about earning additional income and tax planning are influenced by the marginal tax rate (MTR), which is the tax rate that applies to the next dollar earned. In this way, analysis of new tax measures will typically focus on income levels most affected by new changes at the margin.

For example, a taxpayer with $800,000 of taxable income in 2027 would pay the proposed 34% rate on income between $500,000 and $750,000. However, because their income exceeds $750,000, any additional income they earn above $750,000 would be taxed at 35%. As a result, research has shown behavioural responses tend to be motivated by the 35% MTR, not the 34% rate.

A taxpayer's MTR can also depend on a wider range of idiosyncratic factors such as the type of income earned, deductions, and tax credits. Accordingly, two taxpayers with the same income may face different MTRs.

The elasticity of taxable income (ETI) measures how reported taxable income changes when the after-tax reward from earning additional income changes. PBO has selected an estimated ETI of 0.38 for this analysis, which implies that a 1% decrease in the after-tax reward from earning additional income results in a 0.38% decrease in reported taxable income.

In this analysis, estimated changes in MTR are combined with the ETI to estimate how taxpayers may adjust their reported taxable income in response to Motion M-24. These adjustments reduce the revenues that would otherwise be generated by the proposed tax increases and inform how tax filers respond to changes in federal personal income tax rates.

Gross and Net Fiscal Impact

PBO estimates that the mechanical effect of increasing federal marginal tax rates on higher levels of income, referred to as gross revenues, would raise $8.7 billion over the combined 2026-27 to 2030-31 projection period. The mechanical effect represents the increase in taxes payable, based on status quo distribution of taxable income, before accounting for behavioural responses. The projected behavioural response is estimated to roughly cut those revenues in half, resulting in net federal revenues of $4.5 billion over the projection period (Table 2).

Table 2
Annual net federal revenues from Motion M-24, millions ($)

Fiscal Year	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	5-year Total
Gross Revenues	469.0	1,901.6	2,004.8	2,112.9	2,227.7	8,716.0
Behavioural Response	-226.6	-916.6	-959.2	-1,008.4	-1,063.3	-4,174.1
Net Revenues	242.4	984.9	1,045.6	1,104.5	1,164.4	4,541.8

Source:

Parliamentary Budget Office, SPSD/M, Canada Revenue Agency IR0791.

Note:

Gross revenues represent the mechanical effect of the proposed tax rate increases on federal revenues, before accounting for any behavioural responses by taxpayers. Net revenues incorporate both projected behavioural responses and the estimated interaction with the AMT.

What is included in an Elasticity of Taxable Income?

In response to changes in marginal tax rates, tax filers have been observed to reduce their reported taxable income through a variety of channels. Some responses may involve changes in labour income, such as reducing hours worked, self-employment salaries or wages, or potentially declining bonuses, promotions or taxable benefits – noting that influencing lump sum payment amounts are less accessible for most salaried individuals compared to self-employed individuals or contract employees.

Other responses may include changes in the timing or realization of income. For instance, tax filers may defer capital gains, reduce taxable investment income, or engage in additional tax planning (such as increasing transferrable tax credit amounts to eligible spouses or dependents, splitting a greater amount of pension income, investing in spousal RRSPs, or other strategies that reduce reported taxable income).

The ETI is intended to capture the combined effect of all such responses. Most empirical studies estimate the relationship between changes in MTRs and changes in reported taxable income, without distinguishing the specific channel through which the adjustment occurs. As a result, the ETI should be interpreted as a measure of the overall responsiveness of taxable income to changes in tax rates.

Additionally, the ETI is often estimated using aggregate data and should be interpreted as an average behavioural response. Applying a single ETI of 0.38 for example, across the income distribution is a simplifying assumption that assumes all income groups have the same proportional responsiveness to changes in tax rates. This does not imply that every taxpayer responds identically. Rather, actual responses within each income group will vary around this average of 0.38 – with higher earnings usually observed to have higher ETIs.

