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THE USE OF INCOME TAX DATA FOR SLID

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EXECUTIVE SUMMARY

Current household surveys experience data quality problems when collecting individual and family incomes. Many respondents consider "income" to be a sensitive topic and, therefore, non-response is higher than for many other subjects. For those who do respond, under-reporting is problematic for many income components. Also, it is believed that data of much higher quality are obtained if respondents refer to financial documents for the requested amounts. For these reasons, in May 1993, SLID is testing an approach to collect income data whereby respondents will be encouraged, as much as possible, to refer to their T1 income tax forms.

While this may seem like an obvious solution to the traditional problems of income household surveys, it is not without problems of its own. This paper discusses the advantages and disadvantages of this approach.

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1. Introduction

Traditionally, Statistics Canada has collected data on personal income by asking respondents to recall income they received from all sources during the previous calendar year. As the primary vehicle for collecting income data, the annual Survey of Consumer Finances (SCF), sends a survey questionnaire prior to the interviewer's call to allow respondents time to consult their financial records. A "guide" is included with the survey form to explain each item. In some cases, the guide refers to line numbers on the income tax form.

For its test of collection of income data in May 1993, the Survey of Labour and Income Dynamics (SLID) will implement a similar approach to that used by SCF, with one major difference. SLID will facilitate and encourage the use of the 1992 income tax forms. In other words, a respondent to the SLID test will be able to provide the requested income information by copying numbers from the T1 tax return (and related tax forms) submitted to Revenue Canada. Since the deadline for filing tax returns is April 30, the tax forms should be more "accessible" to respondents than at other times in the year.

This document is a consolidation of various notes prepared as background information for discussions leading into the SLID test. It describes the conceptual and measurement differences in data collected via the traditional SCF approach and the approach to be tested for SLID in May 1993. A detailed description of the May 1993 SLID test is contained in SLID Research Paper 93-04 **SLID Income Interview - May 1993: Questionnaire and Data Collection Procedures**.

2. Under-reporting

A comparison of data produced from SCF with other sources suggests that certain income components are under-reported.
For example:

- investment income, where perhaps 50% to 60% of the total is captured in the current household surveys;
- social assistance income, where perhaps 50% to 70% is captured (although this number is not really known);
- UI benefits, where perhaps 80% to 85% is captured;
- self-employment income, where 82% to 90% is captured.

Even this does not convey the entire issue. When examining aggregates, measurement errors in individual records can cancel each other. As SLID is a longitudinal survey, micro-level analysis will be frequently conducted. Even if aggregate comparisons are good, significant measurement errors on individual records can cause significant errors in analysis.

A different approach for the SLID test was adopted to allow some comparisons with the traditional approach. A decision on the future direction of SLID income collection will be based, in part, on these comparisons.

3. Potential Advantages to Using a Tax-Based Income Model

The primary motivation for referring to tax line numbers directly on the SLID questionnaire is to reduce measurement error. We believe that even respondents who do not do their own taxes can provide reliable information as SLID questions would contain a direct reference to a particular line number on the tax form. Thus, an understanding of the survey concepts or of the tax form would not be necessary. Errors due to estimating a value or to confusion over which category a particular income source belongs would be reduced.

It is also hoped that direct reference to the tax form will result in higher response rates, by simplifying the data collection process. This, of course, assumes that respondents keeps a copy of their completed tax form.

Comparisons can be made much more easily with tax data for data evaluation, and perhaps imputation purposes, than in the past. A possible future scenario would be a situation where respondents could refer us to the tax system to get the data directly, eliminating the need for the respondent to provide income survey data.

Taxation data may itself become more of an analytical tool in the future than has been the case historically. Where measurement error is so important, as in longitudinal surveys, people may turn more and more to taxation data. This is already occurring in Canada with the development in the Small Area and Data Development Division (Statistics Canada) of the LAD (Longitudinal Administrative Data), which is a longitudinal family file of income taxation data. SLID would become comparable with these sources if it used a tax-based income model, and it has the tremendous advantage of having other data on labour market behaviour, wealth, etc. that the administrative sources do not have.

It should be noted that American longitudinal surveys have not gone this route at least in part because their tax system will not support it. Since families file jointly in the U.S., the income of individuals cannot be determined from their tax system.

