# TAX POLICY

# PUB2 415

## PROFESSOR BROOKS

## *COURSE OUTLINE AND READING GUIDE*

## FALL 2008

## 1. Administrative Details

### 1.1 Class locations and times

There are two 1.5-hour classes each week.

| | | |
|---|---|---|
| Monday | 12:30 – 14:00 | Room 201 |
| Thursday | 13:00 – 14:30 | Room 201 |

### 1.2 Contact details Kim Brooks

| | |
|---|---|
| Room: | 202, 3690 Peel Street |
| Telephone: | (514) 398-6925 |
| Email: | kimberley.brooks@mcgill.ca |

### 1.3 Office hours

Please feel free to call me, email me, or stop me in the hall to talk about tax. I will hold office hours at the following times:

| | |
|---|---|
| Monday | 14:00 – 16:00 |
| Thursday | 11:00 – 13:00 |

While I will generally try to be in my office during these hours, occasionally I will have meetings or other commitments. If you want to make absolutely sure that we can meet, please send me an email in advance. In addition, I am happy to schedule appointments outside of those hours.

## 2. Purposes of the Course

The course is an introductory course in tax policy. The focus of the course is on the basic principles, theories, and tools of public policy analysis within the context of tax expenditures. An additional purpose is to assist students in refining their legal research and writing skills and/or their public legal education skills.

## 3. Teaching Method

The class is designed to be highly participatory. Students are expected to come to class, to have thought about the topics in advance, and to participate actively.

## 4. Grading Guidelines

The Faculty of Law does not have a "grade curve" or average that I am required to meet. However, it is suggested that average grades fall within the B- to B+ range, and that no more than 15% of the class receive an A or A-. My intention is to conform to this suggested average and maximum.

## 5. ASSESSMENT

Each student is required to (1) participate actively in class, (2) lead the class on an assigned reading or readings in two classes, (3) present their research/project in a research roundtable, (4) comment on another student's work, and (5) complete a research paper or public education project.

### 5.1 PARTICIPATION COMPONENT: 25 % OF GRADE

Your participation grade will be holistically assessed based on the following participation activities. If you fail to complete any of 5.2.2 through 5.2.4 your participation grade will be reduced by one grade (ie. from A to A- or from B+ to B) for each failed completion.

#### 5.1.1 PARTICIPATE ACTIVELY

Each student is expected to read the identified "required" readings and to participate actively in the class over the course of the term.

#### 5.1.2 LEAD TWO CLASS DISCUSSIONS

Each student will take the lead in discussing an article (or articles) in two different classes over the course of the term. The reading discussion should last not more than 15 minutes. In the discussion, you will be responsible for summarizing the reading, presenting the author's arguments, evaluating the strength of the author's arguments, and posing two or three questions for discussion. Students are welcome to prepare handouts, power-points etc., but those aids are not necessary. Instead, the objective of the presentation should be to engage the class in the reading(s) chosen. Students may choose to work collaboratively with another student in presenting materials. In that case, students would chose two related readings and present for not more than 30 minutes.

#### 5.1.3 PAPER/PROJECT PRESENTATION

On November 27 the class will host a research roundtable. At that roundtable, the class will be split into four groups of seven or eight, grouped loosely by common topics. Each student will present his or her research for 10 minutes to the group. We will extend an invitation to other McGill law students and faculty to attend.

#### 5.1.4 PAPER/PROJECT REVIEW

Each student is expected to read and comment on the tax expenditure paper or project of another student. Two classes are set aside (December 1 and December 2) for that activity. Each student should submit a copy of the comments he/she provided to a peer with his/her tax expenditure paper or project.

**5.2 TAX EXPENDITURE ANALYSIS: 75% OF GRADE**

**Paper or project proposal:** October 16, 2008
**Draft paper complete:** December 1, 2008
**Final paper or project complete**: December 8, 2008

Students are expected to demonstrate the ability to critically analyze a federal or Quebec tax expenditure. You may use one of two forms for demonstrating this analysis. You may (1) present your ideas in a traditional research paper or (2) present your ideas in a public education format. All students should build on the material discussed in class and relate their paper to the themes and topics that have arisen in our class discussions. In addition, each paper or project should discuss the government's objectives in implementing the tax expenditure, evaluate the tax expenditure's design, consider whether an alternative policy instrument would have been appropriate for attaining the government's objectives, and reflect on how a critical scholar would theorize about the sensibility of the expenditure. More detail on what is expected in the papers will be provided on September 15th.