Distributional Analysis

PBO examined the distributional impacts of motion M-24 across taxable-income groups for the 2027 calendar year using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). PBO adjusted several income, deduction and tax credit variables in the unadjusted model to align more closely with relevant recent aggregate figures provided by the Canada Revenue Agency (CRA) by taxable income group.[8]

The proposed 34, 35 and 36 per cent tax brackets are estimated to generate approximately $226 million, $141 million and $1,509 million in gross federal revenues, respectively. After accounting for behavioural responses, which are attributed to the highest proposed tax bracket applicable to each taxpayer and accounting for the number of such tax filers, the proposed 34, 35 and 36 per cent tax brackets are estimated to generate approximately $122 million, $28 million and $820 million in net federal revenues, respectively. Overall, PBO estimates that Motion M-24 would increase annual federal revenues by $970 million on a net basis in taxation year 2027 (Table 3).

Table 3

Net Federal Revenues Generated, by Proposed Tax Bracket, 2027 tax year, millions ($)

Tax Bracket	34 per cent*	35 per cent	36 per cent	Total
Gross Revenue	226	141	1,509	1,876
Behavioural Response**	-104	-113	-689	-906
Net Revenue	122	28	820	970

Source:
Parliamentary Budget Office, SPSD/M, Canada Revenue Agency IR0791.

Note:
* The entire impact of adding three new tax brackets on individuals with income $500,000 or less (through family-level tax optimization) was allocated to the impact of adding the proposed 34 per cent tax bracket for illustrative purposes.

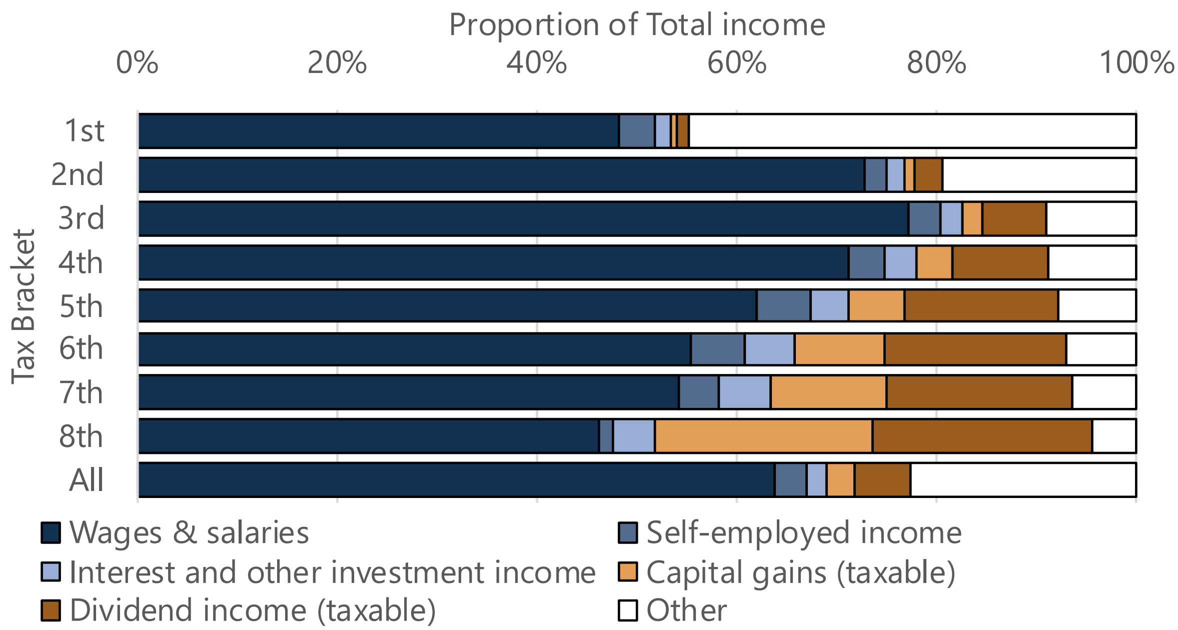
** Behavioural responses are attributed to the highest proposed tax bracket applicable to the taxpayer's income. Consequently, taxpayers with taxable incomes above the upper threshold of a proposed bracket are not assumed to exhibit a behavioural response to that bracket. For example, tax filers with taxable incomes greater than $750,000 in 2027 are not assigned a behavioural response to the proposed 34 per cent rate, while tax filers with incomes greater than $1 million in 2027 are not assigned a behavioural response to the 35 per cent rate. Revenues are allocated across proposed tax brackets for illustrative purposes and do not represent a unique decomposition of behavioural responses in a progressive tax system.