4. Some Drawbacks to this Approach

There are some disadvantages to the SLID test approach. First, the definitions of some of the income components are somewhat different between the "money income" concept used in the SCF and virtually all household surveys (including the Census of Population), and that used in the taxation system. Some examples:

- in the taxation system, wages and salaries include taxable non-wage fringe benefits such as a company car, which is not considered part of income in the "money income" concept;
- investment income from vehicles such as Canada Savings Bonds can be reported for income tax purposes, either in the year it is received (cash basis) or in the year it is earned (accrual basis), while only on a "cash" basis in surveys like the SCF.

Second, not all income sources are taxable, and hence it will always be necessary to collect other income items than those reported on the T1 form. Historically, the most significant have included:

- Guaranteed Income Supplement and Spouses Allowance
- Social Assistance income
- Workers' Compensation payments
- Inheritances and Insurance settlements

This is becoming less of a problem since some of these non-taxable income sources are required for the determination of certain tax credits. Thus, they are now reported on the T1 tax form.

Another issue relates to the design of the survey questionnaire. It is necessary to design one that can be completed either with or without reference to tax forms. Furthermore it cannot become too complex. That means that the components requested must be relatively easily derived without going through the detailed rules of the tax system. For instance, in reporting the income from annuities, one would expect to see it requested in a single place on the form. In the tax system, however, if a person over 65 receives the income it is reported in one place, those under 65 report it elsewhere, while income from RRSP-based annuities are reported in yet a third. It is not feasible to request this kind of disaggregated reporting in the SLID income questionnaire, as it would be unnecessarily demanding for persons not referring to their tax form to complete the SLID questionnaire. Hence, in cases like these, correspondence with the tax form is not attempted.

Taxation data stem from an administrative system designed to meet particular objectives, often through deductions, tax credits or tax exemptions. Thus, the income components as measured in the tax system are not necessarily defined as one would like when attempting to measure income according to other concepts. The "money income" concept used in most household surveys is another approach, as is the more exhaustive "total income" concept often discussed in economic texts. (In the total income concept, income flows are essentially all changes in wealth during a specific period.) What is measured in the taxation system is driven by the demands of an administrative system designed to meet a wide range of goals.

One of the implications is that administrative rules change with time, so that the definition of income components can change when based on the taxation system. This will render the longitudinal concepts more difficult to reconcile over time. An income component, for example, which was reported on its own line in one year, may suddenly be grouped with other components in subsequent years. Another, more drastic, scenario would be where every province developed its own tax forms, with little or no regard to consistency among them. This a remote possibility. However, the important point is that longitudinal data are complex enough to analyze. If income concepts changed significantly over time, the analysis would be even more complicated, perhaps to the point of being prohibitively so.

Not all respondents will use their tax forms to complete the questionnaire. Hence, the questionnaire must be designed so that it is not essential to refer to the tax form; it must not be complex. The taxation form is, in some places, quite complex. This means that reliance on it as a basis for completing the questionnaire for certain items, such as annuities, is not possible. It would be too complex for persons not using their tax forms to complete these items. How will respondents who have been using their tax form to that point react to not having a reference to the tax form for items which seem to be there? This is one of the problems we will try to answer with the test conducted in 1993. Are respondents not using their tax form going to give the same information? This last point is important if the magnitude between the two is large because it means SLID is not collecting the same information from both types of respondents. The next section examines the income sources one at a time in order to determine the conceptual differences between taxation data and the usual household survey procedures.

An advantage listed in the previous section was that this approach could increase response rates. Another possibility would be that it reduces response rates. The overt link to income taxes, an unpleasant notion to most, may lead to negative feelings towards the survey.

5. Comparison of Specific Items

The SLID test approach began with the premise that direct reference to tax forms would be made to the extent possible. As development progressed, some departures were necessary to accommodate those SLID respondents who could not or would not use their tax forms. The result was a compromise between a "pure" income tax approach and the traditional income survey approach. Using the list of income items on the SLID questionnaire for the 1993 test, this section examines differences between data on the income tax forms and that collected by the traditional survey approach and the SLID test approach. (Although many of the comments are included in this section, Appendix A contains a comparison of the 1991 SCF and T1 forms, outlining differences in definitions. Some readers may be interested in this comparison.) All references to Line Numbers relate to the T1 General tax form.

5.1 Wages and Salaries Before Deductions *(Line 101)*

This amount on the T1 represents total wages and salaries at all jobs. Amounts paid back to the employer (which are a deduction on Line 229) are included. Also included are commissions, fringe benefits and taxable benefits, such as car allowances, employer contributions to dental plans, board and lodging, and personal use of a company car.

