What About Women?

Gender Analysis of *Discussion Paper on New Brunswick's Tax System*

July 31, 2008

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'...the full and complete development of a country, the welfare of the world and the cause of peace require the maximum participation of women on equal terms with men in all fields'

United Nations, *Convention on the Elimination of All Forms of Discrimination against Women*, Preamble (1980)

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The Government of New Brunswick has stated in executive documents that even seemingly gender-neutral policies must be scrutinized for their unseen gender impact in order to eliminate all forms of discrimination. As each of the proposals in the Government's Discussion Paper on the Tax System is considered, the key question to ask is whether it will at least maintain existing areas of gender progressivity (where the tax system redistributes income in order to close the gap between women and men), and whether the proposed change can help eliminate remaining areas of gender regressivity. Given its heavy obligations to eliminate remaining areas of disadvantage faced by N.B. women, the government should not consider tax proposals that endanger progressivity, or that fall short of eliminating areas of regressivity.

Women in New Brunswick live in a very different social, economic, and political world than men. Women have substantially smaller incomes, heavier workloads, and limited access to critical resources. The overall 'gender income gap' in N.B. was at least 35% in 2005 and is estimated to reach 36.4% by the end of 2008. The single biggest barrier to women's economic security and equality is lack of access to adequate childcare resources. Unlike men with wives/partners, substantial numbers of women (23%) will routinely opt for part-time work, often in order to balance the low money return for their labour with the high after-tax value of their own unpaid childcare and domestic work. Women who work outside the home habitually assess their earning capacity by treating childcare expenses as a cost of working, which can discourage some from paid work. At the same time, men who expect to be able to support their families on a single income can count on the untaxed and unpaid care work of their wives/partners.

The tax and transfer systems in existence in N.B. provides some degree of redistribution. Women are able to keep a slightly larger percentage of their total income after taxes than men do. The overall degree of progressivity, where it exists, is slight, and in early earning years and in retirement years, the system in N.B. remains gender regressive - redistributing significant amounts of pre-tax incomes from women to men.

In New Brunswick in 2005, 40.8% of all N.B. women who filed income tax returns had no tax liability at all (27.3% of men) and so many of the proposals would not benefit them.

Option 1 - The government proposes to replace its progressive personal income tax rates with a flat 10% rate. This would have virtually no impact on those currently taxed at 10.12%, but it would give everyone with taxable incomes greater than $34,836 cuts of between 5.48% and 7.95%. The largest dollar benefits would go to those with higher incomes. Women's average incomes in N.B. are so low that the proposal would increase women's average consumable (aftertax) income only slightly, but increase men's consumable incomes quite dramatically. A flat 10% rate would cut provincial revenues by an estimated $355 million in 2008, 28% of N.B.'s revenue from personal income tax. Reduction in governmental capacity - especially when combined with large non-targetted spending proposals for higher income people - means there will be considerable political resistance to addressing core needs like childcare resources to support women's economic development.

Option 2 - The alternative proposal would replace the existing four personal income tax rates with two rates and income brackets, 9% on the first $34,999 of taxable income, plus 12% on the amount over that. This is slightly more progressive than a flat 10% but it would still reduce the gender progressivity of the tax system and impair governmental capacity to meet critical needs. It would offer some tax relief to those with lower incomes, by dropping their rate from 10.12% to 9%, but this benefit would bypass those who have no income tax liability and would be completely overshadowed by the huge tax cuts available to those with incomes over $35,000. Option 2 would cost nearly as much in foregone revenues as Option 1.

New Brunswick proposes to increase the personal exemptions for taxpayer and spouse to $12,000, creating one of the largest personal tax-free zones in any province. Dependency exemptions are one of many tax provisions that form invisible barriers to women's paid work. The larger the tax-free zone for a high-income single-income couple, the more income the wife/partner will have to earn in order to financially justify paid work, depriving him of a valuable tax credit. Dependency credits are a subsidy for those who earn large enough single-incomes to support the whole family. It will not be available for the vast category of low- and middle-income couples where both members work out of necessity, not choice, and will be of no use to those who have no provincial income tax liability, unless it is made refundable.

A proposed non-refundable child tax credit of up to $400/child - a very expensive tax benefit - would be more fully available to male taxpayers. If the province also increases the personal exemption to $12,000, single mothers are highly unlikely to be able to take advantage of the child tax credit. The solution would be to make it a fully refundable tax credit, preferably integrated into the federal refundable child tax benefit to reduce administrative costs, based on the individual income of the parent with the lowest income, to ensure that this credit does not become another barrier to women's paid work.

A proposed direct annual grant of $600/child under 6 would have a strong negative impact on women. It would cost $28 to $30 million in 2008 – an amount far more efficiently spent if it were made available on a needs basis in the public childcare system. Increasing the child tax credit by $50/month/child is not going to make the difference between being able to afford fulltime regulated childcare, It becomes a luxury payment to parents who can live on one income and so do not incur childcare expenses. This proposal should only go forward if it can be restructured. It should at least be assimilated into the federal child tax benefit system, be means-tested, and placed on a fully refundable nontaxable basis.

The proposed tax exemption for income earned on Tax-Free Savings Accounts would have negative impact on women. TFSAs (and income splitting of investment income via TFSAs) will really only be accessible by those with the highest incomes; in N.B., few women fall into that category. TFSAs permit 'pretend sharing for tax purposes' without requiring actually legal sharing. Contrary to spousal RRSPs, nothing in the TFSA rules require the contributing partner to turn the funds into the 'property' of the partner in whose name it is established. The anti-avoidance rules that have always blocked this kind of income splitting in the past have been suspended for TFSAs. This departure from the principle that married couples are to be treated as individuals for tax purposes undercuts women's economic autonomy and creates fiscal barriers to women's paid work, because it may be financially more lucrative for the wife/partner to serve as a tax shelter for income splitting purposes than to enter paid work.

New Brunswick is proposing to reduce its corporate income tax rate from the current 13% to 10%, 7% or 5%, leaving the small business rate at 5%. Corporate income tax is N.B.'s 5th largest source of revenue. Two-thirds of the financial benefits of cutting corporate income tax rates will accrue to men. By 2012, the total federal and N.B. tax burden on individuals would be markedly higher than the total federal and N.B. tax burden on corporations.

Carbon taxes are easy to avoid for those who can spend their way through any resulting price increases, but they take a fixed proportion of income from those on low incomes who have no alternatives but to incur them. The N.B. carbon tax proposal is even more regressive because the government would use it to replace revenue lost due to other tax cuts - replacing progressive tax structures with regressive flat consumption taxes. If a carbon tax is adopted, any low-income credit should be payable to individuals and not to 'households,' because all too often women who qualify for benefits on their own are denied them because of their higher-income partner. If carbon taxes actually work, the revenues flowing from them will disappear as alternative sources of energy are used, so the short-term use of carbon taxes to replace more broad based, equitable and stable income tax would result in permanent destruction of part of the N.B. tax base.

The proposed increase in the HST would fall more heavily on those with the lowest incomes - the same group that will not be receiving any benefits from cuts to the personal and corporate tax rates, from increases in tax credits and exemptions, and will be exposed to carbon taxes and the inflationary effects of those taxes. Increasing the HST rate to 10% would produce about two-thirds of the amount of revenue lost if either of the proposed cuts to personal income tax were adopted. Women, having lower incomes, spend a greater portion of it on HST-taxable goods and services. The credits given to low-income individuals to offset consumption taxes are reduced for those who are married or living common law. The HST will account for a slowly increasing share of overall provincial revenue, and will make it all the more difficult for women to close the gender gap in consumable (aftertax) income.

The real gender regressivity arises not just out of the cuts for higher income taxpayers, nor out of the 2% increase to HST, but out of the interaction between these two proposals. It slices 28% of the personal income tax load off at the highest income levels, replaces only two-thirds of that lost revenue, and replaces it with the most regressive type of tax. It will dramatically reduce the tax load on high income

New Brunswickers, who are predominantly male. This will make it more difficult in the future for women to move toward economic equality, widening the aftertax gender gap, as will the tax cuts to corporations, the carbon tax, TFSAs, nonrefundable child tax credits and the provincial UCCB. The increase in HST plus Option 1 leaves men with on average $316 more in consumable aftertax income overall for 2008, women with $198 more. The HST increase plus Option 2 leaves men with on average $300 more, but women with $119 more. Both Options in a gender gap in aftertax income (the percentage women must make up to reach equality on these policy proposals): Option 1, 37.3% and Option 2, 60.3%.

The proposals outlined in the Discussion Paper will widen the existing gender gap between women's and men's total incomes, taxable incomes, and consumable (aftertax) incomes. They will seriously impair and destabilize the existing tax bases, with the result that the government will be able to plead poverty when faced with demands for adequate childcare resources, low-income supports and development projects that are capable of helping N.B. women overcome their disadvantaged economic status.

The tax policy issues addressed in the Discussion Paper are framed with a single policy objective: how best to promote economic development and self-sufficiency. It is not really a 'tax policy analysis' so much as an attempt to sell specific tax changes that fit into that focus. If the Government had begun by asking whether the current provincial tax/transfer system is optimal, in light of all the policy objectives of modern tax/benefit systems, the analysis would have considered core issues of progressivity/ regressivity, fairness, economic efficiency, economic growth, adequacy and stability of revenues, and 'fit' with federal and other provincial systems. It would also have included gender impact analysis– if that had been done, the proposals may well have looked very different. A full-scale gender impact analysis of the tax/benefit system in New Brunswick is overdue. In the longer term, each policy document, and especially every tax or spending proposal, should be developed in conjunction with detailed gender analysis.

Too little time has been devoted to the development of the proposals, to public hearings, and to the submission of briefs. Rapid movement in fundamental policy areas is anti-democratic, and runs the risk that groups with easy access to government decisionmakers may have more influence over outcomes. Women remain disadvantaged in terms of economic power and opportunities, and political empowerment, and so it is important to allow adequate time and resources for full public discussion of issues like those posed by this process.

I THE COMMITMENT TO EQUALITY FOR WOMEN IN NEW BRUNSWICK

The *Charter of Rights* sex equality guarantees, which came into effect in 1985, places the federal and provincial governments under constitutional obligations to protect and promote women's equality in all areas of law, policy, and programming. This *Charter* commitment was itself an expression of the commitments Canada made to women's equality when it became a signatory to the *Convention on the Elimination of All Forms of Discrimination Against Women* (*CEDAW*) in 1981.[1] These constitutional and international commitments require all levels of government in Canada to eliminate *all* forms of discrimination against women in Canadian life and to ensure that all ongoing programs will actually move women toward genuine or 'real' equality.

