

## Unsung Tax Heroes

William Watson

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Reading through Philip Cross's new study, "Should upper-income Canadians pay more income tax?", which the Fraser Institute released Thursday and which Philip summarizes elsewhere on the page, I was struck by some of his numbers.

Taxing higher-income Canadians more was a major plank in Justin Trudeau's winning 2015 platform but also, in a roundabout way, in his less successful — he lost his majority — 2019 platform. The 2015 promise was a three percentage point bump-up in the top marginal rate, which the new government instituted almost immediately. The 2019 promise was to raise the personal exemption to \$15,000, which would benefit all taxpayers, but to tax back the reduction from upper-income Canadians. "It's not fair," the Liberals implicitly argued, "to tax the first \$15,000 of people's incomes as much as we do" — presumably because everybody uses their first \$15K for essential purposes — "unless, that is, you're someone who makes more money than most, in which case we'll tax both your necessary and unnecessary income as much as we can. So no tax break for you." The sun may shine for everyone equally but sunny ways are more selective.

Philip's study focuses on the top 10 per cent of income-earners. As he notes, to get into that group in 2017 you needed taxable income of \$96,000. That will strike lots of people as not very much. It's still only in the five figures. Most people don't think of a person as "rich" until they're well into the six figures, if not seven. Earning \$96,000 hardly makes a person a social predator, someone society needs to beat up on.

That the threshold is under \$100K really should concern us. Sure, by definition the top 10 per cent is doing well in relative terms. But if they're not killing in absolute terms, maybe there's something wrong with our economy we need to address. Once our one-in-10 is up in the stratosphere, we might want to reel them in a bit — emphasize “might” — but people still making less than \$100,000? No way.

One heartening part of the study is a table showing the top 10 per cent threshold all the way back to 1982 — but adjusted for inflation. In that year just \$33,800 got you in. That's just slightly more than one-third the 2017 threshold. When such an income — which is well below today's median — qualifies you for your economy's elite, maybe you need to work on your economy.

And maybe we did. There's not enough space for the whole table here but just a few data points gives some idea of the progress made since. Again, these numbers are in 2017 dollars: 1982: \$33,800, 1990: \$48,100, 2000: \$60,400, 2010: \$79,500 and 2017, as mentioned: \$96,000.

Philip has another fascinating table on the share of total income taxes the top 10 per cent pay.

In 1982 they paid 44.6 per cent of all income taxes. Some years since then their share is up, other years it's down. But, as a sample shows, the trend is clear: 1982, 44.6, 1990: 46.1, 2000: 53.0, 2010: 54.8, 2017: 54.1. That is correct: in 2017 the top 10 per cent paid 54.1 per cent of all the income taxes paid. One in 10 people paid more than five out of every 10 income-tax dollars. It was in 1997 that the top 10 per cent paid more than half of all income taxes for the first time and it has done so every year since — 21 years running.

Yes, income taxes aren't the only taxes. Non-10-percenters pay GST, excise tax, property tax, payroll tax and all sorts of other taxes. But income taxes are a big chunk of total taxes and nowadays the top 10 per cent consistently pay more than half of income taxes.

But they should, shouldn't they? They earn a disproportionate share of the income being taxed. Yes, in 2017 they made 34.2 per cent of the income on which they paid 54.1 per cent of the tax. But their share of tax has been growing faster than their share of income. The ratio of the two was 1.47 in 1982 and since then it has grown pretty steadily to its 2017 ratio of 1.58, the all-time high for the period covered.

As Philip points out, not everyone in the top 10 per cent actually pays income tax. Some 0.25 per cent of top 10 families had no tax owing in 2017, presumably because they took advantage of various concessions in the tax code that we would do well to remove. But 99.75 per cent did pay and as a group they paid more than half the income tax.

People working hard and paying their taxes don't make headlines. It doesn't even make the back pages. But it should. Such people are unsung tax heroes. I'm happy to have sung them at least for a day.

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