The SCF, and other similar household surveys exclude fringe benefits, because these are non-cash items. Indeed, SCF respondents who use their tax form are asked to deduct these benefits, which are identified on their T4s. The SCF also groups tips, gratuities, royalties, etc, in with wages and salaries. On the other hand, military pay and allowances is a separate category in SCF while it is combined with wages and salaries in taxation data.

For the SLID test, respondents using their tax form will obviously report wages and salaries consistently with the taxation rules. Those who do not use their tax form may tend to use a definition more comparable to the SCF, generally excluding non-cash items.

There is a broader question about whether taxable non-cash items *should* be included in wages and salaries. If they are concentrated among managerial workers, their exclusion would tend to narrow the earnings gap between the highest and lowest paid groups.

5.2 Net Self-employment Income *(Lines 135, 137, 139, 141 and 143)*

Self-employment income is a major problem in most surveys. A large proportion of self-employed individuals are simply unable to answer earnings questions without reference to their tax form. However, what is on the tax form is not necessarily what we would really like to measure.
The deductions permissible by tax law do not correspond to the costs that one would truly like to capture in an economic sense, which is revenue minus expenses.

The SLID test will include five distinct self-employment income categories, corresponding exactly to the T1: business, professional, commission, farm and fishing. The SCF uses two categories: farm and non-farm.

The self-employment income to be reported refers to that received from unincorporated businesses. Income reported by working owners of incorporated businesses is technically wages and salaries.

5.3 Other Employment Income Including Tips, etc *(Line 104)*

This covers tips, gratuities, director's fees, royalties, net research grants and so on. Also included are amounts received under a wage-loss replacement program. In the SLID test, respondents not using their tax form might erroneously report this under UI benefits or other income.

5.4 Employment Pensions, Superannuation and Survivors' Pensions *(Box 16 on T4A)*

Both the SCF and the T1 tax form group retirement pensions and superannuation in with annuities. See 5.23 for further discussion.

5.5 Canada or Quebec Pension Plan Benefits *(Line 114)*

In addition to CPP and QPP, this includes disability and survivors' pensions. The latter include pensions for widows, disabled widowers and orphans. In the SLID test, respondents will be asked to specify the type(s) of pensions as retirement, disability or survivors.

On the T1, this line may include lump sum death benefits from CPP/QPP -- the tax filer has a choice of reporting such amounts here or on a separate form (a T3 Trust Return for the estate of the deceased).

Lump sum disability benefits are included here as well. The amount reported here can be the total received in the current tax year or a deferred amount from an earlier year.

5.6 Old Age Security, including GIS and SPA *(Line 113 and Box 21)*

Guaranteed Income Supplement and Spouse's Allowance are non-taxable and therefore not on the T1. The survey respondent using the tax form would have to check Box 21 on the T4A(OAS) for the GIS and SPA amounts, and add these to the OAS amount in Line 113 of the T1. It should be noted that GIS and SPA will in future be reported directly on the T1, which would hopefully improve the quality of reporting among those who refer to their tax form.

5.7 Veterans' Affairs Pensions (Veteran and Civilian)

This is a non-taxable amount that does not appear on the T1. SCF asks respondents to include these amounts in "Other income from government sources".

5.8 Unemployment Insurance Benefits *(Line 119)*

This item covers all benefits -- regular, maternity, sickness and so on. Note that part of this may have to be paid back, but this is done on another line of the T1 tax form. Nevertheless, the amount reported on the tax form is likely to be more precise than a recalled amount. In the SLID test, respondents will be asked to indicate the type(s) of benefits received.

5.9 Workers' Compensation *(Line 144)*

Before 1992, this item was not on the T1. However, starting with the 1992 T1 tax form, it is. It remains a non-taxable source of income but the amount received is used in the calculation of tax credits. SCF asks respondents to include this in with "Other income from government sources".

5.10 Social Assistance and Provincial Income Supplements

In 1991 and earlier years, Social Assistance (SA) and Provincial Income Supplements were not reported on the T1. Starting with the 1992 tax year, SA will, in principle, be reported for purposes of calculating tax credits. SA recipients will receive an information slip, the T5007. However, since social assistance covers a host of provincial, municipal and other special programs, it is not clear what the amount on the T5007 will reflect. At least for tax year 1992, only two provinces will be giving these slips to SA recipients. Elsewhere, recipients will be expected to estimate the amount of SA received and report this estimate on the T1.

