

**OFFICE OF  
THE PARLIAMENTARY BUDGET OFFICER**



**BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET**

# **The Family Tax Cut**

**Office of the Parliamentary Budget Officer  
March 17, 2015**



# Summary

- How FTC works and fiscal cost
- Majority of gains go to higher income households
- Small negative impact on labour supply
- Cap impact

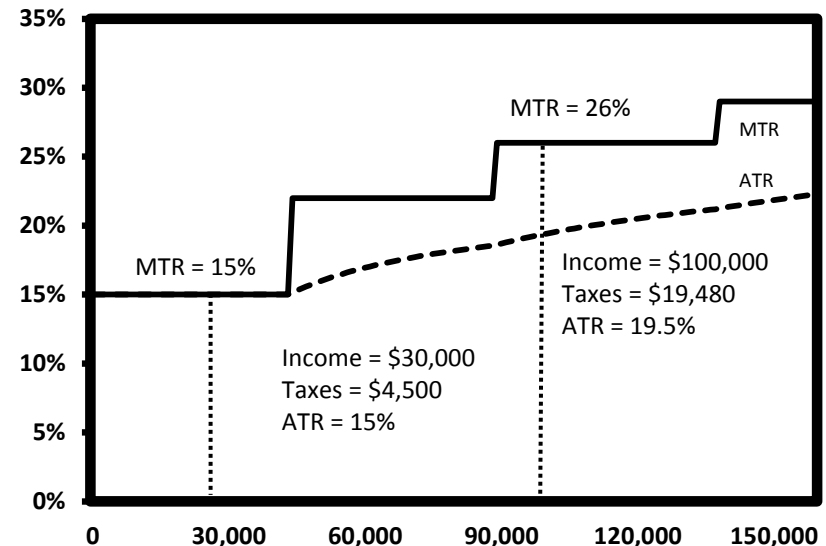
# How Family Tax Cut (FTC) works

## Eligibility

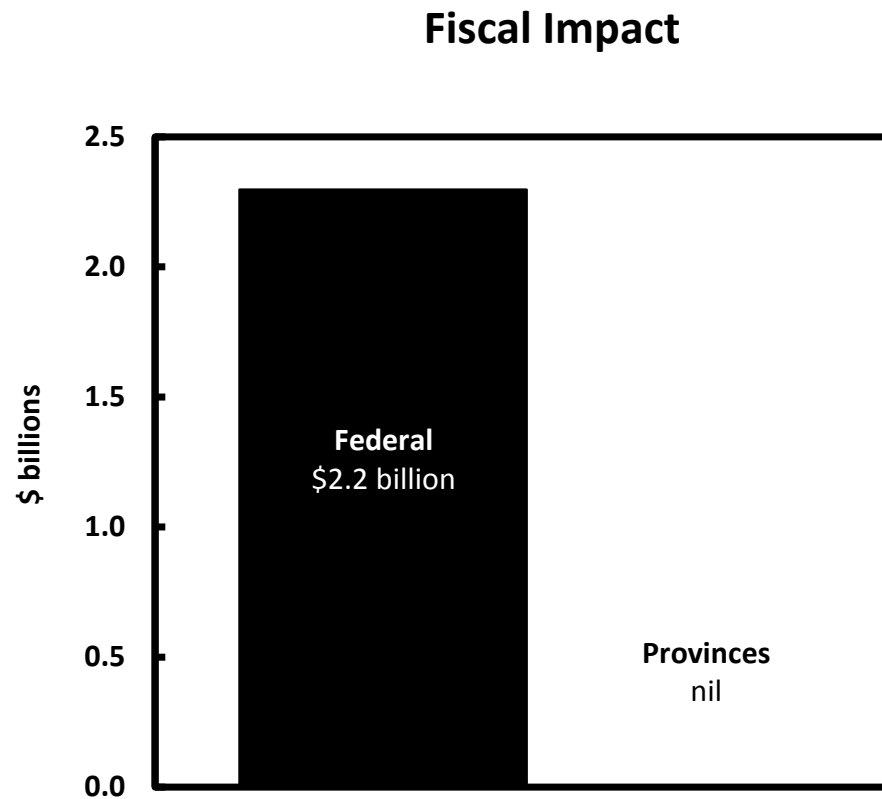
- Married or common-law
- Children aged 17 or younger
- Disparity in income and effective tax rates

