

The Carter Report: A Biased Viewpoint

by John Skelton

Unsuccessful Conservative leadership candidate Donald Fleming calls it "Revolutionary" and agrees with little of it. Premier Ross Thatcher of Saskatchewan would "ashcan the whole thing". The Canadian Chamber of Commerce believes that it is "part and parcel of a carefully constructed plan for a whole new system of governmental control over the individual and business". Even the NDP is not sure it likes it. Yet they all admit it is "magnificent", "highly competent", qualifying Carter as "the Picasso of taxation". Sounds like George Orwell's doublethink.

The reason behind these seemingly schizophrenic reactions is that Carter means progress — equality and fairness in taxation — and few, except perhaps those who believe in an elitist society, can afford to oppose those objectives. But, the bone of contention comes in the means to this end. Such a complex subject presents opportunities for critics to disagree with one another and, not surprisingly, they have.

We are presently being subjected to a steadily mounting barrage of criticism, both pro and con, from the various interest groups who are jockeying for the public's favour, and it is becoming quite difficult to sift out responsible criticism from the criticism of those with an axe to grind. This article as a consequence, is intended to provide the concerned student with a benchmark from which he can better judge to which category the criticism he reads belongs, and also, to acquaint students with the proposals which would directly affect us. Knowing that students are pragmatic, I'll deal with the direct consequences first.

"Students to pay more, and yet don't"

Carter's paradoxical way of helping us is to raise our taxes. This is the bitter pill we must swallow in order to benefit from the proposed tax credit system which would, in effect, give most of us a two year tax holiday after graduation. During this time we could more easily repay the loans we incurred while going to university. But the fact remains that after those two years our taxes would be slightly higher (if we earn \$8000 or more) than they would be under the present system.

Specifically, Carter wants to replace the present 100% deduction for tuition fees by a 25% tax credit,

together with a \$300 tax credit for students over twenty-one who choose to remain outside the family tax unit, to be created under the reform program. The following example compares the two systems:

Under the present system, an unmarried student paying fees of \$400, and with part-time earnings of \$2000, pays \$64.

Under Carter rules, the same student, if he elected not to remain part of the family tax unit once twenty-one years old, would pay \$128 tax, but would also accumulate a tax credit of \$272. (A tax credit means that a given amount is deducted from your income for tax calculation purposes.)

If he married on graduation (after five years of university) and earned \$6000 a year for two years he would pay no taxes.

Hence, the plan would, supposedly, encourage students to take out loans knowing it would be easier to repay them once they began earning. But this is not the principle purpose behind the reform. It is primarily designed to help students who have very low incomes, or who come from low income families. Such students cannot, under the present system, take full advantage of the 100% deduction because they already pay little or no income tax. Consequently, the plan is a step towards greater equity as well as helping the ordinary student.

Personally, I find the new system quite ingenious; a novel approach, coupling incentives to education with a lack of discrimination as to the income level of the student or his family.

Carter's Philosophy: "a buck is a buck."

Reforms of the tax system in education are only a part of the broad program proposed by the commission. The 2,700 page report tackles all of the federal government's tax problems.

The basic complaint is that the present system does not afford fair treatment for all Canadians. People in essentially similar circumstances do not pay the same taxes. People in essentially different circumstances do not bear appropriately different tax burdens.

For example, an unattached individual who earns \$5000 in salary from his employer pays \$691 tax (in 1966). But, if this individual had earned his \$5000 through various investments he would pay anywhere from zero to \$691, depending on the exact make-up of his portfolio. (If Carter's proposals were adopted