

Excalibur

Everything secret degenerates; nothing is safe that does not show it can bear discussion and publicity
—Lord Acton

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The OFS way to stop cutbacks

The following is an excerpt from a brief by the Research Department of the Ontario Federation of Students/Federation des Etudiants de l'Ontario, entitled: *The Money: Where will it come from?* It was released in February of this year.

The first question asked whenever the issue of improved funding for government programs arises is "but, where will the money come from?"

The case of OFS/FEO policies for post-secondary education is no

In other words, a decision to allow particular tax deductions should be examined in terms of how it meets stated government policy objectives in the same way that government expenditures, like operating grants to colleges and universities, are examined.

subject to the same scrutiny and criteria that government expenditures face.

The Personal Income Tax System.

In order to get a feel for the number of dollars in question, we should begin by pointing out that in

company or union pension fund and a \$4,000 ceiling for those who didn't. (The May 1976 budget raised these ceilings to \$3,500 and \$5,000 respectively.)

This deduction seems to be an extraordinary method for ensuring post-retirement income. It is extremely inequitable, as Chart Two reveals. Either some more reasonable method of realizing this objective should be found or as a minimum, the allowable deduction should be reduced to 10 per cent of income with lower ceilings.

Registered Home Ownership Savings Plan (RHOSP) Deduction

This allows for the deduction of contributions paid into the RHOSP up to \$1,000 per year to a lifetime maximum of \$10,000. Such money contributed must go towards the purchase of a house or furnishings. Persons who already own a home are ineligible. Stated program objective: "To assist young people

Again a more equitable, effective and less costly method could be found. This would allow for a substantial transfer of funds to other government program areas.

in accumulating the capital required for a down payment on a house."

It is interesting to note that only one in 50 taxpayers in the \$5,000 to \$10,000 income range took advantage of this deduction, while one in 16 taxpayers in the over \$50,000 range made this claim.

This is an obvious example of a "program" not meeting its objectives - there is no reason on earth to "assist" people in the over \$25,000 income groups to "accumulate" the capital required for a down payment on a house.

Education Deduction

This deduction allows

Education deduction.

Income Group	Average Saving per Claimant
under \$5,000	65.52
\$5,000 to \$10,000	93.39
\$10,000 to \$15,000	123.42
\$15,000 to \$20,000	145.49
\$20,000 to \$25,000	190.34
over \$25,000	237.67

The cost of this deduction in 1974 was \$64 million.

students/or someone supporting a student to reduce their taxable income by \$50 times the number of months the student was in full-time attendance at a designated educational institution.

Once again the question of equity is raised. Why should those with incomes of over \$25,000 receive, on average, almost four times the saving of those with incomes of less than \$5,000 (see chart four), in order to compensate for the cost of full-time attendance at an educational institution?

The Tuition Fee Deduction

A student may deduct the amount paid in tuition fees to designated educational institutions.

Believe it or not, there are students with incomes of \$15,000 plus (about 10 per cent of claimants) and even \$50,000 plus incomes (about .2 per cent of claimants).

One

Estimated average benefit per taxpayer, from 17 of about 60 available, for the 1974 taxation year.

Income Group	Average Benefit
under \$5,000	243.75
\$5,000 - \$10,000	484.65
\$10,000 - \$15,000	788.06
\$15,000 - \$20,000	1,177.46
\$20,000 - \$25,000	1,786.93
\$25,000 - \$50,000	2,426.73
over \$50,000	3,989.78

exception. OFS/FEO is calling upon the provincial government to freeze tuition fees, eliminate differential fees, eliminate eligibility periods for student assistance, and embark on direct job creation programs. The question remains.... where will the money come from?

Given the long standing OFS/FEO policy that additional

the 1974 taxation year tax subsidies in the form of deductions and exemptions in only 17 of the approximately 60 available resulted in government forgoing \$6.4 billion of potential revenue, there is insufficient data for the other exemptions.

While these deductions and exemptions included such apparently "laudable" things as the

Two

Registered Retirement Savings Plan Deduction.

Income Group	Average Saving per Taxpayer
under \$5,000	1.02
\$5,000 to \$10,000	9.81
\$10,000 to \$15,000	38.43
\$15,000 to \$20,000	125.01
\$20,000 to \$25,000	326.21
\$25,000 to \$50,000	664.13
over \$50,000	1,211.80

The cost of this deduction in 1974 was \$513 million.

funds for post-secondary education should not be found by cutting back in other areas of health, education, and social services (in fact substantial improvements are needed in these areas as well), other sources of funding are necessary.

Usually, the question "where will the money come from?" is answered in one of two ways: either "tax the corporations" or "the government should run a

It is not, in our opinion, obligatory to pin-point precisely in what account the necessary funds can be found. Instead we propose to identify an area of taxation capable of yielding literally hundreds of millions of dollars.

larger deficit." While both of these responses have merit, the question can be establishing appropriate corporate tax rates and determining what level of debt the provincial government should carry.