## Mechanics

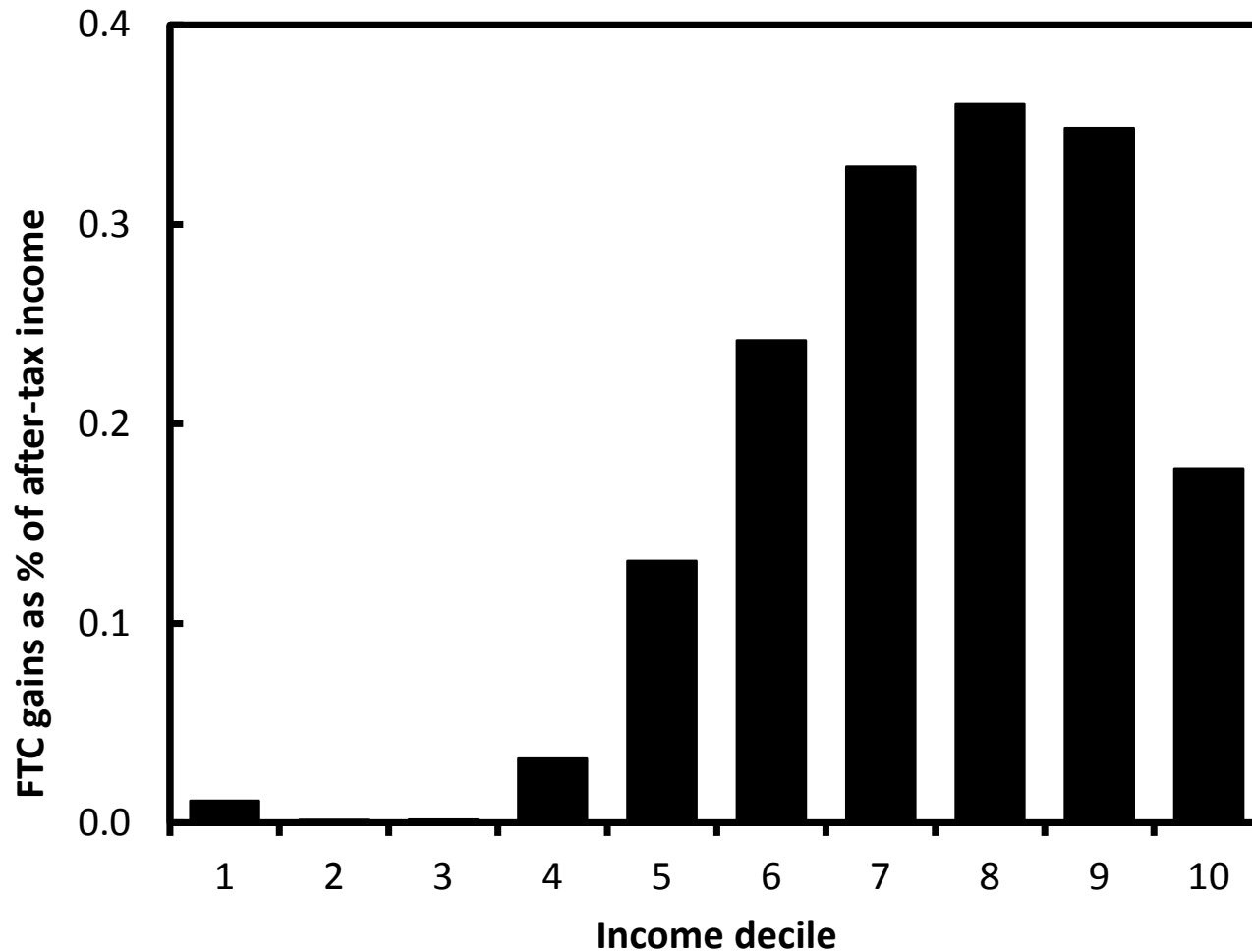
- Non-refundable tax credit
- A notional transfer of income
- Max transfer: \$50,000
- Max gains: \$2,000