All students are expected to submit a 2 – 4 page paper or project proposal on October 16, 2008. That proposal should include:

-a statement of the tax expenditure the student proposes to analyze and evaluate,

-the format of the paper or project (either in a draft table of contents or in a discussion of the project), and

-a short bibliography of resources (8 – 12 possible sources should be identified).

The instructor will use these proposals to determine whether the student is on the right track. No grades will be specifically assigned to this proposal; however, failure to hand in a proposal will result in a one letter grade (ie. A- to B+, or B to B-) reduction in the student's overall grade on the paper/project.

All students are expected to have a draft of their paper or project ready for peer review by December 1, 2009. The expected page length for papers is 25 pages. Papers may be longer; however, all papers are expected to be at least 20 pages. Any paper that is less than 20 pages will not qualify for the faculty's writing requirement. Papers should be properly footnoted and include a bibliography.

The public education formats will be agreed to by the student and the instructor as part of the project proposal stage. If the public education format does not involve a significant writing component, it will not qualify for the law faculty's 75% writing requirement. Students who wish to pursue the public education project <u>must</u> confirm that their project will qualify for the writing requirement (assuming you would like to do that) as part of the project proposal stage.

## GENERAL GUIDELINES FOR WRITTEN WORK

### *Criteria for Evaluation*

Research papers will be assessed against the following criteria:

***a. Writing***
-no errors in grammar or punctuation, individualized and interesting style, skillful transitions between paragraphs and arguments, well-chosen vocabulary and variety in sentence structure, topic sentences to paragraphs and appropriate paragraphing, technical terminology used appropriately, citations flawless, writing is precise and clear, paragraphs are at least three sentences, quotes are used appropriately

***b. Organization***
-arguments identified separately, each argument contains an assertion and evidence to support the assertion, possible objections are identified, arguments that cannot be rebutted are conceded, conclusion reached is supported by the evidence, ideas presented logically and coherently, no irrelevant information included and discussion complete, appropriate emphasis placed on each argument, headings and argument have parallel structure, reader is given direction (a road map) of the arguments, good use of headings

***c. Substance***
-the paper reveals a superior understanding of the focused subject being explored, the perspective presented is more than a mere repetition of the material readily available in the document under discussion but adds a 'fresh' perspective, research is fulsome and complete, the analysis is connected to the material discussed in class, the tax expenditure is analyzed as an instrument of public policy

### *Plagiarism*

*McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see http://www.mcgill.ca/integrity/ for more information).*

*L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site http://www.mcgill.ca/integrity/).*

## 6. Course Outline

### SEPTEMBER 4 - OVERVIEW OF THE SEMINAR

### SEPTEMBER 8 – INTRODUCTION TO THE TAX EXPENDITURE CONCEPT

- The Government of Quebec releases detailed and useful tax expenditure reports that outline the tax expenditures the Quebec government provides. Some of those tax expenditures simply "piggy back" on federal government tax expenditures, but others are unique to Quebec (read A.3 to A.18; skim the remainder of the 2007 report)

- Every year, the Government of Canada releases a tax expenditure report that details the government's spending through the tax system (skim Part I)

*Additional Reading*

- Robin Boadway, "Policy Forum: The Annual Tax Expenditure Accounts – A Critique"

- Zhicheng Li Swift, Hana Polackova Brixi, and Christian Valenduc, "Tax Expenditures: General Concept, Measurement, and Overview of Country Practices"

- Mark Burton, "Making the Australian Tax Expenditures Statement an Effective Policy Instrument – From Fiscal Record to Transparent Report"

- Lily L. Batchelder, Fred Goldberg, Peter Orszag, "Efficiency and Tax Incentives: The Case for Refundable Tax Credits"

- France St. Hilaire, "For Whom the Tax Breaks"

- Anthony Infanti, "A Tax Crit Identity Crisis? Or Tax Expenditure Analysis, Deconstruction, and the Rethinking of a Collective Identity"

- Claire Young –
  http://www.swc-cfc.gc.ca/pubs/pubspr/066265028X/200010_066265028X_7_e.html (just the material on that webpage, not the entire report), "An Introduction to Tax Policy Analysis"

