

Tuition grant for persons with a Disability Tax Credit certificate



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This private member's bill proposes amending the *Income Tax Act* and the *Canada Student Financial Assistance Act* so that students enrolled in a designated post-secondary educational institution with a Disability Tax Credit (DTC) certificate will receive a grant equal to their annual tuition fees. It is assumed that the bill will be effective August 1, 2022, the start of the 2022-23 loan year.

5-Year Cost

\$ millions	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Total cost	95	84	73	73	77	402

Detailed 5-Year Cost

	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Cost	99	108	117	127	141	591
Cost recovery	-3	-24	-44	-54	-64	-189
Total cost after recovery	95	84	73	73	77	402

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.
- Totals may not add due to rounding.

Estimation and Projection Method

The cost of the proposed bill was determined by multiplying the estimated number of students with a Disability Tax Credit (DTC) certificate by the average tuition fees in 2018-19. The total cost was adjusted based on potential savings resulting from the effective decrease in Canada Student Loans issued, and the consequential decrease in the amount of the Tuition Tax Credit claimed by individuals receiving the proposed grant.

The number of post-secondary students with a DTC certificate was estimated based on the prevalence of DTC certificate holders in the general population, adjusted for an assumed lower take-up of the program.ⁱ These proportions were then applied to the number of domestic students that were enrolled in postsecondary institutions in 2018-19, by age.ⁱⁱ This number was grown based on PBO's projection of post-secondary enrolment.

Average tuition fees of full-time students and part-time students receiving the Canada Student Grant for Students with Permanent Disabilities (CSG-PD) from 2014-15 to 2018-19 were assumed to be representative of the student population with a DTC certificate.ⁱⁱⁱ The weighted-average tuition fees of full-time and part-time students receiving the CSG-PD was used and projected forward using the historical relationship between the tuition fees of those receiving the CSG-PD and on PBO's projection of tuition fees.

The PBO Student Financial Assistance Model was used to estimate the net expense of the Canada Student Financial Assistance Program under current policy parameters and the impact of the proposed grant.

The stock of unused Tuition Tax Credits was projected prior to the proposed policy, using the stock of unused credits in 2013, as well as the number of persons claiming both the DTC and the Tuition Tax Credit and their Tuition Tax Credit amounts. This was grown based on PBO's projection of enrolment and tuition fees. To estimate anticipated savings from the consequential decrease in the amount of the Tuition Tax Credit claimed, the stock was gradually depleted based on Finance Canada's expenditure estimates of previously eliminated education credits (Education Tax Credit and the Textbook Tax Credit; eliminated on January 1, 2017).

Sources of Uncertainty

The main source of uncertainty for this estimate is the number of students who may be eligible for the DTC and not claiming the credit due to low tax payable and accessibility barriers^{iv}.

A behavioural response for enrolment was incorporated, however there is uncertainty surrounding its magnitude related to the prevalence of DTC certificates amongst the student population differing than that of the general population.^v Additionally, the actual take-up rate of the tuition grant could differ than the one assumed.

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Data Sources

Variable	Source
Disability Tax Credit Statistics	Canada Revenue Agency
Postsecondary enrolment, tuition and other fees	Statistics Canada
Postsecondary enrolment of students over the age of 40	28.0 SPSPD/M ^{vi} , and University of British Columbia
CSFA Program administrative data	Graduate Level Students (1991-2020), by age
Total value of the stock of unused Tuition, Education and Textbook Tax Credits, 2010 and 2013	Employment and Social Development Canada
Disability Tax Credit, Tuition Tax Credit, Education Tax Credit, Textbook Tax Credit and Student Loan Interest Credit	Statistics Canada ^{vii}
Tax filers claiming the Disability Tax Credit and the Tuition Tax Credit, 2012-2017	Finance Canada
	Canada Revenue Agency

ⁱ It is assumed that in the first year less eligible students would apply for the grant. Over the projection horizon, the take-up rate is assumed to increase as more students could become aware of the grant.

ⁱⁱ Statistics Canada's PSIS doesn't provide the distribution of students 40 years and over, whose prevalence of a DTC certificate increases with age. To estimate this population, their 2018 distribution in Statistics Canada's Social Policy Simulation Database and Model (SPSD/M, version 28.0) was used in conjunction with their distribution in University of British Columbia's graduate level enrolments.

ⁱⁱⁱ To receive the CSG-PD, students must first demonstrate financial need. Given that, individuals with disabilities are more likely to be living in poverty as defined by the Market Basket Measure (MBM). The average tuition fees of students receiving the CSG-PD are assumed to be representative of the average tuition fees of students with a DTC certificate. For more on the profile of Canadians with disabilities please see: <https://www150.statcan.gc.ca/n1/en/pub/89-654-x/89-654-x2018002-eng.pdf?st=Soq7cU21>.

^{iv} For more information on the accessibility of the Disability Tax Credit please see: <https://www.canada.ca/content/dam/cra-arc/corp-info/aboutcra/dac/dac-report-en.pdf>.

^v Individuals with severe disabilities are less likely to attend post-secondary education. For more information please see: <https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2019005-eng.htm>.

^{vi} This analysis is based, in part, 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.

^{vii} PBO custom tabulation from T1 Family File. For additional information please see: <https://www.pbo-dpb.ca/en/publications/LIBARC-1617-308--federal-spending-on-postsecondary-education--depenses-federales-pour-leducation-postsecondaire>.