Throughout the 1990s, these commitments were put into action by governments around the world. In the leadup to the United Nation's *Fourth World Conference on Women* in Beijing, Canada adopted its *Federal Action Plan for Gender Equality*,[2] a detailed roadmap for attaining women's equality. At the Beijing conference, Canada formally adopted the detailed equality initiatives in the *Platform for Action*,[3] which was agreed upon at the conference. Canada subsequently confirmed its commitment to actively implement gender mainstreaming and gender-based analysis of all laws, policies, and programmes – existing and proposed.[4] By 1999, most federal departments and provincial governments had developed department-specific gender equality policies, gender-based analysis procedures, and training programs.[5]

The Government of New Brunswick has been in the forefront of provincial governments implementing gender-based analysis. As it stated in executive documents in 1999 and again in 2003, even seemingly gender-neutral policies must be scrutinized for their unseen gender impact in order to truly eliminate all forms of discrimination against women:

> 'Gender permeates all facets of our lives, making the need for gender based analysis go beyond those policies that are specifically targeted at women. Policies related to health, finance, the environment, or even transportation all have the potential to either perpetuate gender-based inequities or to alleviate them in some way.'[6]

II WOMEN IN NEW BRUNSWICK — THE REALITIES

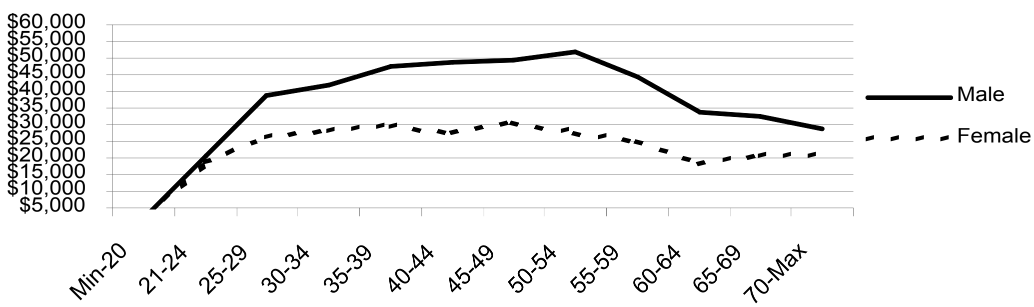
Despite these commitments to women's equality, the actual status of women in Canada has been deteriorating rapidly, whether measured in terms of women's incomes compared with men, shares of unpaid work by gender, policies that address women's greatest social and economic needs, or women's empowerment.[7] Although Canada was ranked #1 in both the UN human development index (HDI) and the gender development index (GDI) during the late 1990s, Canadian women's incomes were still only 62% of men's during that period. Since then, Canada has plummeted to 7th in the 2006 GDI (based on 2003-2004 data), and to 18th in 2008.[8]

In all these indexes, women's incomes, workloads, and access to critical resources are generally treated as basic measures of inequality.[9] On all of those measures, women in N.B. clearly still face substantial inequalities in their day-to-day lives.

A Unequal Incomes

Women in New Brunswick continue to face serious economic disadvantage, as compared with men. In 2005, women's average incomes were $22,408, while men's were $34,300.[10] On these figures, which are taken from federal income tax statistics, women's total incomes only came to 65% of men's. Thus the overall 'gender income gap' in N.B. was at least 35% in 2005.[11] Figure 1, which is calculated on the basis of tax statistics integrated with other data sources, estimates that in 2008, N.B. women's average incomes will be $19,874, while average men's will be $31,239. This data suggests that the gender income gap in New Brunswick has continued to grow since 2005, and is estimated to reach 36.4% by the end of 2008.[12]

Figure 1: Estimated average total income, by age and sex, status quo
New Brunswick, 2008



Average incomes do not reveal the entire picture. Age, disability, single parenting, education, and other factors all affect women's incomes. While women in their peak earning years (ages 45-49) earned an average of $27,724 in 2005, which is considerably higher than the average for all New Brunswick women of $22,408, the income gap between women and men in their peak earning years is even greater than the average gender income gap: the total incomes of women aged 45-49 in 2005 were only 62% of those received by men aged 45-49.[13]

It is also clear that women cannot necessarily be assured that they can eliminate these income gaps with further or higher education. For example, women who graduated in 1999 from New Brunswick universities and had full-time employment in 2001 earned 87% as much as male graduates that year — far better than the provincial average for all women. However, by 2004, the female 1999 graduates were only earning 82% as much as the male graduates, because the male graduate incomes grew faster in subsequent years.[14]

B Unequal Workloads

Women's labour force participation rate in New Brunswick is now 88% of men's, with fully 60% of women and 68% of men working for pay.[15] However, the history of women's entry into paid work in the province,[16] as well as the social expectations and pay rates that continue to define women's paid and unpaid work, have left New Brunswick women with heavier workloads than men despite their smaller money incomes.

- ***Women perform more unpaid work***

Despite high labour force participation rates, New Brunswick women spent nearly twice as much time in unpaid work as men: an average of 4.2 hours of unpaid work per week for women, compared with only 2.5 hours for men. For women, these figures reveal that nothing has changed in this regard since 1998; for men, they reveal that New Brunswick men are actually doing less unpaid work per week, on average — down from 2.6 hours per week in 1998.[17] In every category of unpaid work, be it housework, child care, or care to seniors, women's shares of unpaid work continue to outstrip men's. At the same time, the percentage of men performing these types of unpaid work have remained consistently lower over the last ten years.[18]

- ***More women work part-time***

Fewer women than men continue to have full-time year-round careers, and it is clear that nearly a quarter of all working-age women in New Brunswick depend on part-time employment to help make ends meet: For over two decades, 23% of employed women in New Brunswick have been found in part-time work. At the present time, only 9% of New Brunswick men work part-time (2007), a figure that has not changed appreciably either.[19]

- ***Women's work is underpaid***

New Brunswick women remain locked into an intractable earnings gap of just under 30 percentage points: In 1971, New Brunswick women who worked full-time only earned 62% of men's earnings. It took 17 years for that figure to inch up to the 70% level in 1988 — only to fall right back down to 62% again in 1989. After 1989, it took another decade for the earnings gap to shrink back down to 30% (1998, 1999), but women's incomes have been limited to 70-73% of men's incomes ever since.[20] Other measures reveal that these disparities are systemic: the New

Brunswick hourly wage gap has grown since 2006; the wage gap for recent college graduates grew by nearly 6 percentage points during the same time; women entrepeneurs have smaller profits then men; single mothers earn less than single fathers; women in their retirement years have lower incomes than men.[21]

C Inadequate Public and Private Resources

Decades of research demonstrates that the single biggest barrier to women's economic security and equality is lack of access to adequate childcare resources. Unlike men with wives/partners, substantial numbers of women (23%) will routinely opt for part-time work, often in order to balance the low money return for their labour with the high after-tax value of their own unpaid childcare and domestic work efforts. Some 75% of all mothers in New Brunswick are in paid work, but only 14% of all children can be accommodated in regulated childcare spaces.[22]

Even when childcare resources are available to women in paid work, the necessity of funding childcare expenses out of their already-small earnings imposes a further barrier to wage force participation. In 2006/7, the average monthly cost of childcare for school-age children in New Brunswick was $244; for preschool children and infants, the monthly fees were $453 and $544, respectively. Women who work outside the home habitually assess their net earning capacity by treating childcare expenses as a cost of working, which tends to artificially discourage women from paid work when the calculation puts them on the margin. At the same time, men who expect to be able to support their families on a single income can count on the untaxed and unpaid care work of their wives/partners.

Government support for child care and other care resources is driven by budgetary capacity and political will. Women in New Brunswick are trapped in a 'catch-22' situation: Women obviously do not have access to sufficient sources of private funding that would enable them to overcome the huge barriers to wageforce participation — but until women achieve equal pay and equal incomes, they simply cannot even come close to being able to buy themselves all the care services they need to get out of the house to go to work. Thus one of the social and economic realities that forms part of the core context of gender analysis of tax and spending policy is the adequacy of care resources capable of supporting the labour force participation of all workers.

III TAX POLICY AND GENDER REGRESSIVITY

As demonstrated in the previous section, women in New Brunswick live in a very different social, economic, and political world than men. Women have substantially smaller incomes, heavier workloads, and limited access to critical resources.

The key to gender impact analysis of tax and spending policies such as those proposed in the Department of Finance *Discussion Paper on New Brunswick's Tax System* is being able to link the most important gender differences with the way seemingly neutral revenue and expenditure measures affect women as compared with men. This can be accomplished only by bringing 'an understanding of..the different social realities, life expectations and economic circumstances facing women and men'[23] to the analysis.

Before turning the focus on those specific proposals, however, it is important to emphasize that unlike the impression given by the Department of Finance *Discussion Paper*, taxes do not exist simply to give governments something to cut. The complex tax and transfer systems developed by each unit of government in Canada — including in New Brunswick — have been built up through the slow process of continually balancing the needs of individuals with the needs of families, communities, and the province as a whole. The persistently unequal distribution of incomes between women and men has never been the focus of any sustained analysis by any government in Canada, but it is still critical to understand that the complex tax/transfer system presently in existence in N.B. does, nonetheless, provide some measurable degree of redistribution of pre-tax incomes to women at some points along the income curve.

Figure 2: Female total and consumable income, as a percentage of males'
New Brunswick, 2008

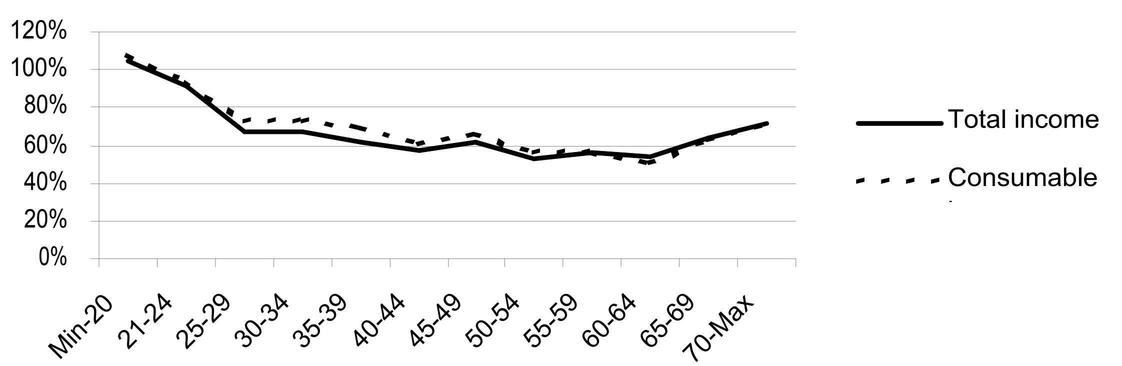


Figure 2 compares the impact of the total tax/transfer system on New Brunswick men's and women's pre-tax and aftertax incomes, estimated for 2008. The solid line represents women's total income as a percentage of men's, while the broken line shows women's consumable income

— after payment of all taxes — as a percentage of men's consumable incomes in key age groups throughout the life cycle.

As this data is summarized in Figure 2, it can be seen that the gender gap in total income is larger than the gender gap in consumable income. This means that although almost all incomes are reduced through taxation, women in New Brunswick are able to keep a slightly larger percentage of their total income after taxes than men do, making the distribution of aftertax incomes between women and men slightly gender progressive.

Figure 2 also makes it clear that this is a fragile and tentative gender progressivity: The overall degree of progressivity, where it exists, is slight. And both in early earning years and in retirement years, the total system in N.B. remains gender regressive — redistributing significant amounts of pre-tax incomes from women to men through the mechanism of the combined tax/transfer system.

As each of the proposals outlined in the *Discussion Paper* is considered, the key question to ask of each provision is whether through the type of tax involved or through the way incomes and family responsibilities shape tax burdens, each provision will at least maintain existing areas of gender progressivity in the total tax system, and, optimally, whether the proposed change can help eliminate remaining areas of gender regressivity.

Given its heavy obligations to eliminate remaining areas of disadvantage faced by women in New Brunswick, the government should not consider any tax proposals that would endanger existing areas of progressivity, or that fall short of eliminating remaining areas of regressivity.

IV PROPOSED FLAT 10% PROVINCIAL INCOME TAX RATE

At the present time, New Brunswick personal income tax rates are graduated and progressive in structure. Progressive taxes are designed to take a larger amount of tax revenue from those with higher incomes than from lower incomes, and maintaining the progressivity of basic income taxes is essential to offsetting the regressivity of other types of taxes, such as the GST/HST:

10.12% on the first $34,836 of taxable income, plus
15.48% on the next $34,836, plus
16.80% on the next $69,673, plus
17.95% on the amount over $113,273

In a sense, the existing 10.12% tax rate already functions as a regressive 'flat' rate for low and mid-income residents, because the first income bracket is very wide, applying all the way up to $34,836 in taxable income. In fact, the first income bracket is wider than the lowest-rate brackets in other provinces/territories, and is already quite a high rate, compared with the lowest rates in other provinces and territories (*e.g.*, the lowest rate in Nunavut is 4%; in Saskatchewan, it is 11%).