## SEPTEMBER 11 – TAX EXPENDITURE ANALYSIS: TRANSIT PASSES AS AN ILLUSTRATION

*Budget 2007 extended the public transit tax credit to electronic fare cards and weekly passes when used on an ongoing basis. The cost of an electronic fare card is eligible for the credit if the cost relates to the use of public transit for at least 32 one-way trips during an uninterrupted period not exceeding 31 days. Weekly passes are eligible where the combination of these purchases provides an individual with the right to at least 20 days of unlimited transit use within a 28-day period.*[1]

- Antonio Di Domenico, "Employer-Provided Benefits and the Environment: Transit Passes and Parking"
- Gruber (1), "The Important Distinction Between Correlation and Causality"
- Gruber (2), "Externalities"
- Gruber (3), "Public Goods"

*Additional Reading*

- Gregory Inwood, "Public Administration and Public Policy"

## SEPTEMBER 15 – WRITING A RESEARCH PAPER EVALUATING TAX EXPENDITURES

***- You will sign up for the class presentations and the "earlybird" library session -***

## SEPTEMBER 18 – ENVIRONMENTAL POLICY: GAS AND CARBON TAXES

***Gas Tax***

- Geoffrey S. Turner, "Gasoline Taxes as Environmental Policy – Time for a Common Canada-U.S. Approach"

*Additional Reading*

[1] Material describing tax expenditures at the beginning of each section is taken from: (1) the 2007 Quebec tax expenditure report; (2) the 2007 Canadian tax expenditure report; (3) the 2000 tax expenditures notes; or (4) the 2008 budget. It should be noted that some of the descriptions are out-of-date, but they provide some basic information about the tax expenditure.

Greg Mankiw - http://gregmankiw.blogspot.com/2006/10/pigou-club-manifesto.html

- Terence Corcoran - http://www.nopigouclub.blogspot.com/
- Steven Levitt - http://freakonomics.blogs.nytimes.com/2008/08/08/no-cash-for-clunkers/
- Don Fullerton, Andrew Leicester and Stephen Smith, "Environmental Taxes"

***Carbon Tax***

- Jon Kesselman, "Carbon Taxes: Perilous but Promising"
- Greg Mankiw, "Smart Taxes: An Open Invitation to Join the Pigou Club"
- Kathleen Lahey – http://www.acswcccf.nb.ca/english/documents/What%20About%20Women.pdf (page 30 – 31)
- Newspaper Readings

*Additional Reading*

- National Round Table, "Getting to 2050: Canada's Transition to a Low-emission Future"
- OECD, *The Political Economy of Environmentally Related Taxes*
- Mark Jaccard, Nic Rivers, Christopher Bataille, Rose Murphy, John Nyboer and Bryn Sadownik, "Burning Our Money to Warm the Planet"
- Zhang ZhongXiang and Andrea Baranzini, "What do we Know About Carbon Taxes? An Inquiry into their Impacts on Competitiveness and Distribution of Income"
- Martin Sullivan, "The Carbon Tax Name Game"
- CBC
- David Duff, "Tax Policy and Global Warming"
- David Driesen, "Economic Instruments for Sustainable Development"

- Progressive Economics Forum - http://www.progressive-economics.ca/category/carbon-pricing/

- Thomas Courchene and John Allen, "The Case for a Carbon Tariff/Tax and Why Canada Should Employ International Expertise"

**SEPTEMBER 19 – OPTIONAL TAX LIBRARY SESSION FOR EARLY-BIRDS**

9:30 – 11:00 (OR, YOU CAN ATTEND THE TAX LIBRARY SESSION IN CLASS ON OCTOBER 27)

**SEPTEMBER 22 – HEALTH POLICY: PROPOSALS FOR TAXES ON OBESITY AND CHILDREN'S FITNESS**

***Tax on Food that Causes Obesity***

- Richard Posner and Gary Becker - http://www.becker-posner-blog.com/archives/2006/12/the_new_york_ci.html

- Stephen Clark, "Fat Taxes as a Policy Instrument to Control Obesity"

- Joel Newman, "Slinking Away from Twinkie Taxes"

*Additional Reading*

- The Canadian Taxpayers Federation, "The State has no Business in the Refrigerators of the Nation"

- Dieticians of Canada, "Taxing Food"

- Jeff Strnad, "Conceptualizing the 'Fat Tax': the Role of Food Taxes in Developed Economies"

- Andrew Leicester and Frank Windmeijer, "The 'Fat Tax': Economic Incentives to Reduce Obesity"

