SSTF

Single Seniors for Tax Fairness

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By: **SINGLE SENIORS FOR TAX FAIRNESS (SSTF)**

List of Recommendations

- **Recommendation 1: That the government implement a tax provision for single seniors to offset the considerable reduction in tax payable by couples applying pension income splitting.**

- **Recommendation 2: That the government implement a new single senior non-refundable tax credit equivalent to half of the personal amount for the applicable taxation year, e.g., 7,500 in 2023.**

- **Recommendation 3: That the government increase the pension income amount from 2,000 to 3,000 for single seniors.**

- **Recommendation 4: That the government increase the income clawback thresholds for Old Age Security and for the age amount non-refundable tax credit for single seniors.**

- **Recommendation 5: That the government amend the tax treatment of registered plan proceeds on the death of a single senior to allow a tax-deferred rollover to any beneficiary (regardless of relationship to the deceased) with the proviso that the proceeds be paid out, and taxable to that beneficiary, over a maximum of ten (10) years. Should the beneficiary die before the end of the ten years, the balance would be fully taxable in the year of death of that beneficiary.**

Rationale for Recommendations

Single Seniors for Tax Fairness (SSTF) is a nationwide movement devoted to lobbying for revisions to the Income Tax Act to provide fairness and equity for single seniors, including lifetime single, widowed, divorced or separated seniors aged 65 plus

Income tax provisions favouring couples

Married or common-law spouses receive the following major benefits:

- Pension income splitting permits allocation of up to 50% of eligible pension incomes from one spouse to the other which reduces their combined taxable income and tax payable. It also minimizes, or eliminates, the clawback of the age amount non-refundable tax credit and Old Age Security (OAS).
- According to the Government of Canada "*Report on Federal Tax Expenditures – Concepts, Estimate and Evaluations 2022: part 6*", in 2019 about 1.4 million couples split pension income. That is about 2.8 million people – approximately the number of single seniors.
- A non-refundable tax credit is a reduction in the amount of income taxes that a taxpayer owes. It can reduce the amount owed to zero.
- Couples can claim double non-refundable tax credits – personal, age, pension income amounts, etc. – reducing their total tax payable.
- Couples can also transfer certain unused non-refundable tax credits, including the age and pension income amounts, to a spouse, reducing their total tax payable.
- On the death of one spouse, the deceased spouse's eligible registered retirement plan funds are transferred on a tax-deferred basis to the spousal beneficiary. On the death of a single senior, the total proceeds are taxed as income in the year of death.

Statistics

- According to the 2021 census:
  - 39% of those age 65 plus are single
  - 69% of singles age 65 plus live alone so pay household expenses on their own*
  - 71% of seniors living alone have incomes of $50,000 or less

*Non-discretionary household expenses - mortgage, rent, utilities, home insurance, property taxes, condo fees, home maintenance, etc.- are the same whether the household has one or two people.

Case Studies

All cases are based on the following:

- Tax year **2022;** No regulatory changes have been made since 2022 that affect the discrepancies in taxes between singles and couples.
- Each person is age 66 and receives the maximum OAS of $7,925 and Canada Pension Plan payments of $9,000.
- The non-refundable tax credits are personal amount 14,398, maximum age amount 7,898, and pension income amount 2,000.
- Spouse 1 splits pension income with Spouse 2 so that their total incomes are equal, and the combined total income of the couple equals the income of the single senior.

Clawback thresholds for the Age amount and OAS in 2022:

- The age amount is reduced (clawed back) by 15% of net income exceeding a threshold of $39,826 and is eliminated when income exceeds $92,479.
- The OAS is reduced by 15% of net income exceeding a threshold of $81,761 and is fully clawed back when income exceeds $134,626 for seniors aged 65-74 and $137,331 for seniors aged 75-plus.

Eligible pension income qualifying for pension income splitting:
(CPP and OAS do not qualify)

- the taxable part of life annuity payments from a superannuation or pension fund
- if it is received as a result of the death of a spouse or common-law partner, or if the transferring spouse or common-law partner is 65 years of age or older at the end of the year
- registered retirement income fund (RRIF) and life income fund (LIF) payments
- registered retirement savings plan (RRSP) annuity payments
- certain qualifying amounts distributed from other registered plans

Case #1 – Single senior pays more tax on $50,000 than a couple with the same combined total income

Income

	Spouse 1	Spouse 2	Single senior
Old Age Security	$7,925	$7,925	$7,925
CPP	$9,000	$9,000	$9,000
Pension – couple splits income	$8,075 (1)	$8,075 (1)	$33,075*
Total/taxable income	$25,000	$25,000	$50,000

***This amount is used to give the same total/taxable income.**

Tax payable

	Spouse 1	Spouse 2	Combined	Single senior
Federal non-refundable tax credits	24,296 (2)	24,296 (2)	48,592 (2)	22,769 (2)
Federal tax payable	$106	$106	$212	$4,085
Ontario tax payable	$480	$480	$960	$2,436
Tax payable	**$586**	**$586**	**$1,172**	**$6,521**

Comparison of age amount non-refundable tax credit

	Spouse 1	Spouse 2	Combined	Single senior
Age amount	7,898	7,898	**15,796**	**6,371 (3)**

Conclusion

The single senior pays $6,521 in tax while the couple pays a total of only $1,172 on the same combined income.

This is the result of:
(1) Spouse 1 has pension income of $16,150 which is split with Spouse 2 so each spouse claims $8,075.
(2) Each spouse claims the full personal, age and pension income amounts totalling 48,592 while the single senior can claim only 22,769.
(3) The single senior's age amount is clawed back by 1,527 to 6,371 while the couple can each claim the maximum for a combined total of 15,796.