Provincial Income Supplements are non-taxable and do not appear anywhere on the T1. More research is needed to gain an understanding of how these supplements will be dealt with in the tax system in the future. Separation of these two items may be necessary in the future.

5.11 Federal Family Allowances *(Line 118)*

The spouse with the highest net income reports family allowance income. However, in the context of a survey, respondents not using their tax form may tend to include it as income of the person whose name is on the cheque. (Also, in cases of separation of 90 days or more, both parents report some of the total amount received. If someone is making an "equivalent to married" claim, that person must claim family allowance. It is doubtful that family allowances would be similarly reported in a survey.)

Family allowances are being replaced by the child benefit package and will not be an issue in future years. (See also Section 5.13 Child Tax Credit).

5.12 Quebec Family, Newborn and Maternity Allowances

This is a non-taxable source of income and is not reported on any income tax form. SCF includes the Quebec Family Allowance and Newborn Allowance in with

Federal Family Allowances and the Maternity Allowance in with Other Income from Government Sources.

5.13 Child Tax Credit *(Line 444)*

This is to be reported by the parent who received, or was qualified to receive, the family allowance cheque. (In contrast, the parent reporting family allowance was the one with the highest net income.) This credit will be replaced by the child benefit package in 1993.

5.14 Goods and Services Tax Credit

This is not an item on the T1. There is a form in the tax package that tax filers complete to apply for a GST credit. From this, their eligibility for the credit, in whole or in part, is determined. Eligibility depends on family rather than individual circumstances. If eligible, the credit is sent in four instalments throughout the year (unless the total amount due is under $100, in which case it is paid in July). The GST credit can be estimated, but only imprecisely, because the amount received in a given year depends on income received in the two previous years.

For example, the total amount received in 1992 is based on 1990 income for the January and April instalments, and on 1991 income for the July and October instalments. An extra complication is that some people with incomes too high to qualify for a GST rebate may still receive one. (This can occur when the tax filer deducts expenses from his or her income as an employee or a general partner.)

5.15 Provincial Tax Credits *(Line 479, 480 in Alberta and 460 on Quebec Tax Form)*

The obvious problem with this from SLID's perspective is the reference to three separate line numbers. Line 479 applies to all provinces except Quebec. Albertans have to sum the amount in Line 479 with the amount in Line 480. In Quebec, the amount is recorded on the provincial tax form which is a distinct document (and which gets mailed separately from the federal return).

5.16 Other Income from Government Sources

This is a catch-all for other government income. Some of it may be taxable and would therefore be included in some items of the tax form. An example is training allowances.

SCF has a category identical to this one. It includes the following:

- Veterans' Affairs pensions
- Workers' Compensation
- Property Tax Rebate for Senior Citizens (Nova Scotia)
- Saskatchewan Senior Citizens Heritage Program
- Payments received from training programs sponsored by the federal or provincial government
- Quebec Maternity Allowance (included with Quebec Family Allowances in the SLID test)
- Regular payments from provincial automobile insurance plans (excluding lump sum payments)

5.17 Interest from Bank Accounts, Canada Savings Bonds, Other Bonds and Investment Certificates *(Line 121)*

This covers certain life insurance income, as well as foreign dividend and interest income. It includes interest that has accrued in the tax year, unless the tax filer chooses to defer reporting to a later tax year. Similarly, the amount reported may include interest earned in a previous year but not reported. This makes the concept unclear -- it may be cash income or reflect an accrual approach of measurement. Even among respondents using their tax form, this item will not be consistently reported.

In the SCF, interest that has accrued on an unmatured investment is specifically excluded. This is in line with the money income concept. However, interest is one of the income components that is particularly prone to under-reporting in household surveys that rely on recall. Referring respondents to their tax form may help to improve quality. The unfortunate downside is that the introduction of tax-oriented definitions renders the concept of interest income rather nebulous.

5.18 Dividends from Canadian Sources *(Line 120)*

The amount reported on the T1 as taxable dividends represent 125% of the dividend income actually received by the tax filer. To be consistent, SLID respondents not using their tax form would have to calculate this amount and report it in the survey. However, it may seem more natural to them to report the amount actually received (as in the SCF). In the SLID test, respondents will be asked if they used their tax form to answer the survey questions. This could be used to decide whether the actual investment income or the taxable amount was reported.

Foreign dividends are reported on the same line as interest income, rather than on Line 120. As a result, the dividend field does not include all dividends and the interest field includes some dividends. Respondents not using the tax form would have to understand that it is necessary to report foreign and Canadian dividends in different places.

