

Private Members' Business

the hon. member, as if there were this huge mountain of fat we could cut into.

Government is not like that. I was a public servant for years, and that is not how things work. When cuts are made, it means something is taken out. There is no such thing as cuts that are not felt.

Of course, if we try to save money, we have to cut services. What we have to do now is do our very best to put the economy back on track. We have made a good start: 421,000 new jobs since this government came to power, and this is only the beginning. Things are going to get better all the time.

[English]

The Acting Speaker (Mr. Kilger): If I may be allowed a personal opinion, I wish we could go on.

It being 5.30 p.m., the House will now proceed to the consideration of Private Members' Business, as listed on today's Order Paper.

PRIVATE MEMBERS' BUSINESS

[English]

CHILD CARE EXPENSE DEDUCTION

Mr. Paul Szabo (Mississauga South, Lib.) moved:

That, in the opinion of this House, the government should amend the Income Tax Act to extend, subject to a means test, the child care expense deduction to all families.

He said: Mr. Speaker, Motion 339 is a simple statement which involves matters which will have more influence on the future financial health and welfare of Canada than any other matter that the House will ever deal with. Motion 339 in the first instance has to do with an income tax matter. It has to do with the child care expense deduction.

I raise this issue for two reasons: first, with regard to the fairness and the equity of our income tax system, and second and most important, the implications to the family.

The child care expense deduction is available for an eligible child, the child of a common law spouse whose income did not exceed the basic personal exemption and who was under 14 years of age, unless they had an infirmity. That deduction is available to Canadians when both spouses work and earn income or they take an occupational training course where there is a training allowance paid or where they carry on research where there is a grant paid. The essence of the deduction is that if you earn income that benefit is available to you.

The deduction is claimed by the lower income earning spouse but there are special circumstances under which the higher income earning spouse can make that deduction. I will not get into that.

The gist is that the deduction is available to two spouses. If the child is under seven years of age, the deduction is \$150 per week. For those between the ages of seven and fourteen it is \$90 a week. The claim is made by a supporting person. The amount of the deduction for a full year for someone who has a child up to seven years of age is the actual amount paid for child care expenses or two-thirds of the earned income of that person claiming the deduction or \$5,000.

The maximum deduction available to Canadians is about \$5,000 per child under seven, \$3,000 for a child over seven and under fourteen years of age.

The issue from a tax perspective is related to the discussion about what is an income tax deduction and what is an income tax credit. The way the tax act is presently structured the child care expense deduction is deducted from one's other earned income to determine the net income and ultimately the taxable income. Because it is a deduction, it means that the higher the personal income and the higher the tax bracket the more valuable this deduction becomes.

• (1735)

Let me give an example. If a taxpayer makes \$25,000 and sends a child to a child care institution at a cost of \$5,000 per year, the tax refund would be \$1,368. If another family where the lower income earning spouse is earning \$10,000 more or \$35,000, the tax refund for the same child care expense, at the same institution and at the same cost would be \$2,093. That is \$725 more because a person is in a higher tax bracket than another taxpayer. If that lower income earner were in the highest tax bracket of Canadians, the refund for that \$5,000 of child care expenses would be \$2,659.

To summarize, a taxpayer earning \$25,000, spending \$5,000 on child care expenses gets a 27 per cent refund of those expenses, while someone at the highest tax bracket gets a 53 per cent refund for the same amount of expenses. This is what I referred to as the inequity or the fairness issue with regard to motion 339.

My proposal would be that the deduction be converted to a tax credit. It is similar to the tax credit that all Canadians get for their basic personal amount and would be exactly the same for all Canadians. It is at 17 per cent or whatever the value. For instance, on charitable donations we have a graduated tax credit being 17 per cent and rising to 29 per cent.

The tax act has ample evidence of tax credits that would allow Canadians to share the same benefit regardless of the level of their income.