The New Brunswick government proposes to replace all these progressive rates with a flat 10% rate for individual incomes no matter how large they are. (This proposal is referred to in the *Discussion Paper* as Option 1). Option 1 would have virtually no impact on those who are currently taxed at the lowest 10.12% rate, but it would give everyone with taxable incomes greater than $34,836 rate cuts of at least 5.48% and as high as 7.95% for those with the highest incomes.

A The Flat Tax Option is Gender Regressive

This proposed flat 10% PIT rate would not be gender neutral. In fact, it would be markedly gender regressive. This is because women's average incomes in New Brunswick are so low that they are not likely to realize much — if any — actual financial benefit from these tax cuts. In contrast, men's average incomes are so much higher than women's average incomes that men will realize proportionately more of the financial benefits of these tax cuts.

Figure 3 conceptually illustrates why moving to a flat 10% PIT rate would be so gender regressive. The horizontal line in Figure 3 is drawn at the level of $34,836 to show where the lowest income bracket ends and the higher income brackets begin (for the 2008 taxation year). The broken line below the $34,836 horizontal shows the average incomes of women in 2008. Under the flat 10% rate proposal, these average incomes would all be taxed at the new flat rate of 10% instead of at the old lowest rate of 10.12% — which is scarcely any change in tax load at all. The solid line above the horizontal shows the average incomes of men, which, under the proposed flat 10% rate, would also be taxed at the new flat rate of 10%. These rate changes would be quite dramatic, cutting the old rates of 15.48%, 16.80%, and 17.95% all down to the flat 10% rate.

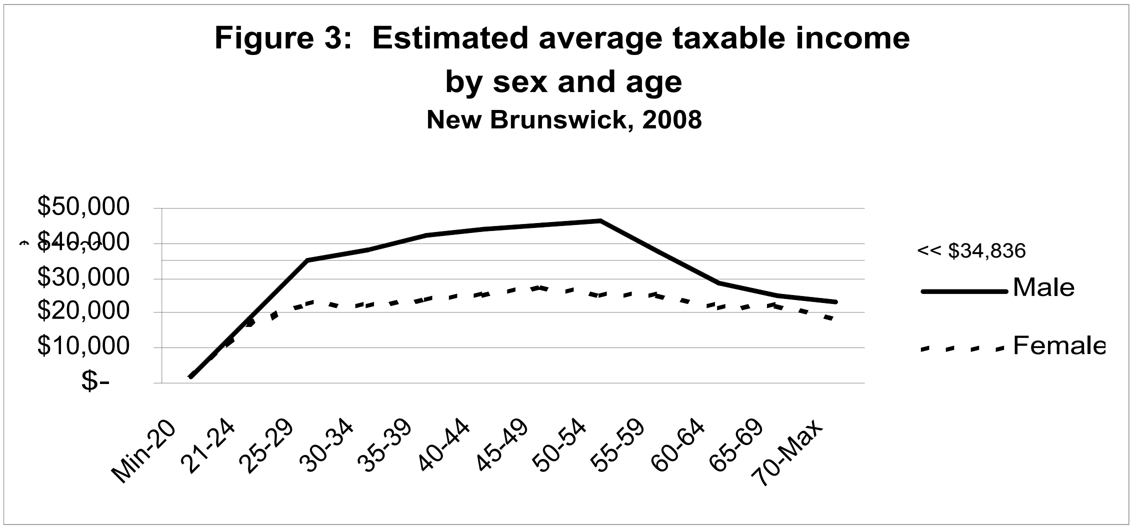


Figure 3 demonstrates why shifting to a flat 10% personal income tax rate will only benefit those with the highest incomes. Women's average total incomes in New Brunswick top out at about the $30,000 level during their main working years, while men's average total incomes quickly rise above the $30,000 level in their mid-20's and stay there until at least age 70 (for 2008). This means that many more women than men will be completely shut out of the large tax benefits flowing from these tax cuts, and that only those with taxable incomes over the $34,836 level will receive these benefits.

B The 10% Flat Rate is not 'Proportionately' Better for Women

The Department of Finance *Discussion Paper* has attempted to draw attention from the obvious gender regressivity of the flat 10% tax proposal both in its textual discussion of Option 1 and in public statements.

In the press release announcing publication of the *Discussion Paper*, the Minister of Finance uses language that suggests that the personal income tax rate cuts being proposed will offer much lower taxes and larger tax cuts for those with lower incomes than for those with higher incomes:

> 'These options would show decreases of about 15 per cent in provincial personal income taxes for some New Brunswickers, while in other cases the decreases would vary from 30 per cent to 100 per cent for some lower-income earners.'[24]

Similarly, the data used in the *Discussion Paper* to discuss the flat tax proposal is designed to give the impression that those with low incomes are receiving the largest tax cuts or tax benefits.[25]

For example, in discussing the flat tax option, the Department of Finance reports that a one-income couple with two children living on $25,000 would enjoy a 'reduction of 100%' under the flat tax, while a single taxpayer with the same income would only receive a 'reduction' of 24%. It reports that a single taxpayer with $100,000 in income would only receive a 'reduction' of 24% as well. This terminology and these figures strongly suggest that the biggest tax benefits will be received by one-income couples with two children living on low incomes, that single taxpayers will receive smaller benefits, and that single taxpayers with high incomes will also receive smaller benefits.

But compare this language and those percentage figures with the actual dollar value of the tax benefits flowing to each of these types of taxpayers as the result of moving to a flat 10% tax:

Taxpayer scenario:	**Amount of tax benefit measured by dollars saved:**
One-income couple with two children living on $25,000	$ 219
Single taxpayer with $25,000 income	$ 359
Single taxpayer with $100,000 income	$3,160

How can the $219 reduction in the $25,000 couple/two children scenario be described as a ‘100% reduction’ when that taxpayer receives a small tax cut of just $219, while a tax cut of $3,160 for a single taxpayer with income of $100,000 is made to look small by calling it a ‘24% reduction’?

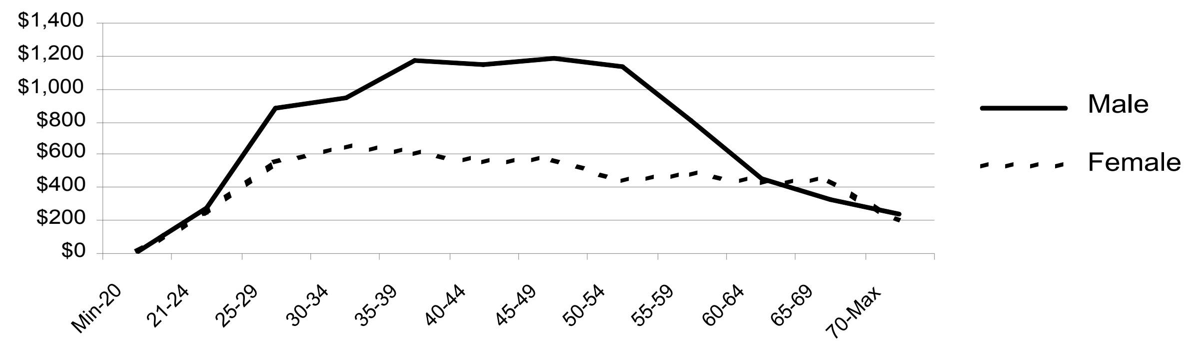
The answer lies in using misleading language to give the impression that these cuts are progressive in impact: What the Department of Finance is calling ‘percentage reduction’ is calculated by expressing the dollar value of the tax cut as a percentage of the tax that would otherwise be payable under the status quo, before the tax cut. On this usage, cutting a tax bill from $219 to $0 can thus be described as producing a ‘100% reduction’ because the amount of the tax cut — $219 — is 100% of the amount previously payable — $219. [$219 divided by $219 = 100%]

Using terms like ‘percentage reduction’ does not change the reality: any flat tax will be regressive generally, because it will take a smaller share of total income from those with high incomes than from those with lower incomes. The proper method of calculating the degree of regressivity in a set of tax provisions is to express the extra tax burden or the tax benefit of a tax cut as a percentage of the tax base — not as a percentage of the tax otherwise payable.

The actual effect of the proposed flat 10% personal income tax is to give the smallest dollar benefits to those with low incomes and the largest financial benefits to those with higher incomes. These tax cuts are regressive in impact: A $219 tax cut for a taxpayer with taxable income of $25,000 would generate a tax benefit equal to .9% of taxable income, while a $3,160 tax cut for a taxpayer with taxable income of $100,000 would produce a 3.2% tax benefit.

The proposed flat 10% rate is also extremely gender regressive. As illustrated in Figure 4, moving to a flat tax would increase women’s average consumable (aftertax) income only slightly, while the concentration of the biggest tax cuts in predominantly men’s hands would increase men’s average consumable incomes quite dramatically.

Figure 4: Change in consumable income, by age and sex (Option 1)
New Brunswick 2008



C Flat Taxes Impair the New Brunswick Tax Base

Replacing the current rates with a flat 10% rate would cut annual provincial revenues by an estimated $355 million under this option in 2008 alone.[26] At the present time, all provincial personal income taxes produce revenues of $1.266 billion (estimate for 2008/09).[27] This cut represents 28% of New Brunswick's PIT revenue — a gigantic loss of revenues.

The PIT provides 31.4% of all provincial revenues. Such large cuts have very negative gender impact: Women need adequate childcare and related resources to equalize access to good paid work, but deliberate reduction in governmental capacity — especially when combined with large non-targetted spending proposals for higher income people — ensures that women's critical needs cannot be addressed meaningfully through self-induced lack of funding.

V PROPOSED TWO-RATE PERSONAL INCOME TAX RATES

The alternative to complete flat taxation would be, it is proposed, replacing the existing four personal income tax rates (from 10.12% to 17.95%) with just two rates and income brackets:

9% on the first $34,999 of taxable income, plus
12% on the amount over $34,999

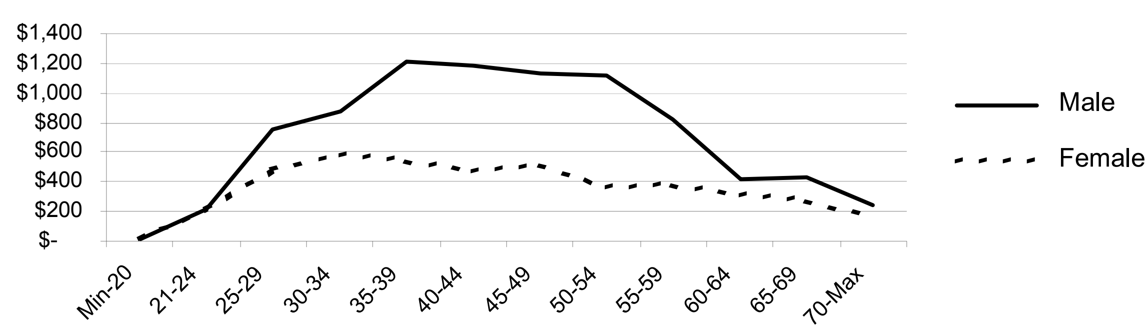
This alternative would be slightly more progressive than the flat 10% proposal, but it would still represent a major step in the direction of flat taxes, reducing the slight gender progressivity of the total tax system, and impairing governmental capacity to meet the critical needs of women.

This alternative would offer some measurable tax relief to those with the lowest incomes, by dropping their rate from 10.12% to 9%. However, as discussed below, this tax benefit will bypass all those who already have no income tax liability. And these small tax benefits would be completely overshadowed by the huge tax reductions that would become available to those with incomes over $35,000. It is, in essence, virtually another flat tax measure.

A The Two-Rate Proposal is Gender Regressive

Figure 5 confirms that the two-rate proposal (Option 2) would have virtually the same regressive gender impact as Option 1. The gender gap between increases in consumable (aftertax) incomes of men *vs.* women would be slightly smaller in Option 2, but the overall gender regressivity of this option would reduce what little progressivity the tax system as a whole in New Brunswick has at the present time.