The amount included on Line 120 may include the spouse's dividend income, but SLID is attempting to collect income on an individual basis and so would prefer to see this reported as the spouse's income. The potential magnitude of misreporting due to this is unknown.

5.19 Net Partnership Income (Limited or Non-active Partner *(Line 122)*

The tax guide is not very precise in its definition of what constitutes a limited or non-active partnership. There is some doubt about exactly what would be reported here. In the SCF, which does not specifically include this category, this income would probably be reported as dividend income.

5.20 Taxable Capital Gains and Net Capital Gains *(Line 537 of Schedule 3 and Line 127)*

These are two separate items in the SLID test. The taxable part of a capital gain is 75% of the net capital gains (minus the losses). Some tax filers use the lifetime capital gains exemption, thus reducing their taxable capital gains.

For respondents not using their tax form, it is not clear what SLID would obtain. The same applies to the SCF and other similar surveys.

5.21 Net Rental Income *(Line 126)*

What is reported here is income less deductions as defined in the tax system. The deductions may not correspond to the economic "cost" one would really want to measure.

The SCF has no direct counterpart. Income from property rental would generally be reported as investment income, unless it involves labour on the part of the owner. In this case, it should be reported in the SCF as non-farm self-employment. The SCF also includes a category for income from "roomers and boarders", which has no direct counterpart on the T1. Again, it is not clear what respondents chose to include or exclude when reporting an amount here.

5.22 Other Investment Income

This is a catch-all item and has no direct counterpart on the tax form.

5.23 Income from RRIFs / Income from Annuities (incl. RRSP eligible annuities) and Deferred Profit-sharing Plans / Withdrawals from Unmatured RRSPs

These income sources were collected as three separate items in the SLID test. For reasons outlined below, respondents were not referred to the tax form.

Registered Retirement Saving Plan (RRSP) income, broadly defined, falls into three categories:

- income from a Registered Retirement Income Fund (RRIF), which may be received at any age and which is treated differently depending on whether the tax filer is under 65 or not;

- income from an RRSP which has matured and has been converted to an eligible annuity, which may happen at any age and be any portion of the tax filer's RRSP wealth;

- early withdrawal from an unmatured RRSP.

For income tax purposes, the reporting of this income is as follows:

- *Line 115 (pension income)* includes employee pensions, income from RRIFs, annuities, deferred profit-sharing plans, etc, if the tax filer is over 65. Also included are survivors' pensions.

- *Line 129 (RRSP income)* includes early withdrawals from RRSPs, deregistered RRSPs and income at any age from an RRSP eligible annuity.

- *Line 130 (other income)* includes income from RRIFs and other annuities, if the tax filer is under 65, as well as retirement allowances, compensation arrangements and death benefits (but not survivors' pensions).

Survey respondents using a tax form could transcribe numbers from these lines, but the approach would be far too complex for respondents not referring to a tax form. Furthermore, for many analytical applications, the aggregations imbedded in the tax form are less than ideal.

To add to the complications, there are spousal RRSPs. These should really be reported an a source of income for the spouse (in the context of a household survey collecting income on an individual basis) but, depending on the couple's circumstances, the tax filer who contributed to it may have to declare some or all of the income.

5.24 Alimony, Separation Allowance and Child Support Received *(Line 128)*

The reference to a specific tax form line number will clarify our intentions -- that the item concerns the amount received rather than the amount paid out. However, it will probably result in the exclusion of amounts received which were not dictated by a court order, or received from sources outside the country. Both are non-taxable. Respondents to the SLID test will be asked to indicate whether the income received was for spousal support, child support or both.

5.25 Money Received by Persons Living in Other Households

This non-taxable item, with no counterpart on the T1, is intended to capture major transfers between households, for example money given by parents to adult children living elsewhere, to help with education, mortgage payments and so on.

5.26 Inheritances

In addition to cash inheritances, this includes the value of any inherited property. Inheritances are not taxable and therefore not reported on the T1. They are not collected in the SCF either.

5.27 Lump Sum Income from Life Insurance, Death Benefits, Lottery Winnings, etc

This does not correspond to any particular category on the tax form, and is intended to cover both taxable and non-taxable lump sum payments. Some of the taxable items would be included in Line 130 of the T1, for example, death benefits, retirement allowances. Among the non-taxable items to be included here were bingo and casino winnings. SCF does not collect lump sum payments.

