

# Legislative Costing Note

Publication Date:	2021-08-09	
Short Title:	Tax credit for recent graduates working in a designated region (Bill C-295)	
Description:	Introducing a tax credit of up to \$3,000 per year, to a maximum cumulative amount of \$8,000, for recent graduates working in a designated region. <sup>1</sup> The designated regions are usually rural or remote. The tax credit will be available beginning in 2021.	
Data Sources:	Variable	Source
	Population by region	Census 2016
	Number of people with a recognized degree by region and age group	Census 2016
	Number of post-secondary graduates per year	Post-secondary Student Information System
	Target population growth	Post-secondary Student Information System
	Detailed tax statistics – Tax credit for recent graduates working in remote resource regions	Personal tax statistics – Quebec Ministry of Finance
	Average federal income tax	SPSD/M 28.0 <sup>2</sup>
Estimation and Projection Method:	<p>The 2016 census was used to identify the target population that could potentially claim the tax credit, in other words, the population living in designated regions with a recognized degree. Data on the number of new graduates per year were then used to identify the proportion of the target population who graduated in the past 24 months. The estimated number of people who will be eligible to claim the tax credit was further reduced by calibrating the results on the detailed tax statistics from a similar tax credit in Quebec.<sup>3</sup> Target population growth over the projection period was calculated using PBO population projections as well as historical growth in the number of new graduates.</p> <p>The average tax credit claimed by eligible individuals was also estimated. Given that the maximum credit an individual can claim is \$3,000 per year and the cumulative limit is \$8,000, the tax credit can be claimed in full over a minimum period of three years. Furthermore, based on calculations and data taken from SPSP/M 28.0, the PBO assumed that some groups of individuals will take, on average, up to five years to claim the tax credit. As a result, it has been estimated that, on average by age group and province, the tax credit will be claimed over a period ranging from three to five years.</p>	

<sup>1</sup> For additional details, please consult [Private Member's Bill C-295 \(43-2\) - First Reading - An Act to amend the Income Tax Act \(recent graduates working in a designated region\) - Parliament of Canada](#)

<sup>2</sup> This analysis is based in part on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the results of the SPSP/M were prepared by the Office of the Parliamentary Budget Officer (PBO), and responsibility for their use and interpretation rests with PBO.

<sup>3</sup> For additional details, please consult <https://www.revenuquebec.ca/en/citizens/tax-credits/tax-credit-for-recent-graduates-working-in-remote-resource-regions/>.

Aggregate Results:	The PBO estimates that the cost will peak at \$129 million in 2023-24. It will then decrease slightly over the next two years before reaching a steady state in 2025-26. It will then grow at the same rate as the target population. <sup>4</sup>
Sources of Uncertainty:	<p>There is inherent uncertainty in how the target population was identified. Indeed, because of the data available, it is impossible to know exactly how many individuals living in a designated region have graduated with a recognized degree in the past 24 months. In addition, the data used are from 2016.</p> <p>The behavioural response was partially captured by the calibration using the similar tax credit in Quebec, but it was not explicitly modeled by the PBO. This adds a degree of uncertainty given that population growth in the designated regions could be higher as a result of the implementation of that tax credit. Potential interaction effects with other tax credits, such as the tuition tax credit, were not considered.</p>
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## Cost of proposed measure

\$ millions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Total cost	16	74	107	129	122

## 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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<sup>4</sup> This is due to the fact that, based on PBO assumptions, the total tax credit will be claimed over a period ranging from three to five years and that more individuals will claim the tax credit for the first time in 2021 than in subsequent years. The PBO estimates that the individuals who claim the tax credit for the first time in 2021 will have graduated in 2021 or 2020, while those who claim it for the first time in 2022 will have graduated in 2022, and so on.