

# Cost Estimate of Election Campaign Proposal

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Publication date: 2019-09-19

Short title: Age Tax Credit increase

Description: This proposal would increase the Age Tax Credit by \$1,000. This increase would be introduced in fiscal year 2020–21 and indexed to inflation. 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 the Age Tax Credit would remain unchanged.

Operating line(s): Personal income tax

Data sources:	<u>Variable</u>	<u>Source</u>
	Taxation database	Social Policy Simulation Model SPSPD/M
	Macroeconomic data	Office of the Parliamentary Budget Officer

Estimation and projection method: The costs of the increased Age Tax Credit were estimated using the Social Policy Simulation Model SPSPD/M<sup>1</sup> for the period from 2020 to 2025. The resulting estimates were then projected forward based on demographic and inflation forecasts prepared by the Office of the Parliamentary Budget Officer.

Uncertainty assessment: The estimate has low uncertainty. The cost analysis depends nearly entirely on the Social Policy Simulation Model SPSPD/M software. The software was specifically designed by Statistics Canada to model changes to the Canadian tax system.

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<sup>1</sup> This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSPD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

## 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
Age tax credit increase	-	558	591	626	662	699	738	777	817	858
Interaction effects	-	-5	-26	-46	-57	-60	-64	-67	-71	-74
Total cost	-	553	565	579	605	638	674	710	746	784

### Notes:

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.

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