Figure 5: Change in consumable income, by age and sex (Option 2)
New Brunswick, 2008



B Over 40% of N.B. Women will not Benefit from Income Tax Rate Cuts

Although income tax systems are designed to be progressive in overall impact, and to tax those with lower incomes at lower rates than those with higher incomes, many politicians and even tax policy analysts assume that tax cuts of any kind will always be equally coveted by everyone.

In fact, cuts to income tax rates or increases in income tax deductions/credits will be of much less use to women taxpayers than they will be to men. This is because women's incomes are so persistently low, when compared with men's, that more women end up with no income tax liability at all on either the federal or provincial level each year. And tax benefits delivered in the form of income tax rate cuts or increased tax deductions/credits will simply bypass women whose incomes are so low that they would not have any tax liability (or very little tax liability) in the first place.

On a national level, 38.7% of all the women who filed income tax returns in 2005 had no tax liability at all. (The comparable number for men was 24.4%.) Overall, 62.9% of the 'no tax liability' federal returns for that year were filed by women.[28]

These figures are even higher for New Brunswick: In 2005, 40.8% of all N.B. women who filed income tax returns had no tax liability at all, compared with 27.3% of all male filers.[29]

The maximum financial benefit of the 1.12% rate cut proposed in this option would be $257 per taxpayer. (This is 1.12% of the first $35,000 in taxable income, reduced the increased personal tax credit of $134). Without any further analysis, it is obvious that over 40% of all women in New Brunswick will be denied this small — but valuable — income tax benefit, simply because their incomes are already too low to attract any provincial income tax liability in the first place. (As will the approximately 27% of men whose incomes are too low to bear any tax liability either.)

C The Two-Rate System Will Substantially Reduce N.B. Tax Revenues

As with Option 1, the two-rate proposal will substantially impair New Brunswick's ability to raise revenue sufficient to meet the core needs of its residents. The tax cuts from the two-rate proposal would cost nearly as much in foregone revenues as Option 1 — $325.6 million per year, instead of $355 million per year for the 10% flat tax.

In overall revenue terms, $325.6 million represents an overall reduction in personal income tax revenues of 26%, which, when taken together with other substantial tax cut proposals in the *Discussion Paper*, means that there will be considerable political resistance to addressing core needs like childcare resources to support women's economic development.

VI PROPOSED INCREASES TO PERSONAL AND SPOUSAL CREDITS

The suggestion that the personal exemptions will be increased to $12,000 per taxpayer and spouse is not outlined in much detail in the *Discussion Paper*, but such a change does have substantial gender impact for several reasons:

First, increased exemptions do insulate more taxable income from income tax liability, and are obviously one of the very few benefits offered to low-income New Brunswickers. It is not clear whether the equivalent-to-married exemption for single parents is also being increased, but that would be a very important benefit for low-income taxpayers.

Second, increased exemptions will be of absolutely no use to the 40.8% of N.B. women who already have no provincial income tax liability (nor to the 27% of men with no liability). For these women, the increased benefits will be useless unless they are made refundable for those with taxable incomes under some stipulated cutoff (something that could easily be done).

Third, increased exemptions are not nearly as valuable to high income taxpayers as they are to lower income taxpayers. Increasing these exemptions to $12,000 each will create one of the largest personal tax-free zones in any province at a time when the province is voluntarily impairing its revenue capacities. In these circumstances, eligibility for these exemptions should be phased out over a long cutback zone, or made subject to a graduated surtax at the highest income levels, to target these increased tax credits to those who genuinely need them the most.

Fourth, the spousal/partner dependency exemptions are one of many income tax provisions that form invisible barriers to women's paid work. The larger the tax-free zone for a high-income single-income couple, the larger the paid income the wife/partner will have to be able to earn in order to financially justify paid work and depriving him of a valuable tax credit.[30] (Under Option 1, this tax credit would be worth $1,200 in actual dollars of tax reductions for a dependency spouse/partner, and that is completely separate from the federal credit of $9,600, which is financially worth another $1,440.) From this point of view, spousal/partner dependency credits are really a state subsidy for single-income lifestyles — but only for those who earn large enough single-incomes to support the whole family.

Fifth, this increased spousal/partner dependency exemption will not be available for the vast category of low- and middle-income couples, because both members of such couples most frequently work out of necessity, not out of choice.[31] This factor also points to placing an upper income limit on claims for the spousal/partner version of this credit.

VII PROPOSED NON-REFUNDABLE CHILD TAX CREDIT

The *Discussion Paper* proposes a new non-refundable child tax credit that would provide a tax credit against N.B. income tax liability of up to $400 per child. The exact credit mechanism is not spelled out in the proposal, but would likely involve a creditable amount per child that would produce a $400 credit when calculated at the lowest provincial income tax rate, whether that rate ends up being 9%, 10%, or some other figure. That would mean that the amount of taxable income that could be rendered tax exempt by the $400 credit would be on the order of $4000 or more. (For purposes of comparison, the federal child tax credit uses a creditable amount of $2,000 per child to produce a credit with value of up to $310 per child.) At first glance, child tax credits always sound like a wonderful idea, especially if they would essentially shelter significant amounts of taxable income from provincial income tax liability. However, there numerous reasons why this credit should not be enacted in N.B. unless it is presented as a fully refundable child tax credit:

First, over 40% of New Brunswick women had no income tax liability in 2005, and that number is likely to be even higher in 2008.

Second, if the province increases the personal exemption to $12,000 (even if it does not increase the equivalent-to-married exemption for single parents to the same level), then single mothers, whose average incomes are less than the total of both exemptions and the creditable amount for the new child tax credit will not be able to obtain all — or perhaps even any — of this new credit. That is, single mothers are highly likely to have such low incomes that they will not be able to take full advantage of a new credit like this in any event.

Third, men's average incomes in N.B. are much more likely to be high enough to be able to take advantage of the full child tax credit at the same time that women find themselves shut out from claiming it fully or at all because of their low income levels. Thus this credit will become yet another income tax measure that will disproportionately benefit male taxpayers, even though they will already be tremendously benefitted by the proposed reductions in the provincial PIT rates, and the provincial corporate income tax rates discussed later in this report.

Fourth, this child tax credit is expressly described as being available for all taxpayers with children.[32] However, this very feature means that it will be a very expensive tax benefit as well as a tax benefit that is disproportionately unavailable to women taxpayers and more fully available to male taxpayers. The solution to this last problem would be to structure this proposed provincial income tax credit as a fully refundable tax credit — preferably integrated into the federal refundable child tax benefit to reduce administrative costs. However, if that approach were adopted, it would be very important to also structure this credit as being based on the individual income of the parent with the lowest income, to ensure that this credit does not become another barrier to women's paid work when the loss of tax benefits hangs in the balance.[33] Even using a high family income cutoff would reinforce those barriers, and creation of new barriers should be discouraged, especially when, as in New Brunswick, women have high rates of wageforce participation, not out of choice, but likely out of necessity.

Finally, it would also be important to ensure that social assistance for single parents is not reduced as the result of the availability of this credit, should it be provided in fully refundable form.

VIII PROPOSED PROVINCIAL UNIVERSAL CHILD CARE BENEFIT

As part of its plan to provide increased provincial support to families, the government proposes to give all parents a direct annual grant of $600 for each child under the age of 6. This grant would be linked with the federal Universal Child Care Benefit (UCCB), but at half the rate, and presumably the provincial UCCB would be treated as taxable income to the parent who receives the payment (as is the federal UCCB).

This proposal would have strongly negative gender impact on women:

First, for a province that is just now planning to slash its revenue capacities with radical cuts to personal and corporate income taxes, this is the single most expensive child-related direct spending option that could be offered. The estimated cost of the federal UCCB for 2008 is $2.4 billion; on a pro rata basis, and noting that the NB UCCB would be half the amount of the federal UCCB, the probable total expenditure for 2008 on this item will be around $28 to $30 million. This would make it a very expensive spending item.

Second, the need for genuinely adequate child care resources in New Brunswick is dire, with only 14% of children being able to be accommodated in subsidized child care. This money would be far more efficiently spent if it were integrated into the public childcare system and made available on a needs basis. Women in New Brunswick have less ‘choice’ about working for pay because of the economic conditions in the province. Increasing the UCCB by $50 per month per child is not going to make the difference between being able to afford fulltime regulated childcare, and so it becomes a luxury payment to those classes of parents who can live on one income and thus do not need to incur childcare expenses at all. Far from providing a crucial support for economically marginal workers, the UCCB is, from a distributional perspective, an unnecessary payment for the parents who do not need it.

Third, while the direct grant feature of the UCCB does ensure that it will reach all parents, and will not be lost to low-income parents in the way that the proposed child tax credit would be lost to many, there are still equity and gender problems with its structure: The income tax and social assistance provisions surrounding receipt of the federal UCCB actually reduce the after-tax benefit of the UCCB more for low-income parents and for those receiving social assistance than for other parents, and it leaves more of the UCCB in the hands of higher income and single-income couples on an after-tax basis.

As with the proposed child tax credit, the proposed N.B. UCCB should only go forward if it can be restructured to address the cost containment, childcare adequacy, and gender/equity issues. At the very least, it should be assimilated into the federal child tax benefit system, means-tested, and placed on a fully refundable nontaxable basis. This would deliver the benefit to the group most in need of this type of assistance. The rest of the spending allocation, that would have gone to higher-income parents, should be assigned to increased public funding for subsidized childcare spaces.[34]

IX PROPOSED PROVINCIAL TAX-FREE SAVINGS ACCOUNTS (TFSAs)

The *Discussion Paper* proposes that the province provide tax exemption for income earned on Tax-Free Savings Accounts (TFSAs) authorized by the federal government in its 2008 budget. These accounts permit adults to set aside up to $5,000 per year out of after-tax income for each of his/her self, a spouse/partner, and an unlimited number of adult children who have TFSAs, for permanent tax exemption of all investment income from those accounts. This tax exemption is lifelong, extends to dispositions by estates, and permits TFSAs to be rolled over tax-exempt into relatives' own TFSAs when they receive them as inheritances.

TFSAs have negative gender impact on women for many different reasons, all arising from the realities of women's economic, social, and political situations:

A Most Women's Incomes are Too Low to Benefit from TFSAs

Relatively few women living in New Brunswick will be able to take full advantage of TFSAs: women's historically low incomes make it extremely difficult for them to save enough money to place $5,000 in after-tax income into one of these accounts each year, let alone take advantage of the spousal/partner and adult children opportunities for splitting of investment income provided by TFSAs as federally structured.

The latest data on household net saving and debt shows that only the top quintile of households in Canada had enough savings to fund any TFSAs fully.[35] Households in the bottom three quintiles had average negative savings (net debt) of -$3,700, -$2,500, and -$800 in that year, and those in the fourth quintile only saved a total of $2,500 in that year — enough to fund just half of one TFSA. In contrast, the top quintile had net savings of $23,000, which is more than enough to fund both a funder's TFSA and a spousal/partner TFSA each year. This means that TFSAs (and income splitting of investment income via TFSAs) will really only be accessible by those who have the highest incomes. In New Brunswick, few women fall into that income category.

Like the federal government, the New Brunswick government does not appear to really understand the connection between incomes and saving capacity. In its *Discussion Paper*, the Department of Finance points out that TFSAs will be of particular benefit to those receiving federal income-tested benefits such as the Guaranteed Income Supplement (GIS) or the Canada Child Tax Benefit (CCTB), because taking money out of TFSAs will not be counted as 'income' that will interfere with the receipt of the GIS or the CCTB.[36] But that justification for extending provincial tax exemption to TFSAs as wll misses the main point: Women who qualify for the GIS by the time they are of retirement age, and women whose incomes are so low that they qualify for the CCTB, are not likely to have been able, at an earlier time in their lives, to have accumulated enough after-tax savings plus accumulated investment income in TFSAs on low incomes.

