

FEDERAL BUDGET 2006 SUMMARY/IMPLICATIONS FOR TEACHERS AND EDUCATION

**Canadian Teachers' Federation
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Introduction

Commentary on the 2006 federal budget use such words as re-allocate, re-position, re-work. Despite all of the hype over tax cuts for Canadians, the measures of decreasing the GST by 1% and concurrently increasing the personal tax rate from 15% to 15.5% in the lowest income bracket, does little to benefit low income earners. Already news reports are (properly) characterizing specific measures in a way that identifies their limitations. For example: a measure that gives an annual tax credit of \$500 amounts to an \$80 tax savings; an item that costs \$20 will cost .20 cents less, etc.

The budget is typically Conservative and the degree to which revenues are reduced and the surplus depleted makes it very difficult to envision significant growth in social programs. In fact, further spending cuts may be necessary in order to accommodate the tax promises. The Harper government has made clear choices to further download responsibility for social programs to the provinces and territories. The scrapping of the child care agreements made between the previous government and the provincial jurisdictions is a good example. CTF has joined with many others in expressing disappointment over the fact that "the Prime Minister and his government have chosen to forego a once-in-a-generation opportunity to give our children the kind of start that assures their readiness to succeed in school and in life". The Conservative government Universal Child Care Benefit will replace the previously negotiated agreements.

Items that we feel are of specific interest to teachers and education are outlined in point form below.

Pensions

- ◆ The federal pension income tax credit will double to \$2,000 effective for 2006 and subsequent tax years
- ◆ Consideration will be given to allocating a portion of any surplus larger than \$3 billion to the CPP/QPP, at fiscal year end, in order to address generational equity concerns
- ◆ Temporary funding relief will be provided for federally regulated defined benefit pension plans. The new measures are designed to help re-establish full funding of these plans in an orderly fashion. The temporary relief will, essentially, enable plan sponsors to amortize solvency deficits over longer periods of time (from 5 to 10 years). The budget could place additional pressure on the provinces to develop similar measures

Child Care

- ◆ A Universal Child Care Benefit (UCCB) equivalent to \$100 per month for each child under age 6 will be provided to Canadian families effective July 1, 2006. The benefit will be taxable in the hands of the lower-income spouse. The UCCB will not reduce benefits paid under Canada Child Tax Benefits or the goods and services tax credit, and will not affect federal income-tested benefits delivered outside the income tax system.
- ◆ The Federal budget has scrapped the previous child care agreements made with provincial governments.
- ◆ A total of \$250 million a year has been allocated to support the creation of new child care spaces across Canada beginning in 2007-08.

Children's Fitness Tax Credit

- ◆ A tax credit of up to \$500 effective January 1, 2007 will be provided to parents of children under age 16 who are enrolled in physical activity programs to cover eligible fees.

New Textbook Tax Credit

- ◆ Post-secondary students will receive a textbook tax credit amounting to \$65 per month of full-time post-secondary study. This amounts to a tax credit of \$520 per year for a full-time student enrolled for eight months, representing a tax reduction of about \$80

Post-Secondary Education

- ◆ The budget confirms a one-time payment to provinces and territories of up to \$1 billion to support urgent investments in post-secondary education infrastructure, contingent on sufficient funds from the 2005-06 surplus in excess of \$2 billion.
- ◆ Eligibility for Canada Student Loans will be expanded through a reduction in the expected parental contribution, beginning in August 2007.
- ◆ All scholarship, bursary and fellowship income a post-secondary student can receive will now be federal income-tax exempt, eliminating the current \$3,000 limit.

Assistance for Children with Disabilities Extended

- ◆ Middle and higher income families caring for children with severe disabilities will become eligible for the Child Disability Benefit (CDB) as of July 2006, when the maximum annual CDB benefit will be increased from \$2,044 to \$2,300.

GST Reduction

- ◆ The goods and services tax (GST) will be reduced from 7% to 6% effective July 1, 2006.
- ◆ Note that, in general, the 6% GST rate will apply to purchases of goods and services invoiced on or after July 1, 2006, and not based on the date the good or service is received by the consumer.
- ◆ New home purchases will have the 6% GST rate applicable when ownership and possession transfer to the buyer takes place on or after July 1, 2006. In cases where the purchase agreement was signed before budget day May 2, 2006 and the 7% GST rate was applied, a transitional adjustment from the Canada Revenue Agency can be claimed by the purchaser.

New Canada Employment Credit

- ◆ A new Canada Employment Credit, recognizing work expenses incurred by employees, will provide a tax credit of up to \$500 on employment income, effective July 1, 2006. However, since this measure comes into effect in mid-year, the maximum amount on which the credit will be calculated will be \$250 for the 2006 taxation year, increasing to \$1,000 for the 2007 taxation year.
- ◆ The tax credit will be calculated based on the lowest personal income tax rate for the taxation year, that is, an average of 15.25% for 2006 and 15.5% for 2007 and subsequent taxation years.

Public Transit Tax Credit

- ◆ A tax credit will be provided for the purchase of monthly public transit passes, or those of a longer duration, effective July 1, 2006. Calculated based on the lowest personal income tax rate for the taxation year (15.5% in 2007), an individual who spends \$80 per month throughout the year 2007 will receive about \$150 in federal tax relief for the year.

Personal Income Taxes

- ◆ Effective July 1, 2006, the lowest personal income tax rate in 2006 will be increased from 15% to 15.5%. The lowest tax-rate for the full calendar year 2006 will average 15.25%. This rate currently applies to taxable incomes equal to or less than \$36,378.
- ◆ The Basic Personal Amount (BPA), or the maximum that can be earned in a given year without paying federal income tax, will be increased gradually until 2009 when it reaches \$10,000.

Support for a More Skilled and Educated Workforce

- ◆ A new tax credit of up to \$2,000 for employers who hire apprentices.
- ◆ A new \$1,000 grant for first- and second-year apprentices.

Aboriginal Communities

- ◆ The budget provides for \$150 million in 2006-07 and \$300 million in 2007-08 for improving Aboriginal education outcomes, Aboriginal women, children and families, and water supply and housing on reserve.
- ◆ A one-time payment of up to \$300 million will be provided for off-reserve aboriginal housing and a one time \$300 million payment will be provided to the territories for affordable housing in the North, each to be paid into a third-party trust and contingent on sufficient funds from the 2005-06 surplus in excess of \$2 billion.
- ◆ Aboriginal funding provided in this federal budget is significantly less than would have been provided to Aboriginal peoples under the November 2005 Kelowna Agreement.

