



OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER

BUREAU DU
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2011 Reference Tables for Tax Expenditure Distributional Analysis

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www.parl.gc.ca/pbo-dpb

The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, the estimates and trends in the national economy.

Key Points of this Note:

- Federal revenue and tax-related questions are among the most common questions posed by parliamentarians.
- Using public data from the Canada Revenue Agency (CRA), the PBO has prepared distribution tables outlining the frequency and size of tax expenditure use for individuals (<http://www.parl.gc.ca/PBO-DPB/FederalExpenditure.aspx?Language=E>).
- It is expected that these tables could provide a resource for parliamentarians to better understand some aspects of tax expenditures.

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1. Overview

The Parliamentary Budget Officer (PBO) receives many requests pertaining to the potential impacts arising from adjustments to the federal tax system, including establishing or amending federal tax expenditures. Tax expenditures are the credits, deductions and exemptions designed to encourage specific types of behaviours (e.g. physical activity through the Child Fitness Tax Credit).

To address some of these requests, the PBO has prepared five summary tables that outline the total frequency and value of claims by various income groups, as well as the corresponding provincial distribution of these claims (Figure 1-1). The tables are posted among the research links of the PBO Web site: <http://www.parl.gc.ca/PBO-DPB/FederalExpenditure.aspx?Language=E>

The tables were prepared using the Canada Revenue Agency's (CRA's) Interim T1 Statistics from 2011.¹ As noted by the CRA, this data set is based on personal income returns that were processed for the tax year two years prior to year of publication (e.g. the 2011 data analyze returns from the 2009 tax year, which generally had to be filed by the end of April 2010).²

The PBO data tables contain a small subset of the CRA data, and are intended to provide parliamentarians with a starting point to broadly assess the distributional impact of amending the scope of existing tax expenditures. They may also provide a framework for assessment of various proposals that may emerge through legislative pre-budget consultations.

Figure 1-1

Questions Answered By Each Table

Table 1	How many T1 filers claim each tax expenditure and how much do they claim?
Table 2	How many T1 filers in each income groups claim various tax expenditures?
Table 3	What are the shares of tax expenditure claims by each income group?
Table 4	How many T1 filers in different provinces and territories claim various tax expenditures?
Table 5	What are the shares of tax expenditure claims by each province and territory?

2. Examples

Several examples are provided to demonstrate the practical use of the tables.

Example 1: How many T1 filers claimed the Public Transit Tax Credit for the 2009 tax year?

As indicated in Table 1: *Overall Claim Frequency and Values*, approximately 1.5 million Canadians claimed the Public Transit Tax Credit for the 2009 tax year. The total value of claims was slightly higher than \$1 billion, with an average claim value of roughly \$700.

¹ <http://www.cra-arc.gc.ca/gncy/stts/gb09/pst/ntrm/menu-eng.html>. Accessed November 2011.

² As noted by the CRA, the interim statistics are preliminary and are based on approximately 97% of all returns filed.

Example 2: How many T1 filers with total assessed income of over \$100,000 claimed the Public Transit Tax Credit for the 2009 tax year?

As indicated in Table 2: *Distribution of Claim Frequency by Total Assessed Income*, approximately 70,000 individuals with total assessed income between \$100,000 and \$150,000 claimed the Public Transit Tax Credit in the 2009 tax year, and a further 30,000 with total assessed income above \$150,000 made a similar claim. In sum, these 100,000 individuals represent approximately 7 per cent of total claims.

Example 3: What was the value of Public Transit Tax Credit Claims among T1 filers with total assessed income over \$100,000 for the 2009 tax year?

As indicated in Table 3: *Distribution of Claim Value by Total Assessed Income*, individuals with total

assessed income between \$100,000 and \$150,000 made total Public Transit Tax Credit claims of approximately \$66 million in the 2009 tax year, and those with total assessed income above \$150,000 made total claims of approximately \$27 million. In sum, this \$93 million represents approximately 9 per cent of total claims.

Example 4: How many T1 filers from Ontario claimed the Public Transit Tax Credit for the 2009 tax year?

As indicated in Table 4: *Distribution of Claims by Province*, individuals resident in Ontario made over 558,000 claims in 2009. This represents approximately 38 per cent of the total claims made across Canada, and is generally consistent with Ontario's share of the national population.