
This article considers the federal government’s announcement of a “super tax credit” for first-time reporting of tax-receipted gifts to charities. The perspective the author takes in this article is to consider whether the super tax credit is a sufficient remedy for the issue that the government is seeking to address. The government noted in the 2013 federal budget that “there is a need to foster and promote a culture of giving, and that tax incentives can play a role both in increasing the number of new donors and [in] encouraging existing donors to give more.” The government’s response was to amend the charitable donation provisions of the Income Tax Act to include a new, temporary “first-time donor credit” (FTDC) to encourage new donors to give to charity. Who these new donors are and how a temporary measure resolves the perceived problem is less clear. Having reflected on the available research and on the various submissions presented to the Standing Committee on Finance, the author has come to the opinion that the FTDC represents a band-aid approach that only partially addresses the bigger issue referred to in the budget—namely, the promotion of a stronger culture of giving by Canadians.


On June 20, 2013, the Canadian Tax Foundation (CTF) sponsored a one-day invitational round table in Ottawa to discuss the tax policy process in Canada and other selected countries. The round table was attended by senior Canadian tax practitioners (many of whom have previous experience with the federal Department of Finance), government officials from Canada and other countries, and representatives from the corporate sector, think tanks, and the Organisation for Economic Co-operation and Development (OECD). Larry Chapman, the CTF’s executive director and chief executive officer, and I chaired the discussions. The round table focused almost exclusively on the process for developing tax policy, rather than the tax legislative process. Generally, the process for developing Canadian
tax policy can be considered to include all of the activities carried out by the Department of Finance and others before the announcement of a legislative change and the introduction of a bill in the House of Commons. Although the tax policy process is widely acknowledged to be important, it has not received much attention in Canada in recent years. Accordingly, the fundamental purposes of the round table were to give government officials and tax professionals a better understanding of the process for making tax policy, both in Canada and in other countries, and to initiate a conversation on the tax policy process among members of the Canadian tax community. In order to facilitate an assessment of the Canadian tax policy process, government officials and private-sector tax experts from selected countries—Australia, New Zealand, the United Kingdom, and the United States—prepared brief papers describing the most important aspects of their tax policy processes. With the exception of the United States, these countries were selected because they have parliamentary systems and legislative processes similar to Canada’s and they have all recently made significant changes to their tax policy processes. In addition, the Department of Finance prepared a paper on the Canadian tax policy process. All of these papers are reproduced following this summary.

INSTITUT ÉCONOMIQUE DE MONTRÉAL


Les taxes sur les produits jugés nocifs sont inefficaces, voire nuisibles.

Ce que l'on appelle les « taxes puritaines » (ou « sin taxes » en anglais) sont des taxes qui sont prélevées sur un certain nombre de produits que les gouvernements jugent nuisibles comme l'alcool, le tabac, les jeux de hasard et certains aliments riches en sucre ou en gras. Ces taxes sont déjà présentes dans nos vies depuis longtemps et risquent de devenir davantage en période de difficultés budgétaires, dans la mesure où elles permettent aux gouvernements d'augmenter leurs revenus tout en affirmant défendre la vertu. L'expérience montre cependant qu'elles atteignent rarement leurs objectifs contradictoires. De plus, elles ont parfois des conséquences néfastes pour certains groupes vulnérables de la société.

FRASER INSTITUTE


Whenever governments are strapped for cash, eyes quickly turn to corporate income taxes as an expedient and presumed painless way to help balance their books. The erroneous thinking behind raising corporate income taxes, however, is that corporations and not people bear their burden. Economic theory and common sense both argue that corporate taxes are actually paid by consumers, workers, and/or investors. Politically, however, it has proved impossible to convince large parts of the public of the futility of shifting the tax burden to corporations. Given the difficult optics of abolishing the corporate income tax, the next best alternative is to lower the rate as much as possible. There are several reasons that governments should reduce their reliance on corporate income taxes. First, every percentage-point increase in corporate tax rates leads to a significant erosion of the tax base. Another reason to keep corporate income taxes as low as possible is to minimize the distorting impact they have on economic behaviour, a rationale that applies to all taxes. Ultimately, the major stumbling block to lowering or eliminating corporate income taxes comes down to the public’s perception of equity. The concern for “fair” treatment is misplaced; corporate income taxes are ultimately paid by people.

CANADIAN CENTRE FOR POLICY ALTERNATIVES
This study examines the cost and the distributional impact of three income splitting scenarios: pension income splitting; income splitting for families with children under 18, as the Conservatives have pledged; and income splitting for all families. The study finds that the impact of income splitting in all scenarios is very unequal and the lost revenue for Canadian governments would be substantial.

TAX POLICY CENTER


This report presents three tax reforms designed to promote homeownership through a channel other than the deductibility of mortgage interest. These reforms include a first-time homebuyer tax credit, a refundable tax credit for property taxes paid, and an annual flat amount tax credit for homeowners—all paid for by limiting current tax expenditures for housing. Although far from perfect, these reforms would provide a more efficient and equitable allocation of housing subsidies. Our simulations show that relative to existing incentives, each policy would raise home prices and make the tax code more progressive.
Both political parties are calling for corporate tax reform without agreement on specifics. Proposals to broaden the corporate tax base to pay for lower rates or to eliminate taxes on corporate repatriations while trying to prevent income shifting do not address the main problems of taxing multinational corporations in a global economy. This article discusses the need for more fundamental structural reforms and offers up two ideas - securing international agreement on better rules to allocate profits of multinationals among taxing jurisdictions or, alternatively, replacing the U.S. corporate tax with full taxation of dividends and accrued capital gains of U.S. shareholders.