PBO projects a fiscal impact of \$2.2 billion in 2015

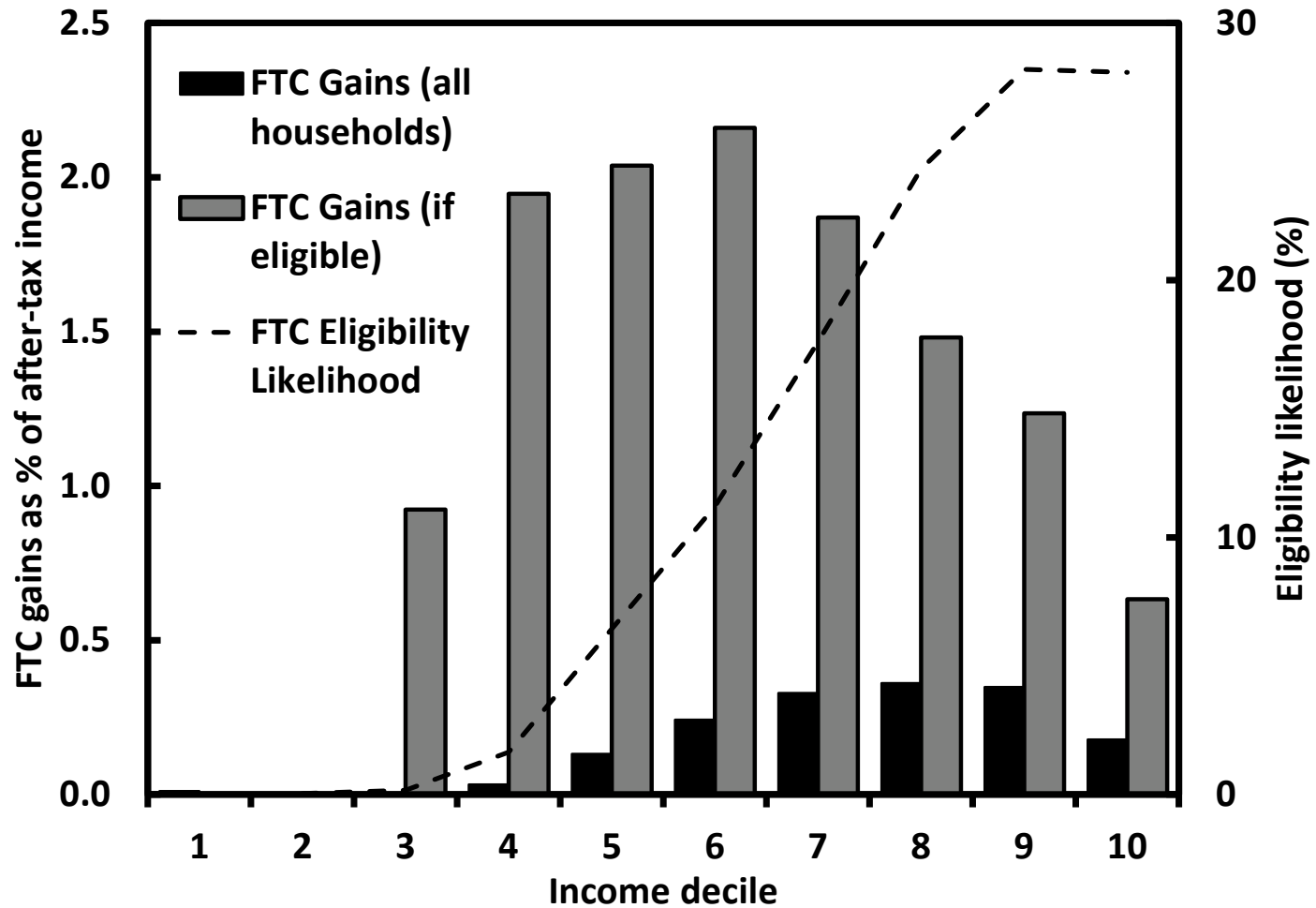


# Majority of gains go to higher