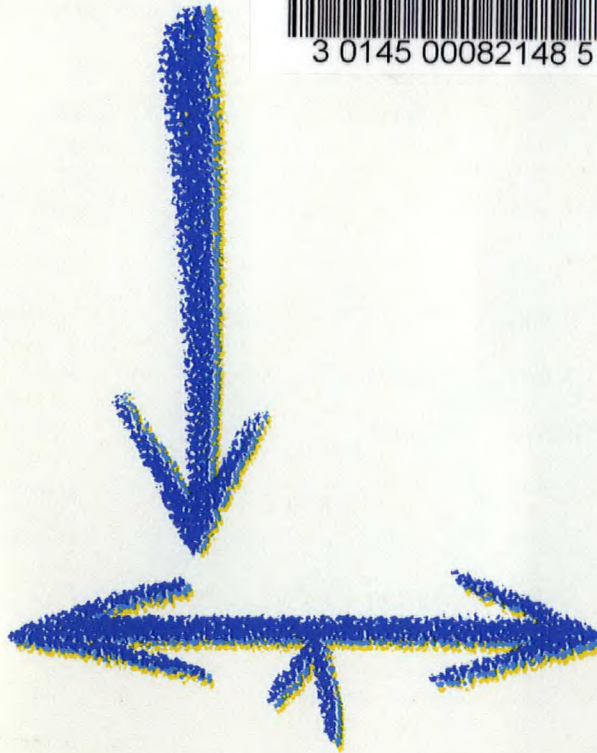


# How Tax Reform Benefits People 65 and Over



## Highlights for People 65 and Over

Almost 90 per cent of taxpayers 65 and over will pay less tax.

### The New System

**Lower Rates:** Personal income tax rates will be lowered. The present 10 tax brackets, with federal tax rates rising as high as 34 per cent, will be reduced to three brackets for tax year 1988:

Taxable income	Tax rate*	Proportion of taxpayers
Up to \$27,500	17%	66%
\$27,501 – \$55,000	26%	29%
\$55,001 and over	29%	5%

\* These rates apply to the portion of a taxpayer's income that falls within the ranges shown.

**Fairer System:** A number of exemptions and deductions will be replaced by tax credits. Exemptions, which reduce taxable income, are worth more to taxpayers in the higher income brackets than in the lower. The new federal tax credits are fairer. They directly reduce tax and provide the same tax reduction for all taxpayers.

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New tax credits – 1988	Federal tax* value for all taxpayers	Federal tax value of current exemptions with new rates	
		0 – \$27,500 of taxable income	Over \$55,000 of taxable income
Basic personal	\$1,020	\$725	\$1,240
Married or equivalent	850	635	1,085
Age (65 and over)	550	455	775
Disability	550	495	845
Dependant under 18**	65	65	115
Infirm dependant (over 18)	250	250	425

\* The value of the federal credit is about two-thirds of its total value in all provinces except Quebec since Quebec levies its own personal income tax. For example, the basic personal credit of \$1,020 on federal tax will reduce provincial taxes by an average of about \$560 for a total value of \$1,580.

\*\* Under present law, the child tax exemption is scheduled to equal the value of the family allowance by 1989. The new credit has been set at a level equal to 17 per cent of the estimated family allowance payable in 1988.

Many other deductions will be converted into federal tax credits at 17 per cent of their value. These include employees' Canada and Quebec pension plan contributions and unemployment insurance premiums, tuition fees and education deductions (transferable up to \$600), eligible medical expenses above 3 per cent of net income, the first \$1,000 of private pension income, and charitable donations (17 per cent for the first \$250 and 29 per cent for further donations).

Tax advantages now accorded for capital gains will be reduced in the interest of fairness. The dividend tax credit will be reduced to reflect lower corporate tax rates. There will be tighter rules on deducting business expenses and new rules against artificial tax avoidance.



### Benefits for People 65 and Over

- The conversion of exemptions to credits particularly benefits people 65 and over and helps ensure that the vast majority pay less tax.
- The income level at which seniors start paying tax will rise from \$10,785 to \$11,430 for single persons and from \$16,945 to \$19,010 for married couples. About 225,000 additional Canadians 65 and over will no longer pay any federal income tax.
- For most Canadians 65 and over, the new basic personal tax credit, the spousal credit and the age credit will more than offset elimination of the \$1,000 investment income deduction and lowering of the dividend tax credit.
- The conversion of the \$1,000 pension income deduction into a 17-per-cent credit (to a maximum of \$170) will maintain its value for seniors with income below \$27,500, or more than 80 per cent of seniors who file tax returns.
- Lower-income seniors will benefit from the higher refundable sales tax credit in 1988 – to \$70 from \$50 for adults.

### How Taxes Will Change

The tables that follow show how taxes will decline for almost all senior citizens. All married couples and single people 65 and over with typical sources of income and standard deductions will pay less. Some seniors with substantial investment income or large tax incentive deductions or exemptions are likely to have a tax increase. The increase in the sales tax credit is not included in the tables.

#### Personal Income Tax Changes in 1988 for a Married Couple 65 or Over Claiming Standard Deductions and Exemptions

(Federal-provincial taxes combined)

Income level	Old tax	New tax	Tax cut*
\$15,000	\$ 0	\$ 0	\$ 0
20,000	855	280	575
25,000	2,275	1,620	655
30,000	3,785	2,960	825
40,000	7,210	6,895	315
50,000	11,160	11,005	155
75,000	22,755	22,045	710

#### Personal Income Tax Changes in 1988 for a Single Individual 65 or Over Claiming Standard Deductions and Exemptions

(Federal-provincial taxes combined)

Income level	Old tax	New tax	Tax cut*
\$10,000	\$ 0	\$ 0	\$ 0
15,000	1,385	1,280	105
20,000	2,855	2,620	235
25,000	4,400	3,965	435
30,000	6,095	5,665	430
40,000	9,950	9,770	180
50,000	14,190	13,880	310
75,000	26,170	25,100	1,070

\* The federal tax reduction is about two-thirds of the total reduction shown. The federal-provincial calculation approximates the average tax cut in the nine provinces party to personal income tax collection agreements.