The relatively larger results for the proposed 36 per cent bracket reflect both the larger tax base observed at very high-income levels (reflecting the number and the income of filers in each tax bracket) and differences in the composition of income across taxpayer groups. Taxpayers in the proposed 34 and 35 per cent brackets derive a smaller share of their income from preferentially taxed sources – such as capital gains and dividends – and therefore face slightly higher effective marginal tax rates than taxpayers with taxable incomes above $1 million (Figure 2).[9] Additionally, the size of the tax base subject to the proposed 34 and 35 per cent rates – a combination of the number of tax filers with income in these brackets and the amount of their income that lies within the bracket – is relatively small (approximately 1 per cent in 2027), compared with approximately 3 per cent of total taxable income that is subject to the proposed 36 per cent rate.

Furthermore, taxpayers with taxable incomes above $1 million are subject to all three proposed tax brackets and therefore contribute revenues through the proposed 34, 35 and 36 per cent rates. As a result, revenues generated by a tax bracket are not attributable solely to taxpayers whose incomes fall within that range. The gross revenue gain from the highest tax rate applied accounts for the largest share of net revenues generated by the proposal.

Figure 2

Composition of Total Income for Income Tax Calculations, 2027



Source:

Parliamentary Budget Office, SPSD/M, Canada Revenue Agency IR0791.

Note:

Other represents the residual portion of total income not included in the categories shown. It may include pension income, rental income, trust and partnership income, government transfers, foreign income and other miscellaneous taxable income.

PBO estimates that approximately 133,000 tax filers would be affected by Motion M-24 in the 2027 tax year (Table 4). Motion M-24 also affects roughly 3,100 taxpayers outside the proposed new tax brackets.[10]

Table 4

Number of Impacted Tax Filers by Taxable-Income Group, 2027 tax year

Taxable Income ($)	500,000 or less	500,000 – 750,000	750,000-1,000,000	More than $1 million	Total
Number of Tax Filers	3,100	66,900	24,800	38,300	133,100

Source:

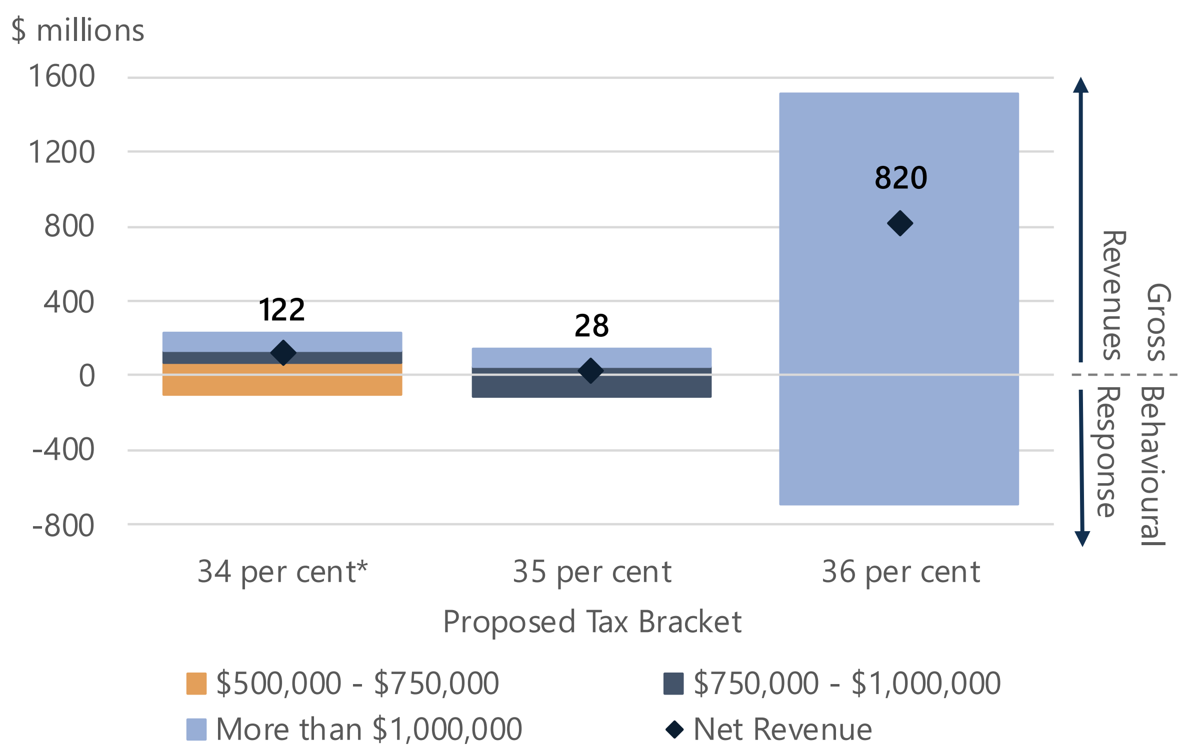
Parliamentary Budget Office, SPSD/M, Canada Revenue Agency IR0791.

The small increase in taxes payable among taxpayers with incomes below $500,000 does not arise from direct exposure to the proposed tax brackets. Rather, it reflects the family-level behavioural responses that are consistent with past responses to tax increases and as simulated in SPSD/M. High-income tax filers may respond to higher tax rates through income shifting or other tax optimizing strategies, causing some of the tax burden to be redistributed within the family unit.[11]

As requested, PBO prepared detailed distributional analysis examining the impact of motion M-24 on the high-income tax filers affected. Figure 3 illustrates the behavioural response specific to the tax filers subject to their respective tax bracket.

Figure 3

Net revenues for each proposed tax bracket, by taxable income, 2027, $ millions



Source:

Parliamentary Budget Office, SPSD/M, Canada Revenue Agency IR0791.

Note:

* The entire impact of adding three new tax brackets on individuals with income $500,000 or less (through family-level tax optimization) was allocated to the impact of adding the proposed 34 per cent tax bracket for illustrative purposes.

Estimation and Projection Method

This analysis used version 34.0.1 of Statistics Canada's Social Policy Simulation Database and Model (SPSD/M).[12] To improve the representation of high-income tax filers, PBO adjusted several income, deduction and tax credit variables in the 2022 SPSD/M database to align more closely with recent, relevant aggregates provided by the Canada Revenue Agency (CRA) by taxable income group.[13] This improved the accuracy of tax information for high-income tax filers. As an accuracy check, PBO compared results from simplistic calculations on Statistics Canada's 2022 Longitudinal Administrative Database (LAD), which are based on actual tax-filer data; results were not materially different from those contained in this report.[14]

PBO first calculated the mechanical impact of introducing the proposed three new tax brackets under motion M-24 and the associated marginal tax rates. For each projection year, the new tax bracket thresholds were indexed using PBO's consumer price index projections from the Economic and Fiscal Outlook.[15]

PBO calculated the combined federal-provincial marginal tax rates (MTRs) for affected taxpayers.[16] MTRs were estimated by increasing market income by $100 and measuring the resulting change in federal and provincial income taxes payable under both the current tax system and the proposed structure of motion M-24.[17]

The estimated MTRs for affected taxpayers measured roughly 0.5 – meaning roughly 50 per cent of an additional dollar earned would be paid in taxes – in all projection years. Higher marginal tax rates may induce taxpayers to adjust their reported taxable income through a variety of channels, including changes in the timing of income realization, tax-planning activities, income shifting or other adjustments that reduce taxable income.