B Funders can Chose Whether Women will 'Own' their Spousal/Partner TFSAs

Income tax rules permit married/common law couples to share assets via RRSP accounts, and there are also rules that permit CPP pension payments to be shared or owned by couples. A key requirement of the spousal RRSPs is that actual legal ownership to the account must be held by the spouse/partner on whose behalf the contribution is made.

In contrast, the high-income spouse/partner who wants to split investment income with a spousal/partner TFSA can require that all the assets and accumulated income in the account come back to him/her when the recipient dies. Nothing in the TFSA rules require the contributing spouse/partner to enter into binding legal arrangements that will turn the funds in TFSA into the 'property' of the spouse/partner in whose name it is being established.

The Ways and Means Motion for the 2008 budget and Bill C-50 both clearly suspend the anti-avoidance rules that have always blocked this kind of income splitting in the past. In addition, TFSA rules in Bill C-50 stipulate that the spouse's interest can be set to revert to the funding spouse on death. If this happens, the funding spouse essentially ends up with double TFSA limits for each year of the marriage/partnership, but will not lose any future TFSA room should the spousal/partner TFSAs revert to the funder.

C Spousal TFSAs Create Disincentives to Women's Property Ownership

TFSAs represent the first departure in nearly half a century from the basic principle that even married couples are to be treated as individuals for tax purposes. TFSAs create one of the first exceptions to this principle by permitting 'pretend sharing for tax purposes' without requiring actually legal sharing. (The other exception, recently in effect, is for deemed sharing of pension incomes not actually shared.)

This type of fictional sharing undercuts women's economic autonomy, and creates fiscal barriers to women's paid work, because in high-income situations, it may be financially more lucrative for the wife/partner to serve as a tax shelter for income splitting purposes than to enter paid work. At the same time, the wife who collaborates in such arrangements trades the economic protection afforded to women by access to paid work for the much less certain protection afforded by spousal testamentary arrangements, inheritance rights, or divorce laws.

Of even greater concern, the partner who collaborates in such arrangements may lose the economic security of paid work in exchange for the undefined and difficult-to-enforce equitable interests a common law partner has in relation to property like that held in TFSAs.

D TFSAs are Inherently Regressive in Impact

The real policy objective behind the federal government's enactment of TFSAs is to begin the process of shifting the federal tax base away from income taxes and more heavily toward consumption taxes. The policy justification for TFSAs is that they will promote saving and investment. It is believed that TFSAs will give taxpayers a better incentive to save than RRSPs and other tax measures have, because taxpayers will discover the joys of being able to save investment income without accumulating any income tax liability, and will prefer the freedom of merely paying the GST/HST when spending the money at some point in the future.

The initial TFSAs are being kept deliberately small in order to whet the appetite of those with high incomes for this type of tax-exempt savings, and to enable taxpayers to accumulate TFSA assets for themselves and for other family members at the rate of $5,000 per year.[37] However, high-income and high-asset individuals can easily multiply that $5,000 per year not only by funding spousal/partner TFSAs on top of their own, but also my making gifts of cash out of after-tax incomes or out of previous savings to any number of adult children or other relatives. Once a child, grandchild, or other relative is 18, he/she can own an individual TFSA. Because there are no attribution rules pertaining to children for TFSAs, and because gifts of cash to children or other relatives, unless motivated by improper tax avoidance or evasion, are not taxable events, parents who systematically enable their children to fund an annual TFSA can split a very large amount of investment income with those children over time.

The accumulated amount of investment income that will be gradually withdrawn from the reach of the federal and provincial/territorial income tax systems over time will be substantial. An individual who begins funding their own TFSA in 2009 will have $100,000 plus untaxed income after 20 years. If married/common law, that figure after 20 years becomes $200,000 plus accumulated untaxed investment income. It has been estimated that a parent who contributes $5,000 per year to a child's TFSA beginning in the year they turn 18 can leave that one child with total gifts and accumulated tax-free investment income of almost $900,000 by age 65.[38] There are no limits on the number of children or other relatives for whom this can be done.

Over the longer term, TFSAs will establish a dual income tax system in which earnings and unincorporated profits are taxed under (currently) progressive tax rates, but in which investment incomes earned through TFSAs will be completely tax exempt. Investment income withdrawn from TFSAs will only be exposed to GST/HST-PST taxes payable on taxable consumption, which will no doubt remain flat rate tax systems. Investment income that is not used for consumption will remain permanently outside the entire tax system, making both the income and consumption tax systems regressive though wholesale exemption of savings.

This longer term regressive impact would mean that women, with their persistently low incomes, would have far fewer options than men to use savings to avoid high rates of income taxation on earnings and then consumption taxes on consumer spending of their after-tax incomes.

X PROPOSED CORPORATE INCOME TAX RATE CUTS

New Brunswick currently obtains a relatively small portion of provincial revenue from corporate income taxation — CIT revenues of $183 million are projected for 2008/09, which is less than 15% of the revenue currently obtained from income tax rates.[39]

The federal government is in the final stages of a longterm slash of federal corporate income tax rates, which were approximately 40% in the 1960s.[40] For 2008, the general corporate income tax rate is 19.5%, and that rate is to fall to 15% by 2012; the federal government also offers a small business corporate tax rate of 13.1%. Since the early 2000s, the federal government has widely advertised its 'tax advantage' in the growing international competition to attract foreign and domestic investment with tax deals.

The New Brunswick corporate income tax proposals are described as a response to the federal Minister of Finance's 'challenge' to provinces to reduce their CITs to 10% by 2012,[41] which would then produce a federal and provincial tax burden of 25% for New Brunswick source corporate income, and form a magnet for investors and highly-skilled workers seeking low personal rates of tax. Despite the claim that reducing corporate income tax rates will attract investment and spur economic development, however, the government does not appear to be interested in any further reductions in New Brunswick's small business corporate rate.

Thus the N.B. government is proposing to reduce its general corporate income tax rate, which is currently 13%, to 10%, or to 7%, or to 5% — all while leaving the small business rate at its current level of 5%.

While $183 million in annual CIT revenue is small by comparison with PIT revenue, the CIT is the 5th largest source of revenue in the province, and cutting the current rate by 23% to 61.5% will have significant revenue implications for New Brunswick. The government contends that lower CIT rates will attract more investment and economic activity, which will generate more total revenue; other countries have found that such strategies generate little growth revenue.

What is perhaps most significant about this debate is that at the present time, the best that can be said of aggressive CIT rate cuts is that they *might* help increase the rate of economic development in New Brunswick to some degree — but there is no question that such rate cuts will have negative gender impact on women.

A N.B. Corporations will pay Lower Taxes than Low-Income Individuals

The CIT rate cuts being proposed for the federal and New Brunswick governments will bring the combined tax load on corporations in N.B. down to 25%, or 22%, or 20% by 2012. By 2012, the N.B. PIT will be somewhere between 26% and 24%, with higher consumption and carbon taxes.

Table 1 identifies the components of the personal and corporate tax systems that produce these results: Individuals cannot recoup GST/HST-PST like businesses can, and many individuals cannot make any use of the passthrough credits for payroll taxes (CPP and EI contributions) withheld from their earnings by employers, while payment of those taxes is a deductible expense to businesses.

Thus the total federal and N.B. tax burden on individuals by 2012, if the proposals in the *Discussion Paper* were to be adopted without modification, would be markedly higher than the total federal and N.B. tax burden on corporations.

Table 1
Federal/New Brunswick tax load on individuals *vs* corporations, proposed for 2012

	Individuals		**Corporations**		
(%)	**Low income***	**Mid/high incomes**	**Regular (2008)**	**Regular (2012)**	**Small business corp. (2008)**
Federal income tax rate	15	22	19.5	15	13.1
Provincial income tax rate (N.B.)	9	11	13	10 7 5	5
GST rate	5	5	----	----	----
HST rate (N.B.)	10	10	----	----	----
EI rate	1.73+	----+	----	----	----
CPP rate	2.475+	----+	----	----	----
Total all taxes	**43.205**	**48**	**32.5**	**25 - 22 - 20**	**18.1**

* The cutoff between these low and mid income brackets has been taken as the federal cutoff of $37,8000 in taxable income; this ignores slight differences in the N.B. cutoffs for its income tax and for the different cutoffs for the EI and CPP systems, both of which are slightly different from all the other cutoffs.
\+ EI and CPP contributions are partly creditable to individuals whose incomes are high enough to leave room for these offsets; thus these two rates are, in some specific circumstances, generalized assumptions.[42]

B Corporate Tax Cuts Disproportionately Benefit Men

Three factors tend to ensure that most of the financial benefits of cutting corporate income tax rates will benefit men:

First, the corporate world is still largely run by men on boards of directors where there are probably few, if any, women even allowed in the room: As of 2005, 47.2% of the 500 largest corporations in Canada continued to have ***no*** women on their boards of directors, and only 9% of the directors sitting on boards of the public companies in the top 500 were women.[43]

Second, New Brunswick women receive less than 40% of the corporate dividends payable to residents of the province.[44] This means that whatever share of the tax benefits flowing from cutting New Brunswick's corporate income tax rates flows through to shareholders in the form of larger dividends will disproportionately benefit men in New Brunswick because they have larger equity positions in relation to shares owned by New Brunswickers.

Thus even when women do have ownership interests in corporations that receive the financial benefits of continuing corporate rate cuts, women shareholders will receive only about one-third of all those benefits, with the other two-thirds going to male shareholders. The reduced CIT rates are just the tip of the iceberg, when it comes to corporate tax benefits: the enrichment of the federal dividend tax credit formula, which is mirrored in the N.B. income tax act, makes it possible for those who incorporate their businesses to extract lightly-taxed corporate profits from their corporations at highly preferential tax rates, with the first $30,000 to $40,000 in distributions being tax exempt as the result of the tax credit mechanism.

To the extent that the financial benefits of N.B. corporate income tax cuts also go to employees, contractors, suppliers, and customers, these groups tend to contain more men than women as well. And women's generally lower incomes in N.B. suggest that even women CEO's are not likely to be paid the same as male CEO's.

Third, women in N.B. are not likely to be able to take advantage of incorporating businesses in order to take advantage of the array of tax benefits available to corporations in addition to lower CIT rates. Women cannot compete equally with men for startup debt or equity funding, because they have lower average net worths than men, a reflection of the cumulative effect of living and working in the female economy. Women who might consider incorporating their personal services businesses or small businesses will find that they cannot qualify for the special low tax rates for small business corporations because of the bias against personal services corporations. Many women have become 'entrepreneurs' and 'business owners' due to outsourcing of their (or some other worker's) employee positions or starting small businesses, but incorporation of these types of activities will simply not qualify them for the small business credit. And with lower average business earnings, the costs of incorporation, tax planning, and compliance activities would eat more severely into women's profits, making it economically unwise to incorporate.

C Corporate Tax Cuts do not Develop Human Capital or Community Resources

Corporate culture is highly mobile and inherently anti-social. Tax cuts given to corporations can be sluiced away in the flash of a board dividend resolution, and do not have to show up in the form of on-the-ground investment or resource development. Investing major fiscal capacity in attracting corporations to New Brunswick may not produce the desired result.

Human capital also requires support and development. Women can develop their skill sets yet be prevented from equal access to paid work by lack of childcare resources, transportation, or security concerns. Meeting those needs develops a different type of economic capacity, the human type, which is also mobile, but less so with community ties and personal identification with N.B.

