

# Costing 2018 Fall Economic Statement and Off-Cycle Measures

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Short title:	Taxation of Communal Organizations
Description:	Change in the taxation level of communal organizations. Henceforth, their business income will be treated as <i>income from farming</i> instead of <i>income from land</i> . This change will make members of communal organizations eligible for the Working Income Tax Benefit (WITB).
Operating line(s):	Personal income tax
Data source:	The data is from T1 tax forms produced by the Canada Revenue Agency (CRA)
Estimation and projection method:	<p>Using CRA data, we have the total WITB amount allocated to communal organization members, from 2013 to 2016. We also have their total taxable income and the number of individuals who paid taxes. We must then make an assumption about the number of WITB recipients. To do so, we use the testimonial of representatives of the Canadian Hutterite community to the Senate Standing Committee on Banking, Trade and Commerce. First, we note that “communal organization” refers specifically to the Hutterite community. They claim that one third of the Hutterites residing in Canada are eligible for the WITB. The 2016 Census gives us the total number of Hutterites, which enables us to estimate the number of individuals receiving the WITB, as well as the average benefit they receive. By applying the WITB calculation formula, the average income of those individuals can be obtained. We then assume that taxable income will increase at the same rate as inflation. We also assume that the Hutterite population will increase at the same rate as the Canadian population, which gives us the average income per Hutterite.</p> <p>Assuming that the average income per WITB recipient will increase at the same rate as the average income per Hutterite, and that the WITB will become the Canada Workers Benefit (CWB) and become more generous, we can therefore estimate the future WITB/CWB payments.</p>
Uncertainty assessment:	We estimate that there is a moderate level of uncertainty, given the reliability of the data and the modelling technique used. The actual cost of this policy could be significantly higher or lower than estimated. Our estimate is based in part on the testimony of the community that will be affected by this measure. In addition, we assume that the percentage of Hutterites who will receive the Canada Workers Benefit (CWB) is the same as the percentage receiving the Working Income Tax Benefit (WITB). Since

the CWB is more generous, it is quite possible that this percentage will increase, representing an upside risk.

In addition, it is assumed that the Hutterite population will increase at the same rate as the Canadian population. Between 2013 and 2016, the Hutterite population increased at a considerably higher rate. Higher population growth leads to lower personal income per capita, which in turn leads to a more generous WITB. Consequently, this also represents an upside risk.

### Cost of the proposed measure

\$ millions	2018- 2019	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Total Cost	38	14	14	15	15	15