5.28 Other Income

A catch-all category. No reference is made to the tax form because this is intended to collect both taxable and non-taxable income not specified elsewhere. Line 130 of the T1 would include some of this -- scholarships bursaries, retirement allowances, registered education savings plans, loans and transfers of property, amounts disbursed from a compensation arrangement, training allowances and so on.

5.29 Total Income

This is intended to cover taxable and non-taxable income from all sources. It therefore does not correspond to any total on the T1. It is also more all-inclusive than the SCF because it accounts for: fringe employment benefits, transfers in from other households, inheritances and lump sum income. It further differs from SCF in that income within a family will not always be reported by the same individual (family allowances and spousal RRSPs for example).

5.30 Total Federal and Provincial Income Tax Paid *(Line 435 plus, in Quebec, Line 444 on provincial form)*

Respondents would generally have to refer to their tax form to report this amount. SCF also collects it.

6. Conclusion

Statistics Canada already has an established procedure for the collection of income data. There are inherent difficulties in this procedure which SCF and other surveys have repeatedly sought to overcome. For its May 1993 test, SLID has decided to adopt a previously untested approach. One of the objectives of the SLID test will be to measure the impact of this new approach on data quality and response rates. A decision on the future direction for collecting income data for SLID will depend, in part, on general comparisons between the SLID test results and those from SCF.

APPENDIX A

COMPARISON OF SCF AND T1

This appendix contains a comparison between the items listed on the 1991 SCF questionnaire and the 1991 T1 income tax form (the most recent year available when the comparison was done). Much of the content of this appendix is also included in Section 5 of the report. It is repeated here as some readers may prefer to view the material in a different order.

1991 SCF Form	**1991 T1 Tax Form**
1. Wages and Salaries	**Lines 101, 104**
Total <u>cash</u> wages and salaries before all deductions and excluding fringe benefits. It includes commissions, tips, gratuities. It excludes taxable allowances and benefits such as premiums for health insurance paid by an employer on behalf of an employee.	Total wages and salaries not necessarily before all deductions (may include wages and salaries paid back to the employer, which is a deduction at line 229). It may include fringe benefits or taxable benefits (e.g., housing board and lodging, personal use of employer's auto). It includes tips and gratuities, directors' fees, royalties from work or inventions, net research grants, etc.
2. Military Pay and Allowances	**Lines 101, 104**
3. Net income from Non-Farm Self Employment	**Lines 135, 137, 139, 143**

1991 SCF Form	**1991 T1 Tax Form**
From unincorporated business. Includes fishing. Personal deductions such as income tax and pensions are not to be subtracted. Partners are to report their share only. Corporate status should be reported with wages and salaries or dividends.	Active partners report the amount in box 10 of T5013 (their share only). Limited or non-active partnership should be reported at line 122.
4. Net income from farm self-employment	**Line 141**
Includes farm program payments and rebates. Net rents for farms rented out to others should be reported in other investment income. Farms with corporate status should be reported in wages and salaries or dividends.	Same conditions as for non-farm self-employment.
5. Net income from roomers and boarders	**Line ?**
Excludes payments from relatives.	Probably no equivalent on the income tax form.

1991 SCF Form	1991 T1 Tax Form
	Could be part of line 126, but line 126 is probably more rental income from renting a building, an apartment, a farm, etc., than from renting a room in a person's own house.
6. Interests on Bonds, Deposits and Savings Certificates	**Line 121**
● Interest on all deposits, all kinds of bonds and savings certificates received in 1991. This is only interest <u>paid</u> or <u>credited</u> during the year.	● Interest that is paid, or credited at least once a year on such things as bank accounts, CSBs and treasury bills.
● It does not include interest which has <u>accrued</u> and for which payment has not been received (i.e., the interest is not received until the investment matures or is cashed in). This is in line with the money income concept and standards for income collection.	● Interest that built up in 1991 (reported differently for investments made in or before 1989, and those made later).
● Includes interest received from outside Canada.	● Gross foreign interest and dividend income.
	● For joint accounts, tax filers are instructed to report their share of interest, based on <u>their</u> own contribution.