Simply put, we believe that money to cover the spending can be found by making both the corporate and personal tax system more comprehensive. That is, by removing some of the tax "subsidies" that now exist in the form of tax deductions and exemptions.

Given that tax deductions and exemptions are a conscious decision of the government to forgo revenue, they then should be

Child Care expenses deduction. Pension Plan Deductions, and Education and Tuition fee deductions, a closer look at how the benefits from these "income redistribution" schemes were in fact distributed, raises serious questions about not simply the equity, but the fundamental logic of these deductions.

The following are a number of specific areas of the personal income tax system where additional revenue is available to government through changes in the system of deductions and exemptions.

It should be kept in mind that the dollar values are for the 1974 taxation year. We can safely assume that they will be considerably higher in 1978.

The Registered Retirement Savings Plan (RRSP) Deduction (Chart One).

A person may deduct premiums paid into an RRSP to a value up to 20 per cent of income. In 1974 there was a ceiling of \$2,500 on this deduction for those belonging to a

Furthermore, these examples are chosen from among the 17 deductions and exemptions mentioned earlier.

It is impossible to accurately estimate just how much revenue is forgone through the over 40 that are not considered here.

Three Registered Home Ownership Savings Plan (RHOSP) Deduction.

Income Group	Average Tax Saving Per Claimant
under \$5,000	192.54
\$5,000 to \$10,000	264.93
\$10,000 to \$15,000	309.93
\$15,000 to \$20,000	365.80
\$20,000 to \$25,000	441.41
\$25,000 to \$50,000	483.61
over \$50,000	571.06

The cost of this deduction was \$65 million in 1974 but the provision was only introduced in November of that year. Thus this cost will be low relative to subsequent years.

It should be remembered that the \$55 million figure is for 1974. The \$100 increase for universities and \$75 for colleges in 1977-78 meant an even greater "loss" of potential revenue for government through this regressive mechanism.

In effect, this deduction means that students with higher incomes pay considerably lower tuition fees than poorer students. In fact, the poorest students of all, those with no taxable income (less than \$2,400 in 1977), receive absolutely no "subsidy" of their tuition fees.

A far more equitable method of "subsidizing" would be to reduce tuition fees. This would not only reduce fees to all students by the same amount, but it would also

Surely this type of deduction merely serves to reinforce inequities that already exist in the education system. If this type of incentive is deemed valuable then a more appropriate form would be a tax credit of some set dollar value rather than the deduction method.

contribute to improved access to university and college for students from low and middle income families by lowering financial barriers to higher education.

Four

Education deduction.

Income Group	Average Saving per Claimant
under \$5,000	65.52
\$5,000 to \$10,000	93.39
\$10,000 to \$15,000	123.42
\$15,000 to \$20,000	145.49
\$20,000 to \$25,000	190.34
over \$25,000	237.67

The cost of this deduction in 1974 was \$64 million.

It is important to note that about 40 per cent of all students in Canada live in Ontario. This, together with the fact that Ontario students pay the highest fees in Canada, makes it likely that 50 per cent of the benefits from the tuition fee deduction accrue to Ontario residents.

Under these circumstances, removing the tuition fee deduction (yielding additional revenues to government of about \$25 million) would effectively cancel out the

Five

Tuition fee deduction

Income Group	Average Saving per Claimant
under \$5,000	66.43
\$5,000 to \$10,000	64.03
\$10,000 to \$15,000	62.16
\$15,000 to \$20,000	71.45
\$20,000 to \$25,000	85.14
\$25,000 to \$50,000	114.75
over \$50,000	141.87

The cost of this deduction in 1974 was \$55 million.

These four examples are precisely that...examples. Many more exist that are equally inefficient, ineffective and inequitable. All provide an answer to the question, "where will the money come from?"

additional expenditure \$27 million) required by a rollback in the proposed tuition fee increase.

(Source: National Council of Welfare's, *The Hidden Welfare System*.)

How do you feel about this report

The above article constitutes the major portion of the Ontario Federation of Students report. We will publish the remainder, which deals with corporate taxation, as soon as possible.

During and after the YUSA strike, we noticed that the discussion of the financial situation of the university heated up considerably. We are publishing this brief in attempt to add substance to that discussion. A key difference between this OFS brief and many student attempts at cutbacks-related research, is that it tries to show that there are alternatives to cutbacks, rather than merely outlining the situation and insisting that it be changed.

We hope that members of the York community will let us know their opinions of the article, via the letters page. Do you think that cutbacks can be stopped? Is OFS on the right track? If there is going to be any motion in the student movement, ordinary students will have to speak up - and that means you.

There is another reason for publishing this brief: York students contribute about \$11,000 to \$12,000 a year to OFS through the Council of the York Student Federation. Thus, you helped pay for this report and we felt that you had a right to see what your money is getting you.