



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Legislative Costing Note

Announcement date: 2020-07-17
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Short title: COVID-19: Special payment to individuals receiving disability supports
Description: Introducing a one-time, tax-free payment to individuals receiving certain disability supports, including:

- (i) Individuals holding a valid Disability Tax Credit (DTC) certificate, or who are eligible for one and apply by 25 September 2020;
- (ii) Individuals receiving the Canada Pension Plan (CPP) disability benefit or Quebec Pension Plan (QPP) disability benefit as of 1 July 2020; or
- (iii) Individuals receiving disability supports provided by Veterans Affairs Canada (VAC) as of 1 July 2020

Eligible individuals will receive one of the following payment amounts:

- (i) \$600; or
- (ii) \$300 for individuals who are eligible for the Old Age Security (OAS) pension; or
- (iii) \$100 for individuals who are eligible for both the OAS pension and the Guaranteed Income Supplement (GIS) or the Allowance

Data sources:	<u>Variable</u>	<u>Source</u>
	DTC certificate holders: historical number, growth	Canada Revenue Agency (CRA) Disability Tax Credit Statistics
	CPP/QPP disability beneficiaries: historical number, growth	Employment and Social Development Canada (ESDC) Quarterly report of Canada Pension Plan and Old Age Security monthly amounts and related figures
	Veterans receiving disability supports: historical number, growth	Veterans Affairs Canada (VAC) microdata; VAC Statistics – Facts and Figures
	Percentage overlap among DTC certificate holders, CPP/QPP disability beneficiaries, and veterans receiving disability supports	Information provided by ESDC; CRA Disability Tax Credit Statistics; Statistics Canada’s Canadian Survey on Disability Reports; Veterans Affairs Canada (VAC) microdata; VAC Statistics – Facts and Figures

Percentage of eligible population that is also eligible for the OAS pension, the GIS, and/or the Allowance	SPSD/M 28.0; CRA Disability Tax Credit Statistics; VAC microdata; VAC Statistics – Facts and Figures
Special payment eligibility, amounts, and dates	Government of Canada ¹
Incremental administrative costs	Information provided by ESDC

Estimation and projection method:

The projected number of individuals holding a valid DTC certificate, or who are eligible for one and will have applied by 25 September 2020, was determined by multiplying the number of DTC certificate holders as of 31 December 2018 by the historical growth rate of such holders in CRA statistics.

The projected number of individuals receiving the CPP or QPP disability benefits was determined by multiplying the number of CPP or QPP beneficiaries as of March 2020 by the historical growth rate of such beneficiaries in ESDC statistics.

The projected number of individuals receiving disability supports provided by VAC was determined by multiplying the number of eligible individuals in VAC microdata and statistics by the historical growth rate of those individuals in those statistics.

The total eligible population was reduced to account for individuals who receive multiple disability supports that determine eligibility for the special payment, and who would thus otherwise be double- or triple-counted by the projection method.

PBO primarily relied on Statistics Canada’s Social Policy Simulation Database and Model (SPSD/M, version 28.0), in conjunction with other program statistics, to apportion the eligible population into four groups: (a) those who receive an OAS pension; (b) those who receive an OAS pension and the GIS; (c) those who receive the Allowance; and (d) those who do not receive any of the above-mentioned benefits. The individual counts in each of these four groups was multiplied by the corresponding special payment amount to calculate the total payments to individuals. To this sum PBO added ESDC’s estimate of the incremental administrative costs to deliver the payments in order to determine the total fiscal impact of the measure.

PBO assumed all payments would be provided in 2020-21.

Aggregate Results:

PBO estimates 1.67 million Canadians will receive a special payment and that the total net cost of this measure will be \$792 million in 2020-21.

The time horizon for this costing is aligned to PBO’s current Economic and Fiscal Scenario, although there may be potential fiscal impacts for subsequent years.

Sources of Uncertainty:

In-year fluctuations in the number of DTC certificate holders is a minor source of uncertainty. The projection method assumes that the individuals whose DTC certification expired in calendar 2019 would all re-certify in 2020 – as is normally the case. However, the disruption caused by the COVID-19 pandemic and the

¹ Government of Canada. (2020). One-time payment to persons with disabilities Retrieved from <https://www.canada.ca/en/services/benefits/covid19-emergency-benefits/one-time-payment-persons-disabilities.html>

deferral in the filing due date for personal tax returns could reduce the rate of re-certification in time for the special payment.

Uncertainty in a couple statistics that required approximation could also affect the accuracy of the cost estimate. The percentage of veterans receiving disability benefits who hold a DTC certificate was approximated by the percentage of the general population with a disability who hold a DTC certificate. The percentage of veterans and individuals receiving the DTC as a dependant who receive the OAS, the GIS, and/or the Allowance was approximated by the percentage of individuals claiming a DTC credit for themselves who receive the OAS, the GIS, and/or the Allowance.

Eligibility for the program and payment amounts are not sensitive to the current economic volatility.

The projection method assumes that the historical growth rate (2017-18) of DTC certificate holders would continue through fall 2020. Any deviation from this historical growth rate due to behavioural responses – for example, lower growth due to the COVID-19 pandemic, or higher growth due to the incentivizing effect of the special payment during the 60-day application window – could be a source of error in the cost estimate.

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Cost of proposed measure

\$ millions	2019-2020	2020-2021
Total cost	-	792

Supplementary information

	2019-2020	2020-2021
Total payments to individuals	-	772
Incremental administrative costs	-	21
Total cost	-	792

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

Numbers may not add due to rounding.

This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by the PBO and the responsibility for the use and interpretation of these data is entirely that of the authors.