1991 SCF Form	1991 T1 Tax Form
Instructions for joint accounts are not given.	• Includes earnings on life insurance policies. • Details are given in schedule 5 but schedule 5 is not captured.
7. Dividends	**Line 120**
Received from domestic and foreign stocks. The domestic are grossed up, the foreign are not grossed up. For both types of stock, the actual amount received, not the <u>taxable</u> amount is to be reported. (The taxable amount is 16% of the grossed up amount.) Cash dividends from life insurance policies should be reported in item 9.	Only dividends from Canadian sources. Only taxable amounts are reported here. (Amount received * 5/4 = taxable amount.) Tax filers may claim a spouse's dividend.
8. Taxable Capital Gains	**Line 127**
Includes only those considered taxable. A direct reference to line 127 of the tax form is provided in the SCF guide.	The taxable part is 75% of net amount of capital gains. Includes the amount allocated to the tax filer by a partnership.

1991 SCF Form	1991 T1 Tax Form
9. Other investment income	**Lines 126, 130, 121**
• Net rental income (includes leased farm land). • Interest from loans and mortgages. • Regular income from an estate or trust fund. • Cash dividends from life insurance policies. • Etc	• Net rental income. • Interest from loans and transfers of property are reported at line 130. • Life insurance is reported at line 121. If partnership, only the tax filer's share of the net partnership income is reported.
10. Family Allowances	**Line 118**
To be reported by the person who reports family allowance on his/her tax form. Include Quebec family allowance program and allowance for newborns.	The spouse with the highest net income reports this. But, if not married for the whole year, the rules differ (could be reported by one spouse for some months and by the other spouse for the remaining months). The person reporting Family Allowance is the only one who can claim "amounts for dependent children". Family Allowance for the <u>whole</u> year must be reported by those making an "equivalent to married" claim. Quebec Allowances are not taxable.

1991 SCF Form	1991 T1 Tax Form
11. OAS/GIS/SPA	**Line 113**
	Does not include GIS and SPA because these are non taxable sources. May include some OAS which was paid back. Reflects T4(OAS) and T4(P) amounts. Box 21 of the T4(OAS) has GIS/SPA amounts.
12. CPP/QPP	**Line 114**
Includes federal and Quebec: ● retirement pensions ● survivors' benefits such as widow's pension, disabled widower's pension and orphan's benefits ● disability pension Lump sum death benefits are excluded.	Enter total CPP/QPP shown in box 20 of T4A(P), including disability and survivors' benefits. Death benefits can be reported on line 114 or on a T3 Trust Return for the estate of the deceased (tax filer's choice). Lump sum disability benefits are to be entered here (the benefit, or part of the benefit, may be for a year or for many years prior to taxation year).

1991 SCF Form	**1991 T1 Tax Form**
13. Unemployment Insurance	**Line 119**
Total benefits for sickness, maternity, etc. are to be reported. Also includes benefits for self-employed fishermen. In the SCF guide, respondents are referred to box 14 of T4U.	Some may have to be paid back.
14. Social Assistance and Provincial Income Supplements	**Line 145 (of 1992 tax return) not on previous years' returns, maybe 457**
Payments from provincial and municipal programs. Includes benefits for basic needs, for special needs and payments from work incentive programs.	Social Assistance on line 145 is the amount from box 11 on T5007 for those provinces who will be giving this T-slip to beneficiaries. Provincial Income Supplements do not appear anywhere.
15. Goods and Services Tax Credit	**T1 GSTC Form included in Tax package**
The total amount of GST credit cheques received in the year is to be reported here.	This form, completed to apply for the credit, determines a person's eligibility. The tax form does not have a line showing how much a person is entitled to receive.

1991 SCF Form

1991 T1 Tax Form

Quarterly payments are sent in July and October of the current year and in January and April of next year. These payments are based on:

- the individual's net income for last year
- the spouse's net income for last year
- the "other supporting person"'s net income for last year plus their net federal supplements (box 21 of T4A(OAS), social assistance payments and workers' compensation (an "other supporting person" is any person other than the tax filer or the tax filer's spouse who claims a personal amount on his/her return for a qualified child being claimed in another section of the form)
- amounts of federal supplements, social assistance and workers' compensation received by the individual or the spouse

If payment is under $100 it will be paid in full in July.

