

Soaking the already sopping rich

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Statistics Canada's annual [statistics of income](#) came out this week and, as the National Post's Andrew Coyne [wrote](#) Wednesday, the good news is that in 2017 poverty rates fell. Yet again. It's a pity that isn't reported as much as which particular instruments of persuasion Justin Trudeau and his henchpersons did or did not use on Jody Wilson-Raybould in various meetings last fall. Especially since we're in an election year (in case you hadn't noticed) and, taking their cue from Democratic Congresswoman Alexandria Ocasio-Cortez in the U.S., several Canadian parties seem likely to recommend more aggressive redistribution to deal with the supposedly quintessential failure of capitalism: its tendency to leave people behind — which the data show it isn't actually doing.

So it's useful to have a look at the current state of redistribution in Canada. [Table 1](#) of StatCan's latest release (in *The Daily* for February 25th) shows, among other things, the income taxes different groups paid in 2017 and the cash transfers they received via different government programs. It's not a complete picture. It doesn't try to value transfers received in-kind, like health care, roads and schooling, and it only looks at income taxes. Lord knows we pay lots of other taxes.

In 2017 the median “economic family and person not in an economic family” received \$7,700 in government transfers and paid \$6,800 in income tax. As you're either in or not in an economic family, that covers everybody. Figuratively speaking, StatCan lines everybody up by income, families and not families, and the median is the entity exactly in the middle. In 2017 that entity — we don't actually know if it's a person or a family — paid \$6,800 in income tax and received \$7,700 in benefits.

Why more benefits than tax? It's just one entity. People closer to the front of the line could be (and in fact are) paying more than they're getting. And of course most governments in Canada are running deficits, so future taxpayers are kicking in for us. So nice of them to volunteer, isn't it? Oops: Being still in the future they haven't actually consented. We volunteered them.

If you do a deeper demographic drill-down, the median two-parent family with children gets \$7,900 in benefits but pays \$15,000 in taxes. By contrast, the median lone-parent family (LPF) gets fully \$14,000 in transfers but pays only \$900 in income taxes. (A big rise in that ratio of transfers to taxes over the last two decades is one reason poverty rates have fallen sharply for LPFs.)

The really big winners are senior families, who get fully \$28,500 in transfers and pay only \$4,100 in taxes. Similarly, seniors who aren't in an economic family get \$18,300 in transfers and pay only \$600 in income taxes. (Non-senior individuals get \$800 in benefits and pay \$3,300 in transfers.)

Is it fair that two-parent families are effectively subsidizing lone-parent families and seniors in this way? It could be. The median two-parent family had “market income” (i.e., wages, salaries and investment income) of \$102,000 in 2017. The median LPF had only \$34,200, the median senior family \$37,600 and the median unattached senior, just \$11,100. We do have a “progressive” tax system. People who make more income generally do pay more tax. Plus, seniors “earned” some of their transfers by paying into the Canada and Quebec pension plans for decades.

Speaking of progressive taxation, in a related [table](#) released this week, StatCan looks at how income taxes and government transfers impact people in different tenths (or “deciles”) of the income distribution. Every decile, even the highest, gets a little something from government on average and every decile, even the lowest, pays a little tax. But their net treatment by government differs widely.

In the top decile, economic entities averaged \$162,700 of “market” income. After taxes and transfers, that fell to \$123,800, for a net hit of \$38,900. (Remember that's just the effect of income taxes, not all taxes.) By contrast, at the bottom end, entities averaged just \$1,500 of pre-tax, pre-transfer income but ended up, on average, at \$14,400, for a net gain of \$12,900. In the second decile the net gain was \$12,500; in the third, \$8,900; in the fourth, \$5,600; and in the fifth, \$2,500. After that, the net “benefits” became negative; that is, people paid more in income tax than they received in cash transfers. To be exact, in the sixth decile the net contribution averaged \$500; in the seventh, \$4,000; in the eighth, \$7,900; in the ninth, \$13,900 and, as mentioned, in the 10th and top decile, \$38,900.

Any politician who doesn't think the current tax-transfer system is progressive enough needs to answer the following question: You're already reducing the average income of top-decile Canadians from \$162,700 to \$123,800. Exactly how much more than \$38,900 do you plan to make them pay?

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