



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

# Legislative Costing Note

Announcement date: 2020-06-05

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Short title: Special payment to Disability Tax Credit certificate holders

Description: Introducing a one-time, tax-free payment to individuals who are certificate holders of the Disability Tax Credit (DTC) as of 1 June 2020. Payments will be equivalent to:

- (a) \$600 for Canadians with a valid DTC certificate;
- (b) \$300 for Canadians with a valid DTC certificate and who are eligible for the Old Age Security (OAS) pension; and
- (c) \$100 for Canadians with a valid DTC certificate and who are eligible for the OAS pension and the Guaranteed Income Supplement (GIS).

Data sources:	<u>Variable</u>	<u>Source</u>
	Historical number of DTC certificate holders	Canada Revenue Agency (CRA) Disability Tax Credit Statistics
	Growth in the number of DTC certificate holders	Canada Revenue Agency Disability Tax Credit Statistics
	Percentage of DTC certificate holders who are eligible for the OAS pension	Canada Revenue Agency Disability Tax Credit Statistics; SPSD/M 28.0
	Percentage of DTC certificate holders who are eligible for the OAS pension and the GIS	Canada Revenue Agency Disability Tax Credit Statistics; SPSD/M 28.0
	Special payment amounts	Department of Finance: Canada's COVID-19 Emergency Response - Bi-Weekly Report on Parts 3, 8 and 18 of Bill C-13 Sixth Report, June 10, 2020

Estimation and projection method: The projected number of DTC certificate holders as of 1 June 2020 was determined by multiplying the number of DTC certificate holders as of 31 December 2018 by the historical growth rate of such holders in the administrative data of the Canada Revenue Agency (CRA).

PBO used Statistics Canada's Social Policy Simulation Database and Model (SPSD/M, version 28.0) to determine two ratios: (a) among individuals who claimed a DTC credit for themselves and are over the age of 65, the percentage who collect an OAS pension; and (b) among individuals who claimed a DTC credit for themselves, are over the age of 65, and who collect an OAS pension, the percentage who collect the GIS.

These two ratios were applied in conjunction with a third, the percentage of DTC certificate holders in the CRA data who are over the age of 65, to estimate the share of DTC certificate holders in each of the three payment categories described previously. These shares were then multiplied by the number of projected DTC certificate holders and by the special payment amounts to calculate the estimated fiscal impact of the measure. PBO assumed all payments would be provided in 2020-21 and did not estimate any incremental administrative costs.

**Aggregate Results:** PBO estimates 1.33 million Canadians will receive a special payment and that the total net cost of this measure will be \$595 million in 2020-21.

The time horizon for this costing is aligned to PBO's current Economic and Fiscal Scenario, although there may be potential fiscal impacts for subsequent years.

**Source of Uncertainty:** Historical administrative data on the number of DTC certificate holders are published with a lag of several months. As a result, the data may include individuals who received a retroactive DTC certificate during the lag period, while excluding other individuals who will have received a retroactive DTC certificate after the lag period. It was unclear at publication whether future recipients of a DTC certificate retroactive to 1 June 2020 would be eligible to receive the special payment; any discrepancy in the treatment of retroactive DTC certification between the administrative data and the policy could be a source of error in the cost estimate.

Data on the percentage of DTC certificate holders over the age of 65 who are eligible for the OAS and/or the GIS was only available for individuals who claimed a DTC credit for themselves. Thus, the accuracy of the cost estimate could be affected by the number of dependants over the age of 65 who are DTC certificate holders and who qualify for the OAS and/or the GIS at a different rate than self-claimants of the DTC. Eligibility for the program and payment amounts are not sensitive to the current economic volatility. No behavioural response is expected.

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## Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	595

### 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

This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by the PBO and the responsibility for the use and interpretation of these data is entirely that of the authors.