

Volunteer Firefighters and Search and Rescue Volunteers Tax Credit Enhancement



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The proposed measure increases the tax credit for volunteer firefighters and search and rescue volunteers to \$10,000 from \$3,000 for individuals that have completed 200 hours of volunteer service in a calendar year.

The measure applies to the 2022 and subsequent taxation years.

5-Year Cost

\$ millions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total cost	10	40	40	41	41	171

Notes

- The cost for the 2021-2022 fiscal year represents the first 3 months of 2022.
- 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.
- Totals may not add due to rounding.

Estimation and Projection Method

The cost of volunteer firefighters and search and rescue volunteers tax credit enhancement was defined as the loss in income tax payable to the government and was estimated using the Social Policy Simulation Model (SPSD/M) from 2022 to 2026.¹

The SPSD/M model does not include the search and rescue volunteers tax credit, as such the estimated group of beneficiaries is smaller than anticipated. To account for the gap, the cost was corrected by applying an adjustment coefficient based on the ratio of the PBO's projections of the number of beneficiaries (that is, volunteer firefighters and search and rescue volunteers, and the SPSD/M's projections).

The PBO's projections were based on historical data of the beneficiaries of the tax credit from the T1 Final Statistics reports, the number of beneficiaries in the Report of Tax Expenditure 2021, historical labour force growth rate and the projected labour force growth rate as of 2021, reference scenario by Statistics Canada.

A behavioural response was not assessed. The proposed measure is not expected to increase recruitment nor deter participation in volunteer firefighter or search and rescue activities. It is also not predicted to generate

1. This analysis is based in part on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were developed by the Parliamentary Budget Officer, who is solely responsible for the use and interpretation of the data.

switching costs stemming from future claimants of the tax-exempt income for emergency services volunteers.²

Sources of Uncertainty

Unforeseen changes to demographics, as well as the use of statistical methods for projections, imply that all growth rates and adjustments applied have inherent uncertainty.

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Data Sources

Variable

Data on tax credit beneficiaries

Taxation database

Projected labour force growth rate

Labour force characteristics

Source

Canada Revenue Agency – T1 Final Statistics, 2011 to 2017

Department of Finance Canada – Report on Tax Expenditures, 2021

Social Policy Simulation Database/Model (SPSD/M)

Statistics Canada – Insights on Canadian Society, 2019

Statistics Canada – Labour Force Survey, Table 14-10-0287-03

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2. Department of Finance Canada (2021). *Report on Federal Tax Expenditure - Concepts, Estimates and Evaluations 2021*, p. 319