

Cost Estimate of Election Campaign Proposal

Publication date: 2019-10-03

Short title: Volunteer Firefighters' and Search and Rescue Volunteers' Tax Credits

Description: This proposal would reduce the working hours required to receive the Volunteer Firefighters' Tax Credit and the Search and Rescue Volunteers' Tax Credit to 150 hours from 200 hours. The modified eligibility criteria would be introduced in fiscal year 2020–21. This proposal interacts with another proposal that would decrease progressively the federal income tax rate of the first bracket from 15% to 13.75% starting in 2021. The other aspects of these tax credits would remain unchanged.

Operating line(s): Personal income tax

Data sources:	<u>Variable</u>	<u>Source</u>
	Taxation database	Social Policy Simulation Model SPSD/M ¹
	Data on volunteer firefighters	Proceedings of the Standing Senate Committee on National Finance, Issue No. 10 – <i>Evidence</i> of 6 December 2011
	Data on tax credit beneficiaries	Report on Federal Tax Expenditures 2019, Department of Finance Canada

Estimation and projection method: The costs of the Volunteer Firefighters' Tax Credit were estimated using the Social Policy Simulation Model SPSD/M for the period from 2020 to 2025. Since the SPSD/M model does not include the Search and Rescue Volunteers' Tax Credit, the cost estimates were adjusted based on the number of beneficiaries indicated in the Report on Federal Tax Expenditures 2019. The number of additional beneficiaries resulting from the eligibility criteria changes was estimated using information gathered during the proceedings of the Standing Senate Committee on National Finance. The estimates were then projected for 2025 to 2029 based on the average historical growth rate of the estimated costs.

Uncertainty assessment: The estimate has moderate uncertainty. Given the lack of data on the duty time of volunteer firefighters and search and rescue volunteers, the estimates depend on major assumptions. However, the cost analysis relies in part on the Social Policy Simulation Model SPSD/M software. The software was specifically designed by Statistics Canada to model changes to the Canadian tax system. Values were rounded up to account for this uncertainty.

¹ This analysis is based in part on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were developed by the Parliamentary Budget Officer, who is solely responsible for the use and interpretation of the data.

Cost of proposed measure

\$ millions	2019–2020	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027	2027–2028	2028–2029
Eligibility criteria changes	-	3	3	3	3	3	3	3	3	3
Interaction effects	-	small	small	small	small	small	small	small	small	small
Total cost	-	3	3	3	3	3	3	3	3	3

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost

"small" = cost is smaller than \$500,000