

Cost Estimate of Election Campaign Proposal

Publication date: 2019-09-29

Short title: Basic Personal Amount Increase

Description: Introduce a new higher basic personal amount (BPA), for individuals with total income below \$214,557 for 2020, that increases faster than projected inflation until 2023 as follows:

	Baseline BPA	New BPA (First Threshold)	New BPA (Second Threshold)
2020	\$12,309	\$13,229	\$12,769
2021	\$12,567	\$13,808	\$13,188
2022	\$12,852	\$14,398	\$13,625
2023	\$13,092	\$15,000	\$14,046

For individuals with income below the first threshold, the new BPA is equal to the third column above for each specified calendar year. For individuals with income greater than the first threshold, but less than the second, the new BPA in column four above is half the difference between the amounts in the third column and the baseline BPA.

The first total income threshold is \$150,605 for 2020 and the second income threshold is \$214,557 for 2020, both indexed to inflation thereafter. All BPA (baseline and for both income thresholds) are indexed to inflation for 2024 and beyond.

The amounts for spouse or common-law partner and dependent were not changed.

Operating line(s): Personal Income Tax

Data sources:	<u>Variable</u>	<u>Source</u>
	Personal income and tax parameters	SPSD/M ¹
	Population Growth Projections	Statistics Canada
	CPI Inflation Projections	PBO Economic Outlook

Estimation and projection method: The loss in tax revenues less transfers was calculated using SPSPD/M for each tax year from 2020 to 2025. To make the BPA means-tested, PBO used a glass-box modification in SPSPD/M based on an individual's total income. The BPA was equal to the original BPA plus a top-up for individuals with income less

¹ This analysis is based, in part, on Statistics Canada's Social Policy Simulation Database and Model (SPSD/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.

than the first threshold; equal to the original BPA plus half the difference between the maximum and baseline BPA for individuals with income between the first and second thresholds, and equal to the baseline BPA for the rest.

The values for the years 2020 to 2023 were equal to the amounts stated above. The 2024 and 2025 levels of the BPA were determined by applying the PBO's projected CPI inflation rate to the 2023 amount. In 2026 and beyond, we assume the costs grow in-line with population growth and inflation.

Uncertainty
assessment:

The estimate has low uncertainty. The data and model from SPSPD/M are assumed to be reliable and a behavioural response is not expected.

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
Total cost	662	2,890	3,861	4,855	5,664	5,849	6,015	6,201	6,391	6,585

Supplementary information

	Description	Operating line	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Cost	Increase to Basic Personal Amount	Personal Income Tax	660	2,876	3,835	4,829	5,634	5,817	5,983	6,167	6,356	6,549
Interaction	With other measures	Personal Income Tax	3	14	26	27	30	32	33	34	35	36
Total cost			662	2,890	3,861	4,855	5,664	5,849	6,015	6,201	6,391	6,585

Notes:

The interaction amount includes the combined effect of the increase in CCB benefits of 15%, the 10% increase in OAS benefits and the exemption for EI maternity and paternity benefits.

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