Indeed, the Irish experience, which seems to have caught the imagination of the framers of the *Discussion Paper*, may be in large part due to the Irish government's ability and willingness to mobilize Irish women as members of the expanding skilled workforce. Increased childcare resources and more attention to the work needs of Irish women enabled that economy to expand rapidly without the necessity of substantial immigration — many of the workers Ireland needed were already there and eager to take up a larger role.[45]

XI PROPOSED SHIFT FROM INCOME TO CARBON TAXES

Carbon taxes are specialized types of consumption taxes that are designed not to raise revenue, but to artificially manipulate prices in order to affect human behaviour. In this regard, they are similar to taxes on alcohol, tobacco, proposed taxes on obesity, etc. — 'sin' taxes that are intended to make people stop 'sinning' and behave differently.

As consumption taxes, carbon taxes are inherently and unavoidably regressive in impact: They are easy to avoid for those who can spend their way through any price increases caused by carbon taxes, but they take a fixed proportion of income from those on low incomes who have no alternatives but to incur them.

The N.B. carbon tax proposal has another feature, however, that makes it even more regressive: The government proposes to 'recycle' carbon taxes to replace revenue lost due to cuts to other taxes. This is said to make carbon taxes 'revenue neutral,' but in fact, if replaces progressive tax structures with regressive flat-rated consumption taxes. The overall presentation of the *Discussion Paper* makes it seem as if the real objective of the entire tax package being proposed by the government is to try to stimulate economic activity with a wide array of tax cuts, or to minimize greenhouse gas emissions, or both. However, the choice of so-called 'revenue neutral' carbon taxes raises the real possibility that the true goal of this collection of proposals, as with the TFSAs, is to begin the process of moving N.B. away from progressive tax structures as as quickly as possible, and to establish regressive taxes in their place. At the same time, this shift appears to be designed to pass a certain portion of such regressive taxes back to those who paid them, but without much concern for 'recycling' carbon taxes in a way that responds to the very real gender inequalities in the province.

A Gender Regressive Refundable Carbon Tax Credits

The regressive impact of carbon taxes is openly acknowledged. Surprisingly, however, there is almost no discussion of the gender regressivity of carbon taxes themselves, nor of gender regressivity of the refundable credit practices that have grown up around carbon tax programs.

As with the refundable GST tax credit that has been extended to low-income individuals to offset the regressive impact of the GST, the B.C. and other carbon tax refundable credit programs tend to use the 'household' as the economic unit that is entitled to receive the refundable credit. This replicates the erasure of women from income analysis, and deprives them of the right to be counted as independent economic units. At the very least, if a carbon tax is adopted in N.B., any low-income credit should be payable to individuals, and not to 'households,' because all too often women who qualify for government benefits on their own are denied them on the basis of their association with a higher-income adult, whose income then disqualifies them.
This is an important concern, because adding carbon taxes to already-high rates of home-heating fuel, automobile and truck gasoline, and other taxes will create unexpected financial problems for those on the economic margins, by sending the costs of small business expenses, the transportation components of food prices, the costs of home heating, etc., up faster than they would go up due to existing economic forces. Preliminary research on the effects of carbon taxes during inflationary periods show that prices go up by not just the amount of the carbon tax, but by higher amounts. When unions, women, poor people, and governments all have limited

bargaining power to increase their shares of incomes and revenues to keep pace with such inflationary effects, net redistribution occurs in favour of those least affected by increasing prices -- those with high incomes.

At the present time, Canada lacks valid data showing how intra-household allocations break down by gender, and the so-called 'economies of scale' that have been used to justify lower GST credits for couples, for example, are overstated and do not reflect the financial realities of couples' finances. This is partly due to the fact that many of the measures of these 'economies' are based on outdated data that goes back to times when fewer women worked outside the home, and used their unpaid labour to produce meals, etc.

There is another aspect of the regressivity of refundable carbon taxes as well. It is obvious from the political climate that the N.B. government plans to allocate some of these credits to businesses. It will be important to see clear criteria for allocating 'recycled' carbon taxes to businesses *vs.* individuals, to ensure that carbon taxes are not merely funding further tax benefits and direct benefits to the corporate and business sector.

B Revenue Adequacy for Progressive Spending

As indicated by New Brunswick's own revenue and expenditure statements, income taxes have been developed to provide stable, fair, and stabilizing revenue streams that now form the cornerstone of the revenue base. The rhetoric of taxing 'bads' (GHG emissions) instead of 'goods' (income) mis-states the true purposes of progressive income taxation.

If carbon taxes actually do their jobs well, then the revenues flowing from carbon taxes will eventually disappear as alternative sources of energy become available. This would mean that the short-term use of carbon taxes to replace a segment of the much more broadbased, equitable, and stable income tax structure would result in permanent destruction of a vital part of the total N.B. tax base.

History shows that women will be affected more by such a dynamic, because they are already uniquely dependent on the government to help redress social and market-based barriers to their economic equality and to help create access to reliable childcare, other care, and transportation resources.

XII PROPOSED 2% INCREASE IN PROVINCIAL HST

Because the New Brunswick HST is a flat-rated tax, it is regressive in impact: It takes a larger percentage of income from those with lower incomes than it does from those with higher incomes. Increasing the HST will not affect the business/corporate sector, because of the flow-through rules. The increased HST will thus fall more heavily on those with the lowest incomes — the same group that will not be receiving any benefits from cuts to the provincial PIT and corporate tax rates, increases in income tax credits and tax exemptions, and will be exposed to carbon taxes and the inflationary effects of those taxes.

Changes to the HST rate will have a substantial impact on the New Brunswick economy as well as on individual consumable incomes. The existing 8% HST is projected to produce $950 million in revenue in 2008/09, making it the second biggest source of revenue available to the province. Increasing the rate to 10% would produce additional HST revenue of $237.5 million for a total of $1.2 billion for the same period. This additional HST revenue — $237.5 million — is about two-thirds of the amount of revenue that would be lost if either of the proposed reductions of the personal income tax rates were adopted.

Because this 2% increase in the HST rate is not likely to occur in a vacuum, it has two separate and equally devastating negative gender effects on women:

A HST Increases are Gender Regressive

There are at least four dimensions to the gender regressivity of a flat-rated HST:

First, in the classic sense of regressive taxation, those with lower incomes will have to spend a greater proportion of their incomes on HST-taxable goods and services. Thus they will pay a larger amount of HST as a proportion of their total incomes.

Second, because the HST is a tax on consumption, it automatically exempts any income that may be saved instead of spent on taxable goods and services. Higher-income taxpayers who can save some portion of their total income will thus pay a smaller amount of HST as a proportion of their total incomes, when compared with those with lower incomes and no saving capacity.

Third, the provincial credits given to low-income individuals to offset the generally regressive effects of consumption taxes are allocated on a formula that reduces the total individual credit for those who are married or living common law. As the size of the HST in N.B. increases, it becomes all the more urgent to ensure that such credits are allocated on a strictly individual basis, and not reduced on the basis of adult relationships for individuals who would otherwise qualify.

Fourth, like the federal GST, the N.B. HST grows with the economy because it generates increased revenues as consumption increases. As a result of this constant growth, the HST will account for a slowly increasing share of overall provincial revenue. And as the share of revenue raised via the HST increases, the share generated by other taxes will decrease. Since the GST came into effect in 1992, the share of federal revenue generated by the GST increased from

12% to 16% in 2004/5, and between 2000 and 2005, the total revenue generated by the GST grew twice as fast as the rate of increase of total federal revenue — 33% versus 18%.[46] The HST will follow that same trend.

As the share of revenue collected via the HST increases, the overall regressivity of the total tax system also increase due to the greater role of HST revenues. Overall, the increased HST rate thus will make it all the more difficult for women in New Brunswick to close the gender gap in consumable (aftertax) income.

B Combining HST Increases with PIT Top Rate Cuts Exacerbates Gender Regressivity

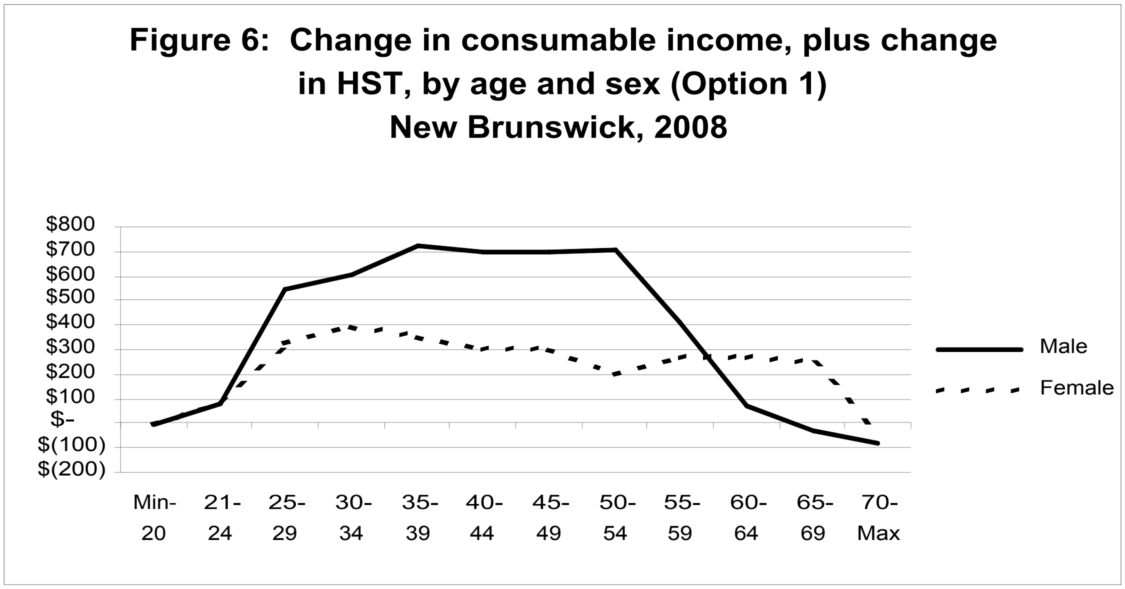
From the gender perspective, the real regressivity of the *Discussion Paper* proposals arises not just out of the 5.5% to nearly 8% PIT rate cuts for higher income taxpayers discussed in this report, nor just out of the 2% increase to the N.B. goods and services tax (HST) — the real gender regressivity of those proposals arises out of the calculated interaction between these two main proposals. Quite literally, the main effect of the entire set of proposals is to slice some 28% of the total PIT tax load off at the highest income levels, to replace only two-thirds of that lost revenue, and to replace it with the most regressive type of tax used in the province.

The net effect of that 'bait and switch' approach will be to dramatically reduce the total tax load on high income New Brunswickers, who are predominantly male, at the same time that replacement revenue is this key chunk of government revenue is now drawn heavily from regressive taxes that sit most heavily on those with lower incomes.

Because incomes in New Brunswick are markedly gendered to begin with, this package will widen the aftertax gender gap, and will make it more difficult in the future for all women in the province to move toward economic equality. The additional tax cuts to corporations, two-thirds of the benefit of which will go to men, plus the regressive carbon taxes being proposed, and plus other changes proposed for the provincial income tax system (TFSAs, nonrefundable child tax credits, and the very expensive provincial UCCB) all reinforce the overall direction of these main changes — they all contribute to further widening of the aftertax gender gap.