- Richard Epstein, "What (Not) to do About Obesity: A Moderate Aristotelian Answer"

***Children Fitness Policy***

> *Budget 2007 increased the age limit for children eligible for the disability tax credit (DTC) from under 16 to under 18 years of age at the beginning of the year for the purposes of the children's fitness tax credit.*
>
> *A separate $500 non-refundable amount for DTC-eligible children has been introduced, subject to spending a minimum of $100 on registration or membership fees for a prescribed program of physical activity. This additional amount provides general recognition of the extra costs that children with disabilities encounter in becoming involved in programs of physical activity, notably with regard to specialized equipment, transportation and attendant care.*
>
> *As well, for DTC-eligible children, the requirements for a program to be a prescribed program of physical activity have been relaxed to cover a broader range of programs more suited to the challenges experienced by these children.*

- Newspaper Articles

- Expert Panel, "Children's Fitness Tax Credit"

*Additional Reading:*

- Canadian Conference of the Arts, "Youth and Culture: Establishing an Inclusive Child Fitness Tax Credit"

**SEPTEMBER 25 – HEALTH POLICY: TAXES ON CIGARETTES AND LIQUOR**

- Michael Grossman, Jody L. Sindelar, John Mullahy and Richard Anderson, "Policy Watch: Alcohol and Cigarette Taxes"

- Robert McGee, "The Political Economy of Excise Taxation: Some Ethical and Legal Issues"

*Additional Reading*

- OECD, *Consumption Tax Trends*, Chapter 1 and Chapter 4

- Anna Koski, Reino Sirén, Erkki Vuori and Kari Poikolainen, "Alcohol Tax Cuts and Increase in Alcohol-Positive Sudden Deaths – A Time-Series Intervention Analysis"

- Sven Andreasson, Harold D. Holder, Thor Norström, Esa Österberg and Ingeborg Rossow, "Estimates of Harm Associated with Changes in Swedish Alcohol Policy: Results from Past and Present Estimates"

- Babak Rastgoufard, "Too Much Smoke and Not Enough Mirrors: The Case Against Cigarette Excise Taxes and for Gasoline Taxes"

**SEPTEMBER 29 – HEALTH POLICY: MEDICAL EXPENSES**

> ***Objective***: *This credit recognizes the effect of above-average medical expenses on the ability of an individual to pay tax. (Budget Speech, 1942. Budget Plan, 1997.)*
>
> *Taxpayers are entitled to a 17-per-cent credit for eligible medical expenses incurred by the taxpayer, the taxpayer's spouse or by dependants. The credit is available in respect of expenses that exceed the lesser of $1,614 or 3 per cent of net income. The 1998 budget allowed supporting persons to claim the medical expense tax credit for training courses related to the care of dependent relatives with physical or mental infirmities. The 1999 budget extended the medical expense tax credit to include certain costs of group homes for persons with disabilities, certain therapies for persons with disabilities and tutoring and talking books for persons with learning disabilities. The 2000 budget proposed to fully index the personal income tax system, including the $1,614 threshold which will increase to $1,637 for the 2000 taxation year. The 2000 budget also proposed to expand the list of expenses eligible for the medical expense tax credit to include the incremental cost of modifications made to new homes to assist individuals with severe mobility impairments.*

- David Duff, "Disability and the Income Tax" (pages 797 – 823 only)

- Michael Smart and Mark Stabile, "Tax Credits and the Use of Medical Care"

- Newspaper Articles

*Additional Reading*

- IRS, "Gender Reassignment Surgery" - http://www.irs.gov/pub/irs-wd/0603025.pdf

**OCTOBER 2 – HEALTH POLICY: QUEBEC CREDIT FOR THE TREATMENT OF INFERTILITY**

> *An individual who seeks certain medical treatments to become a parent is entitled to a refundable tax credit equal to 30% of costs associated with artificial insemination or in vitro fertilization paid by him or his spouse. However, the amount of the expenses*

*that qualify for this tax credit is limited to $20 000. The amount of the tax credit available to an individual who uses medical means to become a parent can reach $6 000.*

*However, the rate applicable to expenses relating to in vitro fertilization for the third or any subsequent attempt rises from 30% to 50% as of the day following the effective date of Québec's policy on in vitro fertilization, since this policy, by limiting the number of embryos created in vitro that can be transferred during a cycle, could lead to an increase in the number of attempts necessary.*