income households



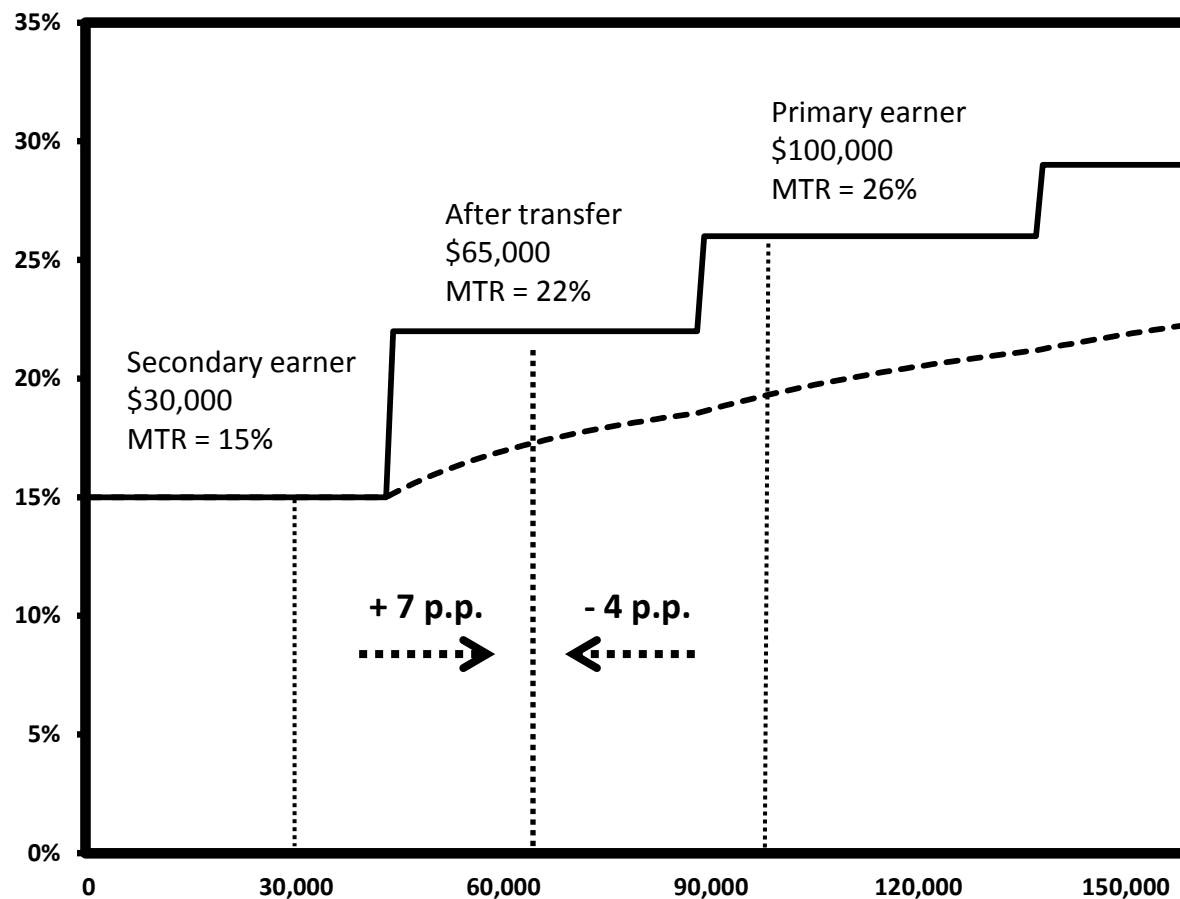


# Eligibility drives distribution profile



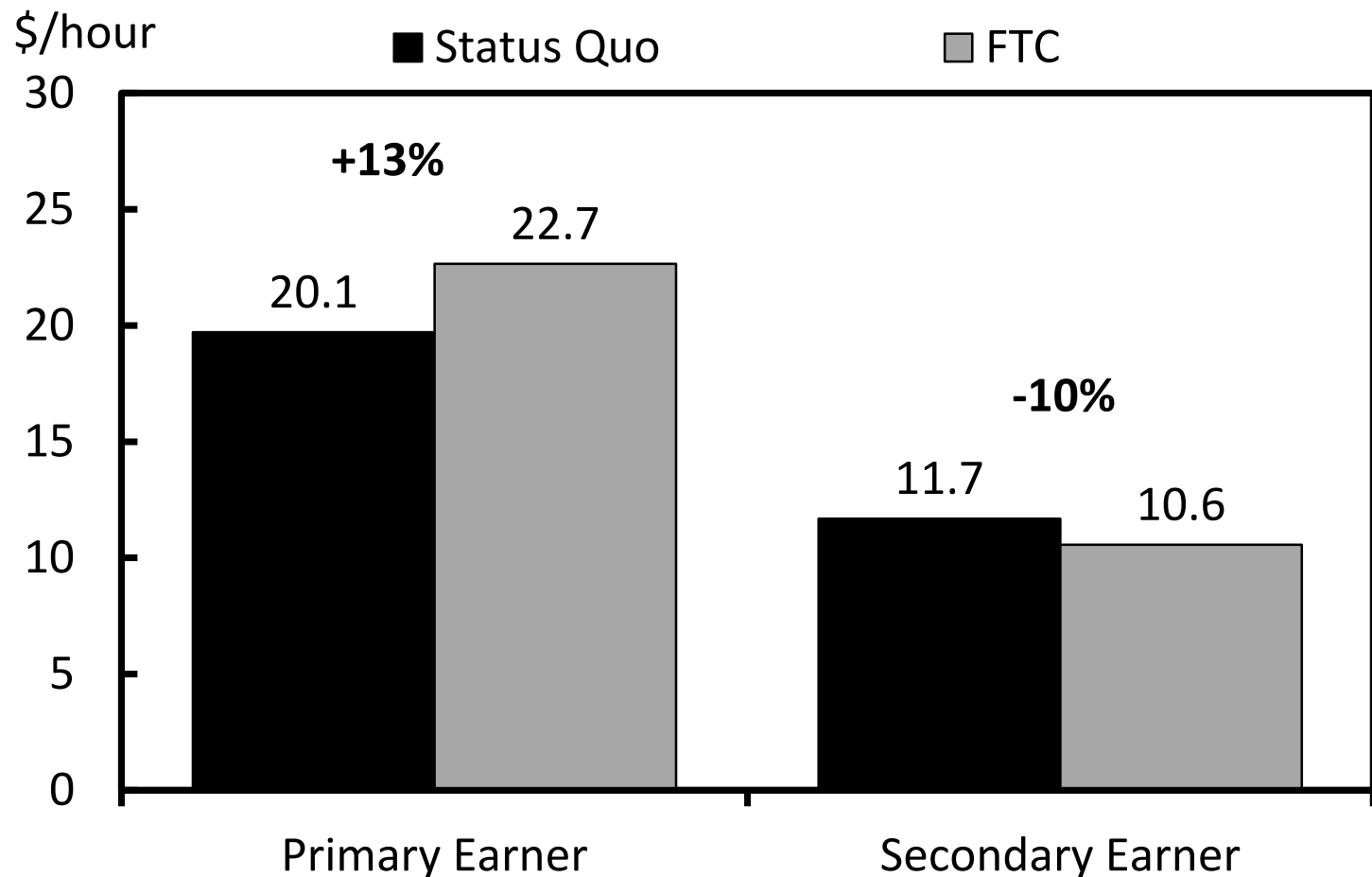