On line 457, if the tax filer deducted expenses from his/her income as an

1991 SCF Form	1991 T1 Tax Form
	employee or as a general partner, he/she may be eligible for a GST rebate for expenses incurred.
16. Federal Child Tax Credit	**Line 444**
To be reported by the parent that receives the family allowance cheque. The respondent is to report the total for which he/she is eligible as calculated on line 15 of Schedule 7 (Part B). This represents an amount which is not net of prepayment.	Based on family income plus the family's net federal supplements, social assistance and workers' compensation and the number of eligible children. To be claimed by the parent who received, or qualified to receive, family allowance. (If the mother receives the Family Allowance cheque but the father declares it in his tax return and claims the child as a dependant, the mother is the only one allowed to claim this credit.) This amount is net of any CTC pre-payment. Refers to line 17 of Schedule 7 (Part B).
17. Provincial Tax Credits	**Lines 479, 480, 460 (Quebec)**
Respondents are instructed to report amount from line 479 of their T1. In Alberta add line 480. Quebec	

1991 SCF Form	1991 T1 Tax Form
residents are to report the amount on line 460 of their Quebec Tax Form.	
18. Other Income from Government Sources	**Line 144 of 1992 return (not on previous years' returns), Line 130**
Includes:	
• Veterans' and civilians' pensions (from the Department of Veterans Affairs)	• All pensions from Veterans' Affairs are non-taxable and do not appear on T1
• Workers' Compensation	• Line 144 of 1992 tax form for Workers' Compensation
• Property Tax Rebate for Senior Citizens (Nova Scotia)	• The Property Tax Rebate for Senior Citizens of Nova Scotia is not found on the T1. On line 479, however, there is a tax credit which includes Nova Scotia tax credit for political contributions, for the NS Stock Savings Plan and the NS Home Ownership Savings Plan.
• Ontario Property Tax Grant and Sales Tax Grant (seniors)	• Ontario Property Tax and Sales Tax grants are non-taxable
• Saskatchewan Senior Citizens Heritage Program	• The Saskatchewan Senior Citizens Heritage Program is non-taxable
• Payments received from training programs sponsored by the federal and provincial governments	• Training programs are too vague. They probably include some that are taxable and some that are not. Line 130 may include some.

1991 SCF Form	1991 T1 Tax Form
• Quebec Maternity Allowance	• Quebec Maternity allowance is not taxable. The maternity benefit is grouped with other income on line 150 of the Quebec Tax Form.
• Regular payments from provincial automobile insurance plan (excludes lump sum payments)	• Automobile Insurance receipts are non-taxable in Quebec. They do not appear on the T1.
19. Retirement Pensions, Superannuations and Annuities	**Lines 115, 129**
• Income from an employer pension plan • Benefits received from all annuities, including a matured RRSP, a RRIF or an income averaging annuity contract • Survivors' benefits • Pensions of retired civil servants, armed forces personnel and R.C.M.P. officers • Annuity payments received from Canadian Government Annuities Fund, an insurance company, etc. Lump sum payments are excluded.	Line 115 includes: • annuity payments (annuity payments from a RRSP are reported on line 129, RRSP income). • lump sum payments from pension and deferred profit sharing plans • pensions from a foreign country Line 129 specifies that the tax filer's spouse may have to report some or all RRSP income received by the tax filer. Form T2205 determines amounts each spouse has to report. There are taxable and non-taxable portions of RRIF and income averaging annuity contracts. Survivors' benefits are reported at line 115.

1991 SCF Form	1991 T1 Tax Form
	Other benefits (RRSP, RRIF, etc) are entered at line 115 under certain conditions and line 130 (other income) or 121 (interest and other investment income) under other conditions.
20. Other money income	**Lines 128, 130**
● Alimony, maintenance payments and regular support payments from a former spouse ● Non-refundable scholarships ● Income from outside not already reported ● Childrens Aid ● Payments from an income maintenance insurance plan or a guaranteed annual wage plan ● Severance pay or retiring allowances (not regular pension benefits) ● etc. Excludes: Income in kind, gambling gains or losses, money inherited in a lump sum, receipts from the sale of property or personal belongings, income tax refunds, loans received,	All taxable income not reported elsewhere on the tax form. Alimony or separation allowance are reported on line 128. All scholarships, fellowships, bursaries and artists' project grants in excess of $500 are reported at line 130 (some of these may include amounts which were paid back during the year). Retiring allowance, death benefits, registered education savings plan, loans and transfers of property, amounts distributed from a retirement compensation arrangement, training allowances, etc.

1991 SCF Form	1991 T1 Tax Form
loans repaid to the respondent, lump sum settlements of insurance policies, refunds of pension contributions and Registered Retirement Savings Plan.	
21. Total income	
Sum of previous items.	An equivalent item is not available on the tax form.
22. Income tax on 1991 income	**Line 435 for Canada** **Line 435 from federal plus line 450 for Quebec long form or line 444 short form**

Refers to the items on the tax forms.