*The expenses that qualify for the refundable tax credit for the treatment of infertility include, among others, amounts paid to a physician or a private hospital and amounts paid for medication prescribed by a physician and recorded by a pharmacist for artificial insemination or in vitro fertilization treatments. However, the expenses relating to in vitro fertilization that do not comply with the Québec policy on in vitro fertilization that will be put in place will not be considered as eligible expenses for the purpose of this tax credit.*

*The refundable tax credit for the treatment of infertility is designed to recognize the costs borne by infertile couples who wish to start a family.*

- Newspaper Articles

- Anna Benjamin, "The Implications of Using the Medical Expense Deduction of I.R.C. 213 to Subsidize Assisted Reproductive Technology"

- Katherine Pratt, "Inconceivable? Deducting the Costs of Fertility Treatment"

## OCTOBER 6 – CHILD CARE POLICY: UNIVERSAL CHILD CARE BENEFIT

***Objective:*** *To reduce the tax burden on families.*

*Budget 2007 introduced a new non-refundable child tax credit for parents based on an amount of $2,000 (indexed) for each child under the age of 18 years at the end of a taxation year. The tax credit is calculated by reference to the lowest personal income tax rate for the taxation year (i.e. 15 per cent in 2007). This new tax credit took effect beginning in 2007.*

- Ken Battle, "The Incredible Shrinking $1,200 Child Care Allowance: How to Fix it"

- Richard Zuker, "A Proposal for Restructuring the Universal Child Care Benefit"

*Additional Reading:*

- Ken Battle (2), "More than a Name Change: The Universal Child Care Benefit"

- Ken Battle (3), "A Bigger and Better Child Care Benefit: A $5,000 Canada Child Tax Benefit"

**OCTOBER 9 – CHILD CARE POLICY: INVESTMENT TAX CREDIT FOR CHILD CARE SPACES**

***- in this class we will also discuss paper/project proposal topics -***

> ***Objective:*** *To encourage businesses to create licensed child care spaces for the children of their employees and, potentially, for children in the surrounding community.*
>
> *In order to encourage businesses to create licensed child care spaces for the children of their employees and, potentially, for children in the surrounding community, Budget 2007 put in place a new investment tax credit for child care spaces, effective March 19, 2007. Eligible businesses receive a non-refundable investment tax credit equal to 25 per cent of eligible expenditures, to a maximum credit of $10,000 per child care space created. Eligible expenditures include the cost or incremental cost of the building in which the child care facility is located, as well as the cost of furniture, appliances, computer equipment, audio-visual equipment, playground structures and playground equipment. Initial start-up costs such as landscaping costs for the children's playground, architect's fees, building permit costs and costs to acquire children's educational materials are also eligible.*

- Code Blue for Childcare, "Making Space for Child Care: Getting Good Child Care Policy Back on the Agenda"

*Additional Reading*

- Ginette Petitpas-Taylor, "Little Evidence Employer-Sponsored Child Care Will Have Impact"

- Pieta Woolley - http://www.straight.com/article-124530/is-workplace-daycare-a-workable-solution

- Rachel Connelly, Deborah S. DeGraff, and Rachel A. Willis, "Introduction" http://www.upjohninst.org/publications/ch1/kaw.pdf

**OCTOBER 13 – NO CLASS**

**OCTOBER 16 – DISABILITY POLICY: DISABILITY SAVINGS PLAN & PAPER/PROJECT PROPOSAL DUE**

***Objective:*** *To help parents and others save for the long-term financial security of a child with a severe disability.*

*Budget 2007 introduced a new Registered Disability Savings Plan (RDSP). RDSPs will be available commencing in 2008 and will be based generally on the existing RESP design. An individual eligible for the disability tax credit (DTC), their parent or other legal representative will be allowed to establish an RDSP. The DTC-eligible individual will be the plan beneficiary.*

*Parents, beneficiaries and others wishing to save will be able to contribute to an RDSP. Contributions to an RDSP for a beneficiary will be limited to a lifetime maximum of $200,000. Contributions will be permitted up until the end of the year in which a beneficiary attains 59 years of age.*

*Annual RDSP contributions will attract Canada Disability Savings Grants (CDSGs) at matching rates of 100, 200 or 300 per cent, depending on family income and the amount contributed, up to a maximum lifetime CDSG limit of $70,000. Canada Disability Savings Bonds (CDSBs) of up to $1,000 per year will be provided to RDSPs established by low- and modest-income families, up to a maximum lifetime CDSB limit of $20,000, and will not be contingent on contributions. An RDSP will be eligible to receive CDSGs and CDSBs up until the end of the year in which the plan beneficiary attains 49 years of age.*