# Effect on labour supply

## Changes to marginal effective tax rates



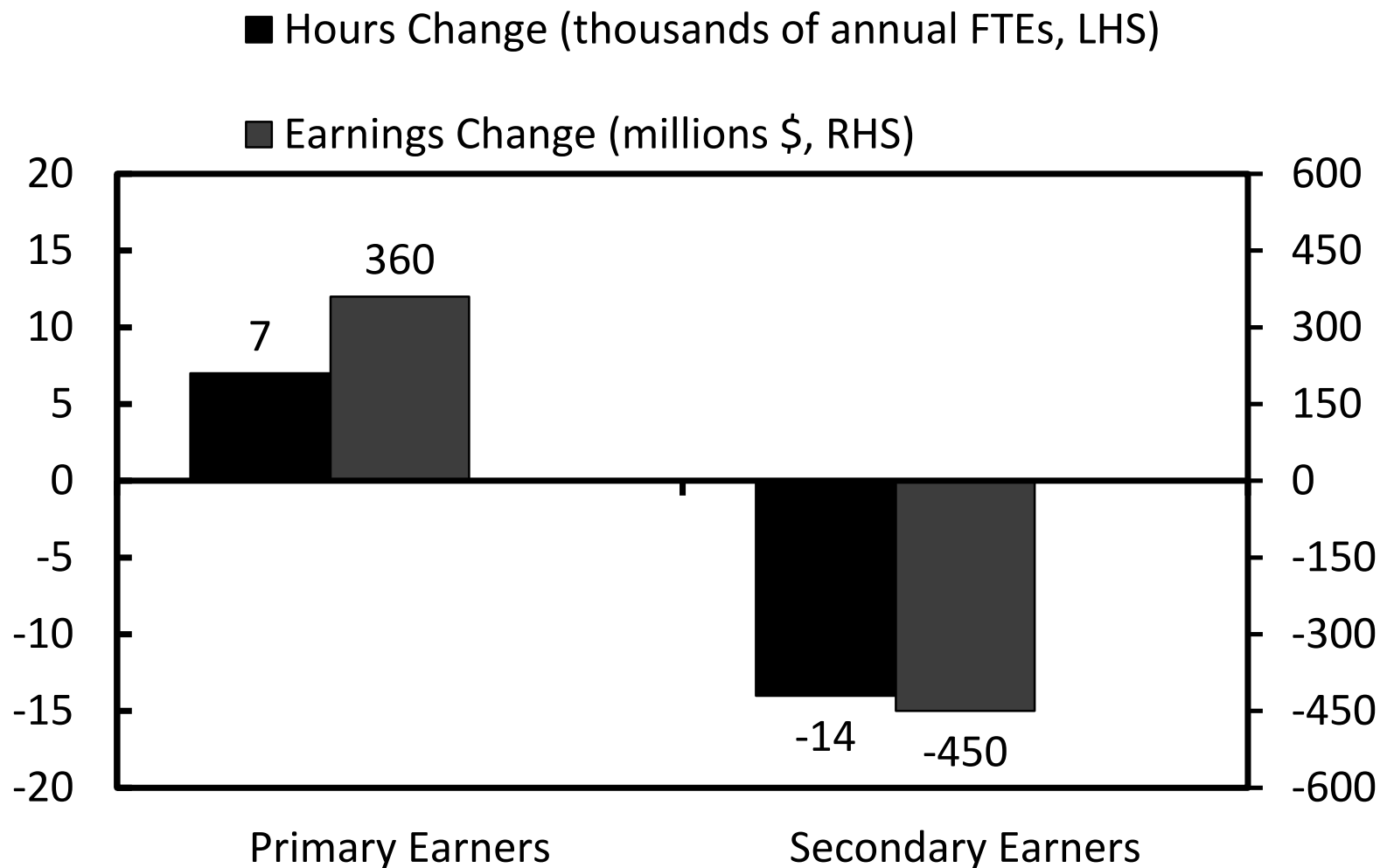
# Opposing effects on each partner's effective wage

Effective wage on an additional hour of labour (marginal effective wage)