TAX POLICY CENTER


The federal income tax system provides substantial benefits to families with children. In 2013, the Tax Policy Center estimates that five major child-related tax benefits – the earned income tax credit (EITC), the child tax credit, the child and dependent care tax credit, the dependent exemption, and head of household filing status – will reduce taxes and provide credits totaling $171 billion (roughly $3,400 per family) for families with children. Nearly all families benefit, but low- and middle-income families tend to benefit most. This paper highlights who benefits from each major provision and how much benefit is received.

SOCIAL SCIENCE RESEARCH NETWORK


Over the last decade, the tax gap — the difference between what taxpayers owe in taxes and what they actually pay — has remained significantly large. A contributory factor to the tax gap’s size is the fact that many taxpayers mischaracterize the tax treatment of their automobile expenses and the receipt of other employer-provided fringe benefits. This analysis explores the reasons for this phenomenon and then proposes reforms that will make taxpayers more compliant, helping to reduce the tax gap’s size. Although these reforms admittedly would not solve all of the nation’s tax noncompliance woes, they would help preserve the income tax base and minimize economic distortions.

NATIONAL TAX JOURNAL


This paper examines various ways of designing across-the-board limits on the use of tax expenditures to replace or supplement limitations already in the income tax. We simulate the effects on the distribution of tax burdens among income groups and on incentives to engage in the subsidized activities of alternatives that impose the same...
overall increase in tax burden. This paper evaluates six options to achieve across-the-board reductions to a group of major exclusions and deductions in the income tax: (1) limiting their tax benefit to a maximum percentage of income; (2) imposing a fixed dollar cap; (3) reducing them by a fixed-percentage amount; (4) limiting their tax saving to a maximum percentage of their dollar value; (5) replacing preferences with fixed rate refund-able credits; and (6) including them in the base of the existing Alternative Minimum Tax (AMT). We discuss issues of design, implementation, and administration, and simulate the revenue, distributional, and incentive effects of the various options.

NATIONAL TAX JOURNAL


We review the changing economic significance of various business entity types since the Tax Reform Act of 1986 (TRA86) and the implications of these changes for the design of tax policy. In particular, we focus on the increased role of pass-through entities and the declining significance of the taxable corporate form. Our analysis suggests that significant reductions in the corporate tax rate, absent changes in the personal tax rate, will likely reverse the organizational form incentives that have existed since TRA86. Further, if the loss in revenue from a rate reduction is offset by a broadening of the tax base, most business entities, comprising most business income, are likely to face an overall increase in their tax burden.

NATIONAL TAX JOURNAL


Studies of income distribution generally show an increasing share of income going to the top 1 percent of the income distribution in the United States for the past several decades. However, such studies tell only part of the story. Because they use annual cross-section data, these studies are unable to consider the composition of high-income groups over time. Are individuals in the top 1 percent in one year the same individuals that are still in the top 1 percent 10 years later? Or is the composition of this group changing because of new entrants? How much do the relative income positions of individuals change from their 30s to their 50s? How much mobility is achieved by children from low-income households? This paper addresses these questions by using panels and cross-sections of income tax returns and administrative tax records. We examine long-term mobility over the life cycle, intergenerational mobility, and persistence at the top of the income distribution. Its main findings can be summarized as follows. Half of those age 35–40 in the bottom quintile of their cohort moved to higher quintiles 20 years later; over 60 percent moved up relative to the full population. About 70 percent of dependents from low-income households were themselves in higher quintiles 20 years later. Younger generations gradually replaced those that dominated the top percentile in 1987. The results show the importance of life cycle effects and the changing composition of top income groups.

INTERNATIONAL

OCDE

The report provides an overview of the main issues raised by VAT, SMEs and the taxation of the financial sector, and that tax practitioners should be aware of in their day to day work. Each chapter provides a detailed analysis of the challenges revenue administrations and policy makers face in designing and administering these taxes, and possible solutions that can be adapted and related to the specific situation of different countries.

OCDE

Les recettes fiscales continuent de croître dans la zone de l’OCDE, 17 décembre 2013, 1 page.

Les statistiques des recettes publiques publiées par l’OCDE sont disponibles pour 2012.

Les recettes fiscales poursuivent leur rebond depuis le creux enregistré dans presque tous les pays en 2008 et 2009, au plus fort de la crise économique mondiale, selon les dernières Statistiques des recettes publiques que l’OCDE publie chaque année. Le ratio moyen recettes fiscales-PIB dans les pays de l’OCDE s’est établi à 34.6 % en 2012, contre 34.1 % en 2011 et 33.8 % en 2010. Le rapport des recettes fiscales au PIB a augmenté dans 21 des 30 pays pour lesquels des données sont disponibles pour 2012, et il a diminué dans 9 pays seulement. Le nombre de pays où le ratio est en hausse et de ceux où il est en baisse est resté inchangé par rapport à 2011, ce qui indique une tendance continue à l’accroissement des recettes.

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