*Contributions to an RDSP will not be deductible and will not be included in income when paid out of an RDSP. The investment income earned in the plan will accumulate tax-free. CDSGs, CDSBs and investment income earned in the plan will be included in the beneficiary's income for tax purposes when paid out of an RDSP. Only the plan beneficiary, or the beneficiary's legal representative, will be permitted to receive payments from an RDSP. Payments from an RDSP will be required to commence by the end of the year in which the beneficiary attains 60 years of age.*

- Richard Shillington, "The Disability Savings Plan: Policy Milieu and Model Development"
- Keith Horner, "The Disability Savings Plan: Contribution Estimates and Policy Issues"
- Newspaper Articles

*Additional Reading*

- Expert Panel on Financial Security for Children with Severe Disabilities, "A New Beginning"

## OCTOBER 20 – DISABILITY POLICY: DISABILITY TAX CREDIT

> ***Objective***: *This credit improves tax fairness by recognizing the effect of a severe and prolonged disability on an individual's ability to pay tax. (Budget Plan, 1997.)*
>
> *Canadians who are markedly restricted by disabilities in the carrying on of the basic activities of daily living are entitled to a tax credit. For 1999, the credit was 17 per cent of $4,233. Any unused amount of the credit may be transferred to a supporting person.*
>
> *The 2000 budget proposed to fully index this tax credit to the rate of inflation, effective January 1, 2000, which will raise the credit amount to $4,293 for the 2000 taxation year. The budget proposed to broaden eligibility for the credit to include individuals with severe and prolonged disabilities requiring extensive therapy essential to sustain their vital functions. In addition, the transfer rules for the credit will be broadened to allow the transfer of unused amounts to an expanded list of supporting relatives, making it consistent with the medical expense tax credit rules (such as a brother, sister, aunt, uncle, niece or nephew).*
>
> *The 2000 budget also proposed a supplement to the disability tax credit for children under 18 years of age of up to 17 per cent of $2,941 to better recognize caregivers of children with severe disabilities. The $2,941 supplement amount is reduced by the amount of child care expenses and attendant care expenses claimed, in respect of the child, exceeding $2,000. The supplement is reduced to zero when child care and attendant care expenses reach $4,941.*

- Lisa Philipps, "Disability, Poverty, and the Income Tax: The Case for Refundable Credits"

- Michael Smart and Mark Stabile, "Tax Support for the Disabled in Canada: Economic Principles and Options for Reform"

*Additional Reading*

- Theodore Seto and Sande Buhai, "Taxes and Disability: Ability to Pay and the Taxation of Difference"

- Claire Young –
  [http://www.swc-cfc.gc.ca/pubs/pubspr/066265028X/200010_066265028X_10_e.html#2](http://www.swc-cfc.gc.ca/pubs/pubspr/066265028X/200010_066265028X_10_e.html#2)
  (see the section on the disability tax credit)

- Duff (remainder of article assigned on September 29), "Disability and the Income Tax"

**OCTOBER 23 – CLASS DEFERRED UNTIL OCTOBER 27**

**OCTOBER 27 – INTERNATIONAL TAX POLICY WORKSHOP & TAX LIBRARY SESSION (IN CLASS TIME)**

**OCTOBER 30 – SAVINGS POLICY: TPSP**

**Tax-Free Savings Account (TFSA)**

> *Canadians need all the help they can get to save money.*
>
> *The TFSA will allow Canadians to watch their savings grow tax-free throughout their lifetimes.*
>
> *Canadians can contribute up to $5,000 every year to their TFSA and carry forward unused room to future years. There is no lifetime limit and no tax on investment income earned, including capital gains.*
>
> *The TFSA can be used any way you like—for example, to buy a new car, pay for an emergency, finance a child's wedding or bankroll a dream family vacation.*

- Library of Parliament, "Tax Pre-Paid Savings Plans"

- Kathleen Lahey http://www.acswcccf.nb.ca/english/documents/What%20About%20Women.pdf (pages 23 – 25)

- Finn Poschmann and William B.P. Robson, "Saving's Grace: A Framework to Promote Financial Independence for Low-Income Canadians"