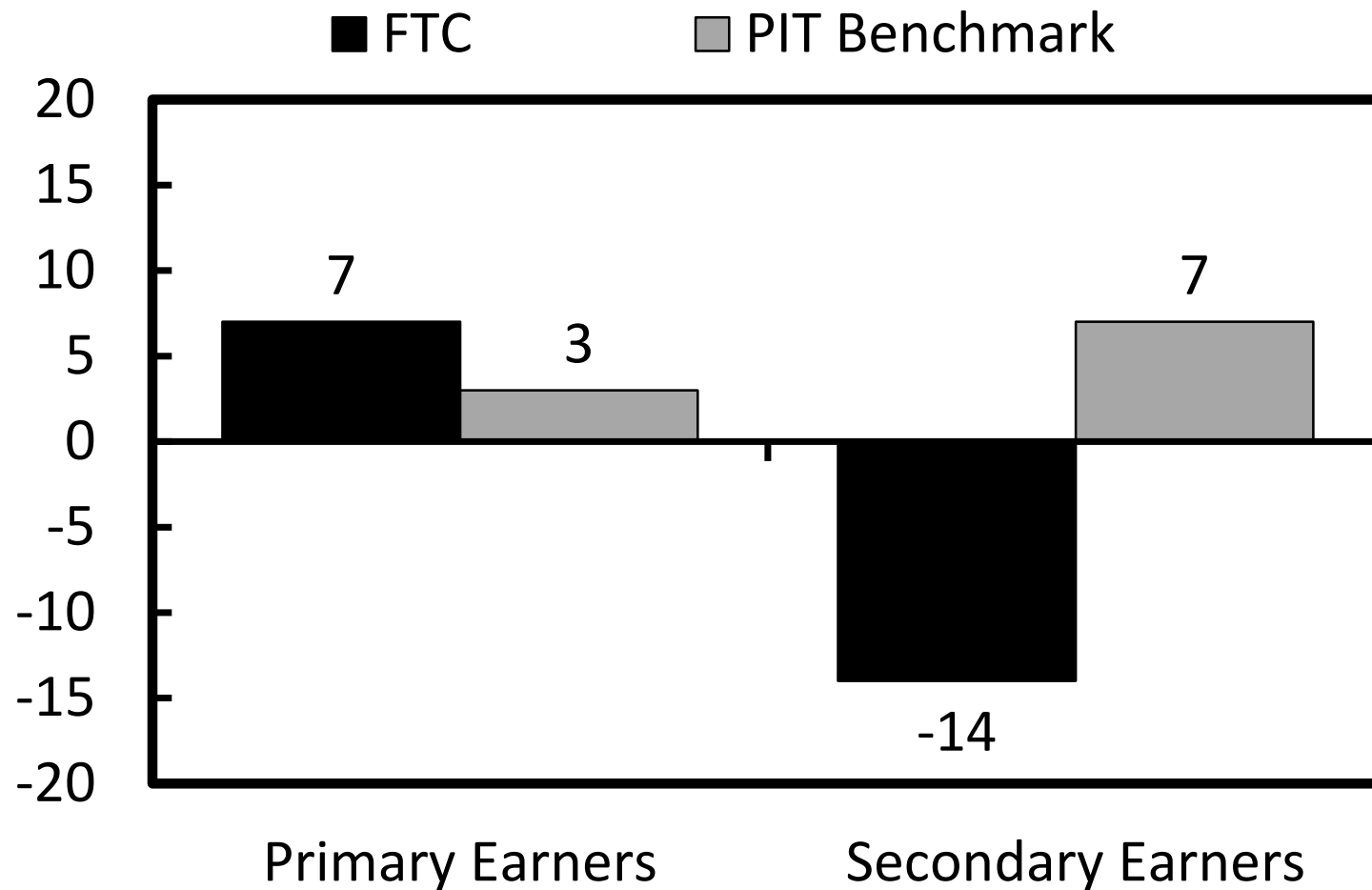


# Small net negative outcome (- 7,000 FTEs) and (-\$90 million in labour income)



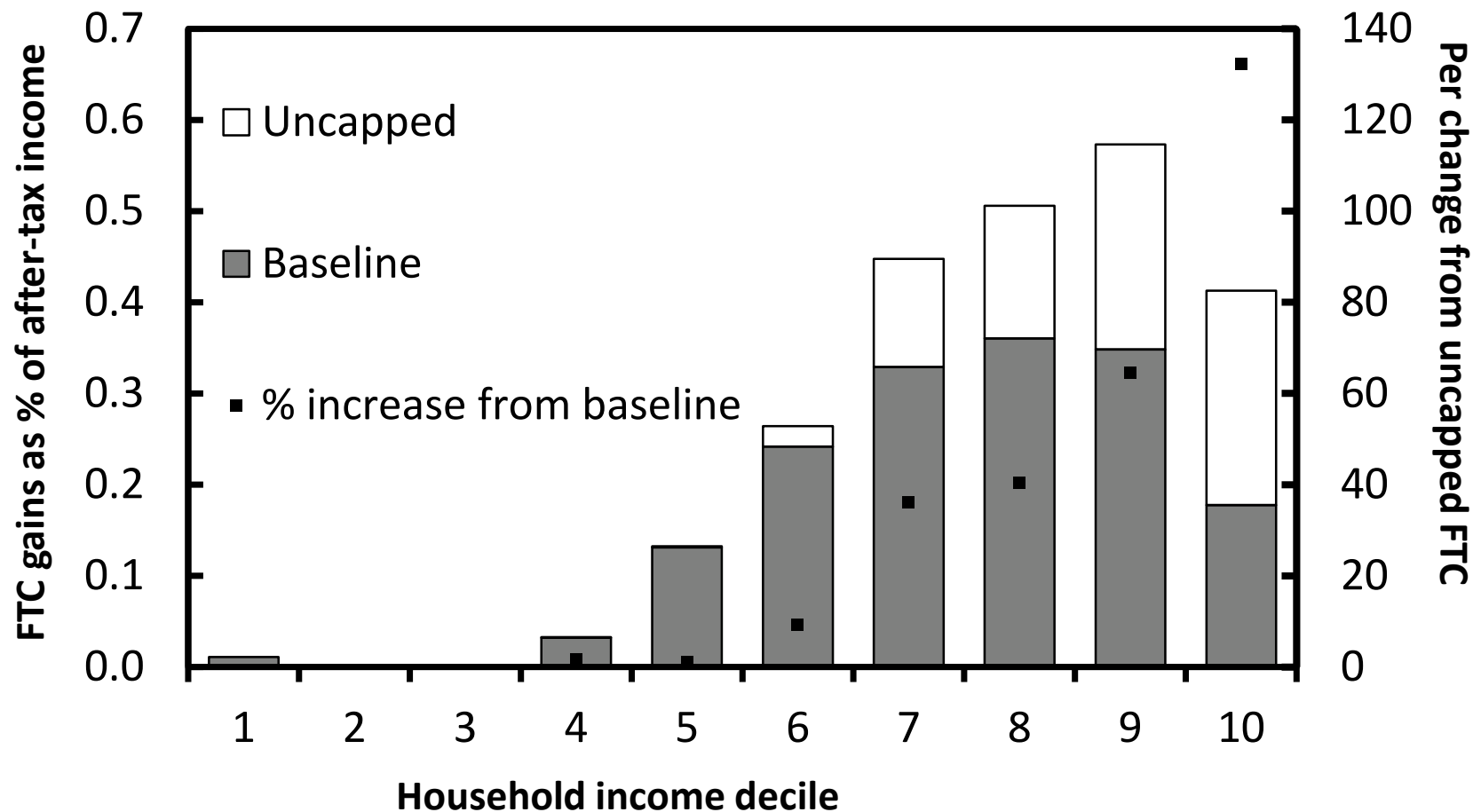
# Effect on labour supply

Hours change (thousands of annual FTEs)



# Cap limits gains to higher income households

## Distributive effects of the cap





## Questions about this report?

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