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Submission from Prince Edward Island Association for Community Living

TO: Technical Advisory Committee on Tax Measures for Persons with Disabilities

Thank you for providing the opportunity to make this submission regarding the policy and administrative issues related to the disability tax credit and other federal tax assistance intended for persons with disabilities.

There are a number of issues we would like to bring to your attention with regard to the DTC particularly as it applies to people with disabilities who reside in Prince Edward Island. As you are aware the Federal Government allows a credit of 16 percent of \$6,279. The province of PEI does not allow the same value for the Disability Tax Credit. In the tax year 2002 the DTC value allowed through the PEI tax system is 9.8 percent of \$4400. Our concern here is that any changes made at the federal level with the DTC does not necessarily impact positively to all Canadian citizens, depending on the tax rules that exists within provinces/territories. The current situation in Prince Edward Island attests to this.

The Disability Tax Credit provides some financial relief of disability related costs to those families and individuals who are tax payers and file an annual tax return. In Prince Edward Island, as I am sure exists in other areas of the country, we have a number of families who are social assistance recipients and also have a child with a disability. The DTC does not help these families/individuals. If the DTC was refundable rather than a tax credit, it would benefit all Canadian families regardless of income. However, one has to consider the very real possibility that Provinces may "claw back" this refund so net result to families once again could be a negative one.

Any changes made to tax credits at the federal level must be done in collaboration with the provinces/territories and given the current political climate that exists in the country -this, at this time, would be a hard sell.

The Medical Expense Tax Credit (METC) presents difficulties for families/ individuals as well. A case in point is one of an Island family -Mom, Dad and adult son with a disability. Son receives income support and his annual income support is \$7000. He

files a tax return. He pays no tax because he is in receipt of social assistance, therefore, any credits are of no benefit to him.. Mom and Dad paid \$3000 in medical expenses for their son during the tax year. The parents claim the METC on their tax return. The credit was disallowed by CCRA on the parents' tax return. The reason given was that their son's income was '100 high" so he was not considered financially dependent on his parents. Therefore, no one in this family benefits from the METC -son cannot claim it because he is not a taxpayer, Mom and Dad are not eligible for credit transfer due to tax loop holes. In one sense CCRA says the son's income is not income because it is social assistance, on the other hand they recognize it as income to rule that the son is not financially dependent on his parents. (I believe this case is under Appeal). The tax system may not be the best vehicle to get money into the hands of individuals with disabilities and their families. A disability allowance (maybe similar to veteran's allowance) provided through Federal Government, which is not reportable income maybe a consideration. The disability allowance would have to respond to individual cases in order to meet the high costs associated with some disabilities.

Another barrier with the use of the tax system that we have encountered is in the various rulings CCRA has made with regard to disability related support money in the provinces/territories. For example in PEI some monies received as disability related support is reported on a T5, which the individual/family must file with their return. This has had the effect of lessening the amount families and individuals have received through other credits such as Child Tax Credit and GST rebate. Other Canadian provinces have received rulings from CCRA that ALL monies received as disability related support is not reportable income and they are not receiving T5s. This needs to be standardized across the country. One must be cautious here, of course, we would want the ruling to be in favour of people with disabilities i.e. that disability related money not be considered income. We certainly do not want a ruling, which is the reverse of that.

There has to be considerable thought and study put into the consideration of the Tax System as the way to assist Canadians with disabilities. It certainly has its weak points. On the other hand if monies were transferred to the Provinces/Territories as "program funding" one would have to be reasonably well assured that those dollars be a targeted transfer so that the PIT's use the designated money accordingly. There must be accountability on the part of the provinces and territories -if not, transferred money can be swallowed up in the health care budget and once again people with disabilities are on the outside looking in. The proposed (or maybe certain) split of the CHST provides an opportunity for pots of money to be earmarked for disabilities -the question is whether there is a strong accountability framework to ensure that this happens. Once again Federal, Provincial and Territorial relations at this time may not make this an easy thing to do either.

Further on the topic of program funding, we can foresee some other pitfalls. Each PIT has set eligibility criteria for access to programs/services/supports offered to people with disabilities. For instance in PEI we have an age group of adults 18 to 25 who are disqualified from applying for supports on their own if they live at home with their parents, are unmarried and fit in the age category of 18 to 25. So program funding received from the Federal Government may not get to individuals with disabilities if the PIT's are left to design their own eligibility criteria. We are experiencing this situation currently in Prince Edward Island with the introduction of the new Disability Support

Program. Once again we see a certain segment of the population left out. Again we would need some standardized disability support programs nation wide where all programs guarantee equality of access to all persons with disabilities, regardless of what province/territory they live in.

Your mandate to explore the tax system as a vehicle to get more money into the hands of Canadians with disabilities is a challenging one indeed. Our caution would be that things be well thought out and pilot tested before any rash changes are made. History has proven that what works in one province/territory does not work in others. Whatever happens, it would appear that the Federal Government will have to take things in hand and dictate what must happen with the money they want to get to Canadians with disabilities. This may be somewhat of a hard-nosed approach, but it may be the only way to ensure fairness and equality for all Canadian citizens with disabilities regardless of where they live in Canada.

Please keep us posted on developments. We very much look forward to the final outcome of your deliberations.

Prepared by,

The Board of Directors
Prince Edward Island Association for Community Living