*Additional Reading:*

- Planned Lifetime Advocacy Network - http://rdsp.wordpress.com/

- Richard Shillington, "New Poverty Traps: Means-Tested and Modest-Income Seniors"

- Jonathan Kesselman and Finn Poschmann, "A New Option for Retirement Savings: Tax-Prepaid Savings Plans"

- Jack Mintz, "Gimmie Shelter"
- Progressive Economics Forum - http://www.progressive-economics.ca/category/tfsa/
- Newspaper Articles

**NOVEMBER 3 – DAVID STEVENS (PARTNER, GOWLINGS TORONTO) – CHARITIES AND NON-PROFIT POLICY**

**NOVEMBER 6 – HOUSING POLICY: PRINCIPAL RESIDENCE EXEMPTION**

> *The capital gain realized at the time of the disposal of a principal residence is tax exempt.*
>
> *This measure is intended to enable Quebecers to become homeowners and to accumulate wealth. In addition, it makes it possible to exempt from tax a significant portion of the return on household savings.*
>
> *However, the granting of this exemption justifies the refusal to allow as deductions from income improvement expenses, mortgage interest, property taxes and other expenses incurred in respect of a principal residence. Moreover, the capital losses resulting from the disposal of such property do not give rise to tax relief.*
>
> *In addition, this exemption also applies regarding the capital gain resulting from the constitution, after April 21, 2005, of a real servitude affecting a principal residence.*

- John Powell, "How Government Tax and Housing Policies Have Racially Segregated America"
- Thomas Palley, "Tax Policy and the Housing Price Bubble" - http://www.thomaspalley.com/?p=107

*Additional Reading*

- Beverly Moran and William Whitford, "A Black Critique of the Internal Revenue Code"
- Mylinh Uy, "Tax and Race: The Impact on Asian Americans"
- Gerald Prante, "More Bad Ideas for Housing Tax Credits" - http://www.taxfoundation.org/news/show/23073.html

## NOVEMBER 10 – CHARITIES POLICY: CHARITABLE TAX CREDIT

***Objective***: *This incentive is designed to support the important work of the charitable sector in meeting the needs of Canadians. (Report of the Royal Commission on Taxation, 1966, vol. 3. Budget Plan, 1996. Budget Plan, 1997.)*

*A tax credit is available for charitable donations.* The *credit is 17 per cent on the first $200 of total donations and 29 per cent on donations in excess of $200. Prior to 1997, tax credits arising from gifts to the Crown could be used to reduce taxes on up to 100 per cent of income. Donations to non-Crown charities were eligible for this credit up to 20 per cent of net income in 1995 and up to 50 per cent of net income in 1996. The 1997 budget set the income limit for donations to 75 per cent for donations to all charities. The limit is increased by 25 per cent of the amount of taxable capital gains arising from the donations of appreciated capital property and 25 per cent of any capital cost allowance (CCA) recapture arising from the donation of depreciable capital property.*

*Provision was made in 1996 and maintained in the 1997 measures to ensure that no short-term tax liability would arise from the realization of capital gains on donations of appreciated assets. This treatment was extended in the 1997 budget to any CCA recapture arising from the donation of depreciable capital property. Donations in excess of the limit may be carried forward for up to five years. The percentage of income restriction does not apply to certain gifts of cultural property nor, beginning in 1995, to donations of ecologically sensitive lands.*

*In the 1997 tax year, the Canada Customs and Revenue Agency (then Revenue Canada) ceased to differentiate gifts to the Crown from donations to other charities since they are now treated equivalently in the Income Tax Act. For that reason, gifts to the Crown are no longer identified separately.*

- David Brennen, "A Diversity Theory of Charitable Tax Exemption: Beyond Efficiency, Through Critical Race Theory, Toward Diversity"
- Library of Parliament, "The Charity 'Industry' and its Tax Treatment" - http://dsp-psd.tpsgc.gc.ca/Collection-R/LoPBdP/BP/bp401-e.htm

*Additional Readings:*

- Abigail Payne and Huizi Zhao, "Uncharitable Treatment? Why Donations to Private and Public Foundations Deserve Equal Tax Status"
- David Duff, "Tax Treatment of Charitable Contributions in Canada: Theory, Practice and Reform"

- Standing Senate Committee, "The Public Good and Private Funds" - http://www.parl.gc.ca/38/1/parlbus/commbus/senate/com-e/bank-e/rep-e/rep04dec04-e.htm