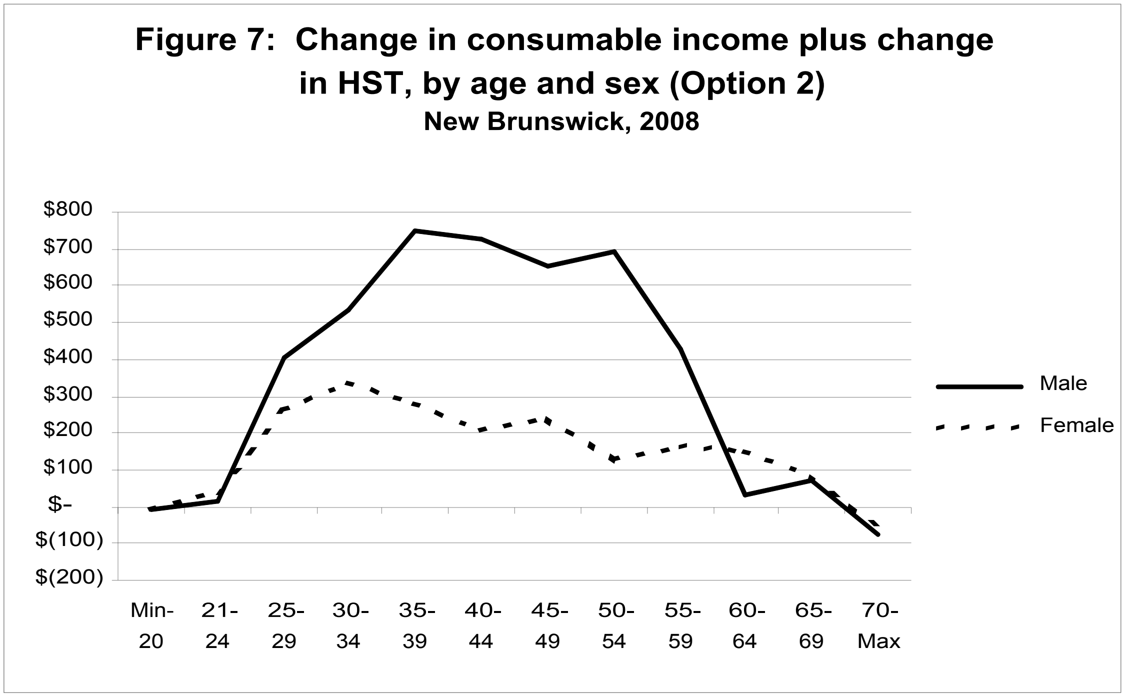
At the same time, the *Discussion Paper* makes no suggestions designed to counter that overall move to regressivity.

Figures 6 and 7 illustrate how the two main elements of this package — the HST and PIT rate changes — interact to widen the gender gap in aftertax incomes. Figure 6 shows that even with addition of 2% points to the HST rate, cutting higher PIT rates to the flat 10% level will still add an average of $600 to $700 in aftertax income to average male incomes during their main earning years. In contrast, the combined effect of these two changes only adds approximately $300 to average female incomes during their main earning years. This is nearly a two-to-one ratio of aftertax increases in favour of men:



The combined effect of Option 2 and the HST increases is even more gender regressive. The average main year earning increases in aftertax income for men are less even, but run above the $700 level for peak earning years, while aftertax incomes for women are significantly lower and tend more toward the $200 level during those years.

The overall average changes to aftertax (consumable) incomes for men and women reflect the same picture: Option1 (10% flat PIT rate) plus the HST increase leaves men with an average increase of $316 in consumable income, compared with an average increase of $198 for women. Option 2 (two PIT rates) plus the HST increase leaves men an overall average of $300 more in aftertax income for 2008, but leaves women with just $119 more.



The aftertax income gender gap in the Option 1 results is 37.3% (the percentage women need to make up to reach equality with men on these policy proposals). The aftertax income gender gap in Option 2 is 60.3%.

XIII THE PROPOSED PROPERTY TAX CHANGES ARE GENDER REGRESSIVE

Property taxes are the third largest source of provincial revenue in New Brunswick, with expected revenues of approximately $383 million for 2008/09. The *Discussion Paper* proposes to reduce the provincial element of property taxes that would apply to businesses[47] and to reduce rates that apply to rental properties and seasonal/rental homes.[48]

While there is no suggestion that the government is prepared to move away from market-based assessments of real property, which tend to create pressure on long-term owner-occupiers to sell when property taxes become too high to handle on fixed incomes, there is a proposal to use three-year average assessment values to eliminate spikes in assessment values.[49]

Like the HST and carbon taxes, property taxes are flat-rated taxes within each class. Thus they will also be indifferent to the incomes of taxpayers, and will be regressive in impact. While the amount of property tax assessed per piece of property will of course change based on the assessed value of the property, the taxation rate will be the same for all units of value regardless of the total value of the property or the income of the owner. This means that in essence, property taxes are a type of consumption tax.

Although property taxes are specialized types of consumption taxes, their economic impact on business and rental property owners is very different than on owner-occupiers. Businesses and rental property owners only include their 'profits' in their taxable incomes, which means that they will always be able to deduct the full cost of all property taxes paid in relation to real estate used to produce their gross receipts.[50] Businesses and rental property owners, whether their operations are incorporated or unincorporated, thus represent a 'conduit' through which these taxes are passed (along with other business/property consumption taxes like carbon taxes and noncreditable GST/HST payments) as they end up being economically borne by the customers of the businesses or tenants in the rental property.

In contrast, property taxes paid by people who occupy real estate that they own are the 'end point users' of their property, and cannot deduct any part of their property taxes when calculating their taxable incomes.

This point is important, because all types of owners bear the legal incidence of property taxes — but only owner-occupiers bear the real economic incidence of property taxes. Thus the assumption that reducing business/rental property tax rates will further attract investment and economic development to New Brunswick is not entirely accurate. Indeed, failure to address the effects of spiraling property taxes on owner-occupiers is a factor in shutting low income individuals out of property ownership entirely, especially single parents, disabled persons, and older persons.

XIV CONCLUSIONS AND RECOMMENDATIONS

This report has focused on the gender impact of the proposals outlined in the *Discussion Paper* on women, as compared with men.

The overwhelming conclusion reached in this review is that these proposals will be gender regressive, in that in the aggregate, they will further widen the existing gender gap between women's and men's total incomes, taxable incomes, and consumable (aftertax) incomes.

It is also clear that the aggregate impact of all these changes will seriously impair and destabilize the existing tax bases in New Brunswick, with the result that the government will now be able to plead poverty when faced with continued demands for adequate childcare resources, low-income supports, and development projects that are capable of helping women overcome their persistently disadvantaged economic status in the province. These points are made in great detail in relation to each proposal, and include data analysis wherever possible to quantify these effects.

But several other important points become clear from analysis of the *Discussion Paper*, and should rightfully become part of the public and legislative consideration of any one of the proposals being made by the government.

First, the entire political context in which this *Discussion Paper* has arisen has been one-sidedly constructed around the single policy issue of how best to promote economic development and self-sufficiency in New Brunswick.[51] Because all the tax policy issues addressed in this *Discussion Paper* are framed with that single policy objective in mind, it is not really a 'tax policy analysis' so much as an attempt to sell specific types of tax changes that fit into that one focus. If the Government of New Brunswick had begun by asking whether the current provincial tax/transfer system is optimal, in light of all the policy objectives of modern tax/benefit systems, the analysis would have considered core issues of progressivity/regressivity, fairness, economic efficiency, economic growth, adequacy and stability of revenues, and 'fit' with federal and other provincial systems. It would also have included gender impact analysis as part of this overall tax policy analysis.

As this process goes forward, it will be important for as many participants as possible to address the full range of tax policy criteria when thinking about where the government should go from here. This means bringing as many differing perspectives into the analysis as possible, and making sure that no one set of goals or expectations is treated as having more intrinsic value than others.

Second, this report reveals the importance of including detailed gender impact analysis in every stage of tax/benefit policy analysis and development. If the government had included gender analysis as part of the development analysis that led to the formulation of this report, the proposals may well have looked very different.

At the very least, it is critically important that further gender analysis of the options and issues be carried out, that all participants in the decisionmaking process receive training in gender analysis of fiscal issues in order to ensure that gender impact is considered at each step of the way, and that public education be carried out to bring the gender impact of these or subsequent proposals into view.

In the short term, the proposals in the *Discussion Paper* make it clear that a fullscale gender impact analysis of the entire tax/benefit system in New Brunswick is long overdue, because there appears to be little work outside that of the Advisory Council on the Status of Women that even addresses these issues on a consistent basis. Many issues, such as the incursion of income splitting options into the personal income tax system, require urgent attention. In the longer term, each and every policy document produced by the government, and especially every tax or spending proposal, should from henceforth be developed in conjunction with detailed gender analysis.

Third, too little time has been devoted to the development of the proposals made in the *Discussion Paper*, to public hearings, and to the submission of briefs. Rapid movement in fundamental policy areas is anti-democratic, and runs the risk that groups with easy access to government decisionmakers may well have more influence over policy outcomes. Especially since women remain disadvantaged not just in terms of economic power and opportunities, but also in terms of political empowerment, it is important to allow adequate time and resources for full and open public discussion of issues like those posed by this process.[52]

Only if the process is safeguarded in this fashion will it be possible to fully integrate gender impact analysis into the entire fabric of governmental functioning, and make internal decisionmaking affecting women visible, accessible, and subject to full accountability — a promise that the Canadian government made on behalf of all women in Canada 13 years ago in Beijing, when it adopted the *Platform for Action*.

APPENDIX I

MICROSIMULATION SOFTWARE USED IN REPORT

Disclaimer:

A portion of 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 author and Andrew Mitchell, Thinking Cap Consulting, and the responsibility for the use and the interpretation of these data is entirely the author's.

Information on the SPSD/M version 15.0 used in this study:

'The Social Policy Simulation Database and Model (SPSD/M) is a micro computer-based product designed to assist those interested in analyzing the financial interactions of governments and individuals in Canada. It can help one to assess the cost implications or income redistributive effects of changes in the personal taxation and cash transfer system. The SPSD is a non-confidential, statistically representative database of individuals in their family context, with enough information on each individual to compute taxes paid to and cash transfers received from government. The SPSM is a static accounting model which processes each individual and family on the SPSD, calculates taxes and transfers using legislated or proposed programs and algorithms, and reports on the results. It gives the user a high degree of control over the inputs and outputs to the model and can allow the user to modify existing tax/transfer programs or test proposals for entirely new programs. The model can be run using a visual interface and it comes with full documentation.'

From the SPSD/M website: online: http://www.statcan.ca/english/spsd/spsdm.htm

ENDNOTES

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1. United Nations, *Convention on the Elimination of All Forms of Discrimination against Women*. General Assembly Resolution 25 (XLIV): 44th Session (1980): Supplement No. 49 (A/RES/44/25, reprinted in 28 I.L.M.1448). The text of the Convention is available online: United Nations High Commissioner for Human Rights: www.unhchr.ch/html/. *CEDAW* is very detailed, and contains page after page of specific examples and descriptions of discrimination in areas such as economic activity, health, and education, in order to provide concrete guidance in the main policy areas that affect women.

2. Status of Women Canada, *Setting the Stage for the Next Century: The Federal Plan for Gender Equality* (Ottawa: SWC, 1995) [SWC, *Federal Plan*], esp. Index: Federal Departments and Agencies Involved (by paragraph in the *PFA*); online: Status of Women Canada: http://www.swc-cfc.gc.ca/pubs/066261951X/index_e.html.

3. United Nations, *Report of the Fourth World Conference on Women* (Beijing: 1995), A/CONF 177/20 (17 Oct. 1995) (*Platform for Action or PDA*); online: UN: http://www.un.org/esa/gopher-data/conf/fwcw/off/a--20.en.

4. See, *e.g.*, Sheila Finestone, Secretary of State (Status of Women) of Canada, *Statement at the Fourth United Nations World Conference on Women* (Beijing: Sept. 6, 1995), online: UN: http://www.un.org/esa/gopher-data/conf/fwcw/conf/gov/950906204201.txt.

