



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Cost Estimate of Election Campaign Proposal

Publication Date:	September 2021						
Short Title:	Doubling the Northern Residents Deduction						
Description:	Doubling of the residency amount (basic and additional) of the Northern Residents Deduction, to begin January 1, 2022. No change will apply to the deduction for travel benefits. Basic amount in Zone A (B) to increase from \$11/day (\$5.50/day) to \$22/day (\$11/day). Additional amount in Zone A (B) to increase from \$11/day (\$5.50/day) to \$22/day (\$11/day).						
Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
	Total cost	46	153	155	155	157	666
Notes:	<ul style="list-style-type: none">· Estimates are presented on an accrual basis as would appear in the budget and public accounts.· A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).· "-" = PBO does not expect a financial cost.						
Estimation and projection method:	Given historical Northern Residents Deduction (NRD) claims data, PBO projected the number of claims forward based on population growth from the EPC baseline. PBO estimated the breakdown of claims by Zone A and B using the population in the prescribed zones. PBO assumed the residency deduction will continue to not exceed 20 per cent of net income. Increases in claim values for both zones were approximated based on estimated net income and used to determine the potential impact to Personal Income Tax (PIT) expenditures. A behavioural response was not incorporated.						
Source of Uncertainty:	The main sources of uncertainty relate to the proportion of individuals in each zone, as well as the distribution of net incomes and claim values within zones.						
Data Sources:	Variable					Source	
	Projected population growth					PBO EPC baseline	
	Population by Census subdivision					Statistics Canada	
	Places located in prescribed zones					Canada Revenue Agency	
	T1 final statistics					Canada Revenue Agency	
	Tax expenditure estimates and projections					Canada Revenue Agency	