House of Commons Standing Committee on Finance
Brief on Part 2 of Bill C-59, An Act to Implement Certain Provisions of the Budget
Tabled in Parliament on April 21, 2015 and Other Measures

by Jason Heath, Certified Financial Planner
Managing Director, Objective Financial Partners
Personal Finance Columnist, Financial Post
Personal Finance Columnist, MoneySense Magazine

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My name is Jason Heath. I am a Certified Financial Planner and Managing Director of Objective Financial Partners in Markham, Ontario. I am a fee-only financial planner, meaning I provide financial advice to clients, but unlike the typical financial planner, I do not sell investments or insurance. I am also a personal finance columnist for the Financial Post (which is the business section of the National Post) and MoneySense Magazine (which is Canada's personal finance magazine).

Child Care Expense Deduction

The Criminal Code of Canada dictates that leaving alone a child under the age of 10 is considered abandonment, suggesting that older children are able to take care of themselves. The Canadian Red Cross Babysitting Course is for children aged 11 and up.

It therefore seems odd that a parent would be allowed up to a $5,000 annual tax deduction and up to a $2,500 annual tax refund for child care for a 16 year old. A portion of private school fees for a child in grade 11 may qualify for this deduction, for example.

The proposed limits for the Child Care Expense deduction fall well short of the actual cost of child care in many Canadian cities, in particular, for younger children. It would not be unreasonable to pay over $20,000 annually for infant child care in Toronto, for example.

Accordingly, I would be inclined to consider a modification to the Child Care Expense deduction to allow up to $12,000 for children under the age of 6 – the mandatory age at which schooling must begin in Canada – and $6,000 for children aged 6 to 12. A Child Care Expense deduction for teenage children is unnecessary in my opinion, except in the case of a disabled child.

On that note, I think that $11,000 is not nearly enough of an eligible deduction for child care for a child with a disability. I suggest a $24,000 deduction limit for disabled children aged 16 and under, as it would not be uncommon for a family to spend this much on a live-in nanny, for example. It is also twice my suggested limit for the Child Care Expense deduction for children under the age of 6.

Canada Child Tax Benefit / Universal Child Tax Benefit

The cancellation of the Canada Child Tax Benefit is a double-edged sword.

It seems better to limit the administration of tax benefits for children to one single benefit instead of paying two benefits, with the resulting additional government administrative costs to manage both programs.

On the other hand, it seems unfortunate to cancel a means-tested benefit like the Canada Child Tax Benefit in favour of a non-means-tested benefit like the Universal Child Care Benefit.

The result of the changes to these benefits may be a reallocation of tax dollars from people who likely need and count on the money to people who may not need it.

The cancellation of the Canada Child Tax Benefit also has a negative impact on single parents that is not offset in this bill by the Family Tax Cut credit.

I would be inclined to instead consider an increase in the Canada Child Tax Benefit to provide more benefits for low-income and middle-class Canadians, while reducing or negating benefits for those whose income exceeds a certain threshold.

This could be done by instead cancelling the Universal Child Care Benefit and using the resulting savings to enhance proportionately the Canada Child Tax Benefits payable for Canadian families whose income is below a certain threshold. This threshold could be $72,809, which is the income threshold currently used for the Old Age Security clawback and is also the approximate median family income in Canada currently.

Family Tax Cut Credit

The Income Tax Act distinguishes between families that have more than one child in the claiming of tax credits like the Amount for Children; the Children's Fitness Amount; the Children's Arts Amount; and the Child Care Expense deduction. It seems odd that the Family Tax Cut credit would not do the same.

I would prefer to see it based on the number of children under the age of 18 and suggest a limit of $25,000 of split income per eligible child.

In addition, I would prefer to see this credit even further benefit a young family contemplating having a stay-at-home parent for some period of time. This could allow a two-income family to temporarily become a one-income family and have a parent as a caregiver for a young child instead of both parents having to work and pay a third party caregiver. This could be done by allowing the splitting of income for parents with children under the age of 6 – at which point children would generally be starting first grade and requiring less care – without being subject to the $2,000 tax credit limit. I propose, instead, a $10,000 tax credit limit.

Single parents do not benefit from the Family Tax Cut credit. I would like to see single parents able to claim the Family Tax Cut credit by notionally splitting income with their youngest child under the age of 18.

Summary

1. Allow Child Care Expense deductions of $12,000 for children under the age of 6; $6,000 for children aged 6 to 12; and $24,000 for children up to the age of 16 who qualify for the Disability Tax Credit.

2. Apply the estimated budget for the Universal Child Care Benefit to enhance proportionately the Canada Child Tax Benefits payable for Canadian families whose income is below $72,809; and cancel the Universal Child Care Benefit.

3. Modify the Family Tax Cut credit to be based on the number of children, allowing the splitting of up to $25,000 of income per eligible child; increase the $2,000 tax credit limit for families with children under the age of 6 to $10,000; and allow single parents to claim the Family Tax Cut credit by splitting income with their youngest child under the age of 18.