5. See, *e.g.*, Human Resources Development Canada [HRDC], *Gender-Based Analysis* (Ottawa: Women's Bureau, Strategic Policy Branch, HRCD, 1997); HRDC, *Gender-based Analysis Backgrounder* (Ottawa: Women's Bureau, Strategic Policy Branch, HRDC, 1997); HRDC, *Gender-based Analysis Guide: Steps to Incorporating Gender Considerations into Policy Development and Analysis* (Ottawa: Women's Bureau, Strategic Policy Branch, HRDC, 1997). This search of Status of Women Canada's webpage will produce a list of over 260 titles reflecting the enormous amount of work done on this policy strategy since 1995 in Canada and internationally: http://www2.swc-cfc.gc.ca/qfsearch/SearchServlet?encoding=ISO-8859-1&lang=en&query0=gender+analysis&filteroperator0=1&sortfield0=relevance&sortorder0=1&collection=Internet&filefilter=*.*&retencoding=ISO-8859-1&operator0=2&numhits=100&lang=en

6. Women's Issues Council, Executive Council Office, *Gender-Based Analysis Guide* (NB: 1999, 2003); online: Government of New Brunswick: http://www.gnb.ca/0012/womens-issues/genderanalysis2003.pdf This gender-based analysis guide was preceded by the publication of Advisory Council on the Status of Women, *Equity analysis guide: A tool for analysis of the impact of initiatives on gender equity* (Moncton: NB: ACSW, 1995).

7. For domestic measures of women's continuing inequality, see Statistics Canada, *Women in Canada: A Gender-based Statistical Report* (Ottawa: Min. of Industry, 2006, 5th ed.) [StatsCan, *2006 Gender Statistics*], online: Statistics Canada: http://www.statcan.ca/english/freepub/89-503-XIE/0010589-503-XIE.pdf. For

international measures, see United Nations, *Human Development Report* (NY: UN, 2007) (compare the 2001 and 2007 reports, especially in relation to the *GenderDevelopment Index* contained in each report), online: UNDP: http://hdr.undp.org/en/reports/; World Economic Forum, *Global Gender Gap Report* (Geneva: WEC, 2006, 2007) (Canada fell from #14 to #18# in just one year), online: World Economic Forum: http://www.weforum.org/en/initiatives/gcp/Gender%20Gap/index.htm; SocialWatch report, *Gender Equity Index 2008 — Progress and Setbacks* (Montivedeo: SocialWatch, 2008) (Canada ranked #18 in gender equity and #30 in gender empowerment), online: SocialWatch: http://www.socialwatch.org/en/avancesyRetrocesos/IEG_2008/tablas/valoresdelIEG2008.htm.

8. UNDP: http://hdr.undp.org/en/reports/. As the status of women in Canada deteriorated during this period of time, their lagging development brought Canada's overall human development index rating down as well. Beginning in the 2001 HDI, Canada fell from #1 to #3 in the HDI, and since then has tumbled to #6 in the 2006 HDI. The fact that Canada's HDI rankings continue to be similar to or even better than its GDI rankings indicates that men in Canada have been affected less by and have recovered more quickly from the factors that have impaired human development — and that women in Canada continue to lag behind men not only in their overall rate of development, but also in their rate of recovery from lagging development. The World Economic Forum ranked the status of women in Canada at 14th in 2006 and 18th in 2007, and the new SocialWatch index, *supra*, also ranked women in Canada at 18th in 2008.

9. The federal government has developed specific indicators to measure the status of women in the key domains of work, incomes, and education/training, and it has used these indicators to survey changes in the status of women in the whole of Canada over the years 1986, 1991, 1994, and 1997. See Status of Women Canada, *Economic Gender Equality Indicators* (Ottawa: SWC, 1997, 2001); online: Status of Women Canada: http://www.swc-cfc.gc.ca/pubs/egei2000/egei2000_e.pdf. Statistics Canada and the New Brunswick Advisory Council on the Status of Women have also developed provincial/territorial data on the social and economic realities facing New Brunswick women in 2008 and beyond. See StatsCan, *2006 Gender Statistics*; New Brunswick Advisory Council on the Status of Women, *2008 Report Card on the Status of Women in New Brunswick: A Statistical Profile* (Fredericton, NB: ACSWNB, 2008) [NBACSW, *2008 Report Card*]; online: Advisory Council on the Status of Women: http://www.acswcccf.nb.ca/english/documents/Report%20Card%20E%20Feb%204.pdf.

10. Canada Revenue Agency, *Income Statistics 2007 – Summary of Basic Table 4 (for 2005)* (Ottawa: CRA, 2007) (all returns by age and sex) [CRA, *Table 4 (2005)*]; online: Canada Revenue Agency: http://www.cra-arc.gc.ca/gncy/stts/gb05/pst/fnl/pdf/st4c-eng.pdf.

11. The same data can be used to calculate shares of total income by gender; on that calculation, men received 60.1% of all incomes in New Brunswick in 2005, and women received 39.9% of all incomes.

12. The 2008 figures have been generated by Andrew Mitchell using Statistics Canada,

Social Policy Simulation Model and Database, version 15. [See Appendix A for further information on the use of the SPSD/M.]

13. CRA, *Table 4 (2005)*.

14. NBACSW, *2008 Report Card*, at 51; similar problems have been found with incomes of women graduates of New Brunswick community colleges, when compared with those of their male counterparts (at 50). This data parallels national data, which reveal that the earnings gap for women with university degrees is now larger than 20 years ago:
    1981: 15.6%
    1991: 12.2%
    2001: 18.4%

15. NBACSW, *2008 Report Card*, at 43.

16. Thirty years ago, only 39% of women were in paid labour, compared with 70% of men; men's participation rates have declined only 2% over the last three decades. *Ibid.*

17. NBACSW, 'Family Responsibilities,' *2008 Report Card* (May 8, 2008 supp.); online: NBACSW: http://www.acswcccf.nb.ca/english/documents/Family%20Responsible%20Flyer%20E.pdf . Note that these figures do not include time spent on elder care.

18. *Ibid.*

19. NBACSW, *2008 Report Card*, at 44.

20. NBACSW, *2008 Report Card*, at 49.

21. *Ibid.*

22. NBACSW, 'Child Care in New Brunswick' (2008) reports that only 14% of children aged 12 and under could be accommodated in regulated childcare spaces in New Brunswick in 2006.

23. SWC, *Federal Plan*, at 23.

24. New Brunswick, Finance, *News Release* (June 4, 2008); online: Government of New Brunswick: http://www.gnb.ca/cnb/news/fin/2008e0831fn.htm.

25. *Discussion Paper*, at 14-17.

26. SPSD/M estimate, when netting Option 1 rate cuts against other changes proposed for income taxation. These estimates use the same methodology as in the *Discussion Paper* when forecasting the effects of these changes — it treats these proposed changes as being fully implemented in 2008 and then estimates what that impact would be on taxpayers with 2008 incomes. See *Discussion Paper* at 14.

27. *Discussion Paper*, at 6, Table 1.

28. Canada Revenue Agency, *Income Statistics 2005* (Ottawa: CCRA, 2007), basic table 4, lines 1-3.

29. Canada Revenue Agency, *Income Statistics 2005* (Ottawa: CCRA, 2007), Summary of basic table 4, for New Brunswick.

30. This effect is demonstrated in Kathleen A. Lahey, *The Impact of Relationship Recognition on Lesbian Women in Canada* (Ottawa: Status of Women Canada, 2001), at 62-7; Tables B-15 and B-16, at 106, 107 (modeled for the 2000 taxation year); online: Status of Women Canada: http://www.swc-cfc.gc.ca/pubs/pubspr/0662659406/200109_0662659406_1_e.html.

31. For a detailed analysis of these provisions, see Kathleen A. Lahey, *The Benefit/Penalty Unit in Income Tax Policy* (Ottawa: Law Commission of Canada, 2001), ch. 4; online: via SLAW.ca: http://epe.lac-bac.gc.ca/100/206/301/law_commission_of_canada-ef/2006-12-06/www.lcc.gc.ca/research_project/00_tax_1-en.asp.

32. *Discussion Paper*, at 23.

33. This effect is demonstrated in Kathleen A. Lahey, *The Impact of Relationship Recognition on Lesbian Women in Canada* (Ottawa: Status of Women Canada, 2001), at 62-7; Tables B-15 and B-16, at 106, 107 (modeled for the 2000 taxation year); online: Status of Women Canada: http://www.swc-cfc.gc.ca/pubs/pubspr/0662659406/200109_0662659406_1_e.html.

34. Shillington.

35. Roger Sauve, *The Current State of Canadian Family Finances: 2007 Report* (Vanier Insitute for the Family, 2005), at 21, Table 1.

36. *Discussion Paper*, at 23.

37. Mintz and Kesselman.

38. Mendelson, *Toronto Star* (March 4, 2008).

39. *Discussion Paper*, at 6, Table 1.

40. This was the formal federal corporate income tax rate discounted by the 10% abatement in favour of the provinces, which is designed to leave them some tax room. In theory, the provinces have been expected to impose a 10% provincial corporate income tax, bringing the total federal/provincial tax load to 50%. In practice, between small federal surtaxes and provincial corporate income tax rates that can be several percentage points higher or lower than the 10% allowed to the provinces through the abatement formula, the total almost never worked out to be exactly 50%.

41. Discussion Paper, at 24.

42. Canada Pension Plan (CPP) and Employment Insurance (EI) contributions are made by employers and employees jointly. While the employer and employee pay equal amounts of the CPP levy (2.475% of gross pay is paid by each, for a total of 4.95%), employers pay EI at a slightly higher rate (2.52%) than the employee (1.80%, for a total of 4.32%). The employee share of the CPP plus EI taxes comes to 4.275% of gross pay (2007-8 rates).

    It is important to note that the CPP and EI levies sit more lightly on men by virtue of their higher average lifetime earnings. This is because the CPP and EI levies all have medium-income cutoffs that insulate incomes above specified limits from any further EI or CPP liability. In 2007-8, only incomes of $41,100 and lower are subject to the EI levy, and no incomes are exempt from that tax — not even the bare subsistence incomes of up to $9.000 (approx.) that are generally exempt from federal and provincial/territorial income taxation. In 2007, only incomes of $44,400 and lower are subject to the CPP levy, and only the first $3,500 of income is exempt from that tax. Given the wide differences in women's and men's average incomes over their lifetimes, relatively fewer women benefit from the caps on EI and CPP taxes, but on average, the majority of men will benefit from them to some extent over their working lives. However, even if women may work as long and as hard as men, because both EI and CPP benefits when unemployed or retired are tied to prior earning levels, women receive lower EI and CPP benefits than men do, on average.

43. Catalyst, *2005 Catalyst Census of Women Board Directors of the FP500* (Toronto: Catalyst, 2006), at 11.

44. Canada Revenue Agency, *Income Statistics 2007* (Ottawa: CRA, 2007) (for the 2005 taxation year), Table 4 for New Brunswick, lines 11 and 60. 'Taxable dividends' are used (from line 11 of Table 4) instead of actual dividends received (without the grossup) for convenience; both items would be received in the same proportions, although adding the grossup does inflate the amount of assessable income (which is not relevant to the point being made here).

45. For details on the relationship between development of childcare resources in Ireland, entry of increased numbers of women into paid work, and Ireland's economic development, see Department of Justice, Equality, and Law Reform (Ireland), *Developing Childcare in Ireland* (2004).

46. Raj K. Chawla, 'The GST Credit,' *Perspectives* (June 2006), at 14, chart 2.

47. *Discussion Paper*, at 35-36, proposal 1.

48. *Ibid.*, at 36, proposal 2.

49. *Ibid.*, at 36, proposal 3.

50. There are some exceptions for vacant land that are not relevant here.

51. It is notable that the tax policy literature supporting the perspective around which the *Discussion Paper* has been constructed reflects the same one-sided view relied on by the federal Minister of Finance in the 2006 tax expenditure report when contending that business and investment taxes in Canada remain too high. See Department of Finance Canada, *Tax Expenditures and Evaluations, 2006*; online: Department of Finance Canada: http://www.fin.gc.ca/toce/2006/taxexp_e.html.

52. See, *eg.*, Janine Brodie and Isabella Bakker, *Canada's Social Policy Regime and Women: An Assessment of the Last Decade* (Ottawa: Status of Women Canada, 2007).