## NOVEMBER 13 - EDUCATION POLICY: TUITION TAX CREDITS

***Objective***: *This measure provides tax relief to students (and their parents) by recognizing the costs of enrolling in qualifying programs or courses. (Budget Speech, September 1960.)*

*A 17-per-cent tax credit is available for tuition fees paid by students to a prescribed educational institution. A credit is available with respect to fees paid to an institution if the total tuition fees paid to the institution exceed $100. The 1997 budget extended the credit to most mandatory ancillary fees imposed by post-secondary institutions, starting in 1997.*

- Christine Neill, "Canada's Tuition and Education Tax Credits"

- Finance Canada, "Investing in Post-Secondary Education: The Impact of the Income Tax System"

*Additional Reading:*

- John McNulty, "Tax Policy and Tuition Credit Legislation: Federal Income Tax Allowances for Personal Costs of Higher Education"

## NOVEMBER 17 - EDUCATION POLICY: EXEMPTION FOR SCHOLARSHIPS

*Budget 2006 fully exempted from federal income tax scholarship, fellowship and bursary income received by post-secondary students. Budget 2007 extended this treatment to elementary and secondary school students.*

- Newspaper Articles

- The Educational Policy Institute, "The End of Need-Based Student Financial Aid in Canada?"

- Jonathan Gruber, "Education"

## NOVEMBER 20 – POVERTY POLICY: WORKING INCOME TAX BENEFIT

***Objective:*** *To improve incentives to work for low-income Canadians and to lower the welfare wall.*

*Budget 2007 implemented a $550-million Working Income Tax Benefit (WITB). The WITB is a refundable tax credit that will supplement the earnings of low-income workers to encourage labour force participation. It will be generally available to individuals aged 19 and older, not attending full-time school.*

*Effective in the 2007 taxation year, the WITB will provide up to $1,000 for couples and single parents and up to $500 for single individuals. In addition, a supplement of up to $250 per year will be available for low-income working Canadians with disabilities who are eligible for the disability tax credit. For the 2008 and future taxation years, families will be able to apply for advance payment of one-half of their estimated annual entitlements.*

*Provincial and territorial governments can propose specific changes to the design of the WITB to the extent that they are consistent with the following principles:*

- *They build on actions taken by the province or territory to improve work incentives for low-income individuals and families.*
- *They are cost-neutral to the federal government.*
- *They provide for a minimum benefit level for all WITB recipients.*
- *They preserve harmonization of the WITB with existing federal programs.*

- Andrew Jackson, "Are Wage Supplements the Answer to the Problems of the Working Poor"
- Ken Battle and Michael Mendelson, "A Working Income Tax Benefit That Works"
- William Scarth and Lei Tang, "An Evaluation of the Working Income Tax Benefit"

*Recommended Reading*

- Dorothy Brown, Stacy Dickert-Conlin, and Scott Houser, "The Undeserving Poor?: Welfare, Tax Policy, and Political Discourse"

## NOVEMBER 24 – MOBILITY POLICY: NORTHERN RESIDENTS DEDUCTION, PRESENTATION SKILLS, AND PEER REVIEW SIGN UP

*Individuals living in remote regions covered by regulation during a set period may take advantage of a deduction in respect of their residence and, if they enjoy because of their employment certain taxable benefits concerning travel, a deduction for travel. The deduction for their residence may reach $15 a day, without exceeding 20% of the* *taxpayer's income for the year, while the deduction for travel applies to two vacation trips paid by the employer per year and trips, without restriction, paid by the employer for medical reasons.*

*These deductions are integral for the inhabitants of regions located farther north (northern zone); the inhabitants of the intermediary zone are entitled to 50% of the eligible amount.*

*For years after 2002, the deductions for inhabitants of remote regions are not considered in the calculation of taxable income but rather in the calculation of net income; accordingly, they are taken into consideration in the calculation of the government assistance granted by transfer programs and the various tax credits that reduce with income. However, they must not be included in the calculation of the income of a dependant for the purposes of calculating tax credits for dependent children or for other dependants.*

*These deductions are designed to recognize the particular needs of residents of certain regions as a result of their remoteness and higher cost of living.*

- Library of Canada, "Federal Northern Residents Deduction"

**NOVEMBER 27 – RESEARCH ROUND TABLE**

**DECEMBER 1 – STUDENT PAPER REVIEW**

**DECEMBER 2 – STUDENT PAPER REVIEW**