To account for these effects, PBO estimated the behavioural change using an elasticity of taxable income (ETI) of 0.38 in combination with estimated MTRs. This elasticity is PBO's preferred value for high-income individuals and is in-line with the literature and other organizations that use ETIs to evaluate tax policy.[18] It is considered a short-term elasticity, aligning with PBO's typical five-year projection horizon, which can be different than what may occur over the long-term.

PBO applies the same ETI to all taxpayers affected by the proposed new tax brackets. However, the actual ETI for each of these specific income groups could vary, usually increasing with income.

Finally, this ETI captures the combined effects of behavioural responses that reduce reported taxable income, but does not explicitly model specific channels such as migration, interprovincial mobility or international relocation decisions.[19] Similarly, the analysis does not separately estimate any increase in tax evasion that could result from higher marginal tax rates. Neither did we calculate the implications of any behavioural responses by high income earners to federal tax changes for tax collections by provincial and territorial governments who also rely on personal income tax for significant shares of their revenue bases.

As SPSD/M version 34.0.1 only projects up to calendar year 2030, gross revenues for 2031 were projected by applying the compound average annual growth rate observed between 2027 and 2030 to the 2030 gross revenues. To project the behavioural response, PBO used the average proportion of the behavioural to gross (mechanical) revenue ratio from 2027-2030 and applied it to the newly projected 2031 gross revenue value.

Lastly, to ensure consistency with PBO's Economic and Fiscal Outlook PIT revenue projections, estimates were adjusted to reflect the difference between SPSD/M baseline PIT revenues and PBO's projections. This adjustment was applied proportionately to gross revenues, behavioural effects and net revenues.[20]

Since motion M-24 would increase the regular tax liability, the number of tax filers subject to the AMT – a parallel tax calculation designed to ensure high-income earners pay a minimum amount of income tax – are estimated to decline. PBO used the calibrated SPSD/M to estimate this reduction in AMT. Since AMT paid can generally be carried forward for up to seven years and claimed against future regular income tax liabilities, lower AMT payments today may reduce the stock of available AMT carry-forward, thereby potentially increasing federal revenues over the medium term. This potential reduction in future AMT credits claimed against regular income tax payable was not incorporated in PBO's estimates.

If the changes proposed in motion M-24 were announced in advance, the short-term behavioural response would likely be different whereby some high-income individuals have time to shift some income forward to take advantage of the current tax structure offering relatively lower tax rates. This is referred to as forestalling and was observed in 2015 following the announcement and subsequent implementation of the new 33% tax bracket on incomes above $200,000.[21] Taxable income would be lower the following year, reducing the amount of revenues that may have otherwise been captured had the announcement not preceded the implementation. This potential behavioural response was not incorporated in these estimates.

Together, these factors lend to some uncertainty around the annual profile of projected federal PIT revenues under the tax structure proposed in motion M-24.

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Notes

[1] SPSD/M does not dynamically model changes in the use of AMT carry-forward credits. As a result, carry-forward balances remain unchanged in this analysis, despite the potential for lower AMT liabilities under Motion M-24 to reduce the stock of credits available for future use. Consequently, taxes payable under the proposal may be overstated in year one, but understated in the following years, adding uncertainty to the cost estimate of motion M-24.

[2] M-24 Federal income tax brackets 45th Parliament, 1st Session

[3] Canada Revenue Agency, Current year tax rates and income brackets (2026) - Personal income tax - Canada.ca. Accessed August 11, 2026.

[4] Economic and Fiscal Outlook – June 2026

[5] PBO used the calibrated SPSD/M to rank observations by their taxable income for 2027. Based on these estimates, taxpayers with taxable incomes above $500,000, $750,000 and $1 million are approximately in the top 0.3 per cent, 0.2 per cent and 0.1 per cent of tax filers, respectively.

These estimates are broadly consistent with 2022 results from Statistics Canada. Table 11-10-0056-01 High income tax filers in Canada, specific geographic area thresholds which shows the 1 per cent group threshold for total income including capital gains was a little over $300,000 in 2022; the 0.1 percent group threshold was a little over $900,000.

[6] Dominion Bureau of Statistics, "Principal Taxes and Rates: Federal, Provincial and Selected Municipal Governments, 1960". Catalogue 68-201. CS68-201-1960-eng.pdf Accessed July 14, 2026.

[7] For all rates and brackets since 1985 see: Canada Revenue Agency, All personal income tax packages - Canada.ca. Accessed July 14, 2026.

[8] This improved the accuracy of tax information for high-income tax filers. While still a simulated database, PBO results produced from simplistic calculations on Statistics Canada's 2022 Longitudinal Administrative Database (LAD), which are based on actual tax-filer data, are not materially different from those contained in this report.

The adjustments applied to SPSD/M to improve the representation of high-income tax filers are described in the Estimation and Projection Method section.

[9] Unlike employment or other sources of income that face the tax filers' marginal tax rate, only 50 per cent of capital gains are subject to income tax. Eligible dividends are also taxed at a lower effective marginal tax rate than employment income because federal and provincial dividend tax credits partially offset personal income tax otherwise payable on dividend income, reflecting corporate income taxes previously paid on the underlying earnings.

[10] A threshold limit was applied to counts of affected tax filers with taxable income below the new tax brackets, whereby the change in federal taxes payable had to exceed +/-$100. These counts are shown in Table 4.

[11] In the case of SPSD/M, pension income may be allocated to a spouse or dependent, thereby shifting taxable income from a higher-income filer to a family member in a lower tax bracket. This can reduce the increase in federal taxes payable of the family relative to a scenario with no tax optimization.

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

results were prepared by the Parliamentary Budget Office and the responsibility for the use and interpretation of these data is entirely that of the PBO.

[13] Data from CRA was provided for a previous PBO project, Budget 2024 Update to the Alternative Minimum Tax, via Information Request IR0791.

[14] PBO's preferred approach would have been to model personal income taxes directly on administrative tax-filer data from Statistics Canada's Longitudinal Administrative Database (LAD). Due to delays in accessing the variables required to complete this analysis, PBO relied on SPSD/M and calibrated the underlying data to CRA aggregates. Nonetheless, additional validation against results from simplistic calculations based on the LAD supports this calibrated SPSD/M approach.

[15] Economic and Fiscal Outlook– June 2026

[16] Since tax filers subject to AMT face a set marginal tax rate of 20.5 per cent, the behavioural response estimation excluded these tax filers.

[17] The $100 shock to market income was allocated to each major source based on the share of total market income they represented. For example, if capital gains represented 20% of a tax filer's market income, their capital gains would be increased by $20.

[18] Behavioural responses may vary across income groups and tax rates. See PBO Costing personal income tax changes: the role of the elasticity of taxable income.

[19] TD Economics - Canada's Silent Brain Drain suggests an outflow of highly skilled workers, graduates and entrepreneurs in favour of higher wages and lower personal income tax rates in the United States.

[20] For further clarification, the calibration to CRA data involved unique adjustments to several tax variables for tax filers with different levels of taxable income, improving the distribution of the underlying tax data, whereas this final adjustment is applied uniformly and provides a level shift.

[21] See PBO, Revisiting the Middle Class Tax Cut, 2019 for more information.

Errata Log

2026-09-24, 09:00 a.m.	Publication
2026-09-24, 12:03 p.m.	In the Distributional Analysis section, the reported share of total taxable income subject to the proposed 36 per cent tax bracket contained an error. The correct figure is 3 per cent of total taxable income.

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