Case #2 – Single senior pays more tax on $100,000 than a couple with the same combined total income

Income

	Spouse 1	Spouse 2	Single Senior
Old Age Security	$7,925 (4)	$7,925 (4)	$7,925 (4)
CPP	$9,000	$9,000	$9,000
Pension – couple splits	$33,075 (1)	$33,075 (1)	$83,075*
Total income	**$50,000**	**$50,000**	**$100,000**
Social benefits repayment	$0	$0	$2,735 (4)
Taxable income	**$50,000**	**$50,000**	**$97,265**

* This amount is used to give the same total income.

Tax payable

	Spouse 1	Spouse 2	Combined	Single Senior
Federal non-refundable tax credits	22,769 (2)	22,769 (2)	45,438 (2)	16,398 (3)
Federal tax payable	$4,084	$4,084	$8,168	$14,718
Social benefits repayment	$0	$0	$0	$2,735 (4)
Ontario tax payable	$2,436	$2,436	$4,872	$7,531
Tax payable	**$6,520**	**$6,520**	**$13,040**	**$24,986**

Single senior amounts after clawback:

	Spouse 1	Spouse 2	Combined	Single Senior
Age amount	6,371 (2)	6,371 (2)	**12,742**	**0 (3)**
OAS	$7,925	$7,925	**$15,850**	**$5,190 (4)**

Conclusion

The single senior pays $24,986 in tax; **the couple pays only $13,040**.

This is the result of:

(1) Spouse 1 has eligible pension income of $66,150. By applying pension income splitting, each spouse claims $33,075.

(2) Each spouse claims full personal and pension income amounts and each receives an age amount of 6,371 (partial clawback) for total non-refundable tax credits of 45,438.

(3) The single senior`s age amount of 7,878 is fully clawed back reducing non-refundable credits to 16,398.

(4) The single senior has a partial OAS repayment of $2,735 resulting in net OAS income of only $5,190, while each spouse receives the full $7,925 in OAS totalling $15,850 without clawback.

Case #3 - Summary of the disparity in tax payable and clawback of age amount and OAS for the single senior compared to the couple.

Assumptions: The spouses each have half of the total income; the combined spouses' income equals the total income of the single senior. Other assumptions are on page 4.

Total income	Couple's total tax	Single senior's tax	Extra tax paid by single senior	Single senior age amount clawback	Single senior OAS clawback	Couple's age amount clawback
$30,000 (1)	$0	$1,755	**$1,755**	0	0	0
$40,000 (2)	$0	$3,914	**$3,914**	**27**	0	0
$50,000 (3)	$1,172	$6,521	**$5,349**	**1,527**	0	0
$70,000 (4)	$5,515	$13,041 (6)	**$7,526**	**4,527**	0	0
$100,000 (5)	$13,040 (6)	$24,986	**$11,944**	**7,898**	**$2,735**	**3,054**

(1) & (2) - couple pays no taxes while single senior pays 5.9% and 9.8% of income in taxes
(3) - single senior pays over 5 times as much tax as the couple. See page 5 for details.
(4) - single senior pays almost 2.5 times as much tax as the couple
(5) – single senior pays almost twice as much tax as the couple; couple receive two full OAS totalling $15,850. See page 6 for details.
Note: the couple has no clawback of the age amount except at $100,000. They still claim a combined age amount of 12,742.
(6) - a single pays $13,041 tax on $70,000; a couple can earn $100,000 before paying the same tax

Case #4 - Single senior income of $110,000 and couple's combined income of $140,000

Total income	Couple's total tax	Single senior's tax	Extra tax paid by single senior	Single senior age amount & OAS clawback	Couple's age amount clawback
$110,000 single senior		$30,004	**$3,921 (1)**	Full 7,871 age amount; $4,235 OAS clawback (2)	
$140,000 couple combined	$26,083				Age amount 4,527 each; no OAS clawback (3)

(1) & (2) - single senior pays $3,921 more tax than the couple despite $30,000 less income, receives only $3,690 in OAS (repays $4,235) and has no age amount credit

(3) - couple claim combined age amount of 6,743 (slight clawback) and receive two OAS pensions totalling $15,850 without clawback while paying $3,921 less tax on 30,000 more income

Case #5 – Effect of non-rollover of registered funds to non-spousal beneficiary

Canada is experiencing much higher costs in food, accommodations, education, etc. at a time of reduced or non-existent employee benefits and pensions. RRSPs were introduced in 1957 and spousal RRSPs in 1974. The rollover provisions for registered plans like RRSPs and RRIFs upon death do not adequately reflect current economic and social conditions. Upon the death of a single senior, the remaining proceeds of RRSPs/RRIFs/etc. are fully taxed at up to 50+%. In contrast, a surviving spouse, who has received tax-deferred assets from their deceased spouse, can choose to withdraw money at any time from the proceeds, pay the tax, and give the balance to anyone. SSTF is proposing that single seniors be allowed to roll over these proceeds to a beneficiary of choice with a ten year payout provision. This would still generate tax revenue but be fairer treatment of single seniors' estates. Note: In the USA the proceeds on death of an Individual Retirement Accounts (IRA) can be paid out over 10 years to any beneficiary who is not a legally married spouse.

Actual Case: Two sisters in Nova Scotia have shared a home and all expenses for fifty years. Now in their seventies, they want the right to transfer their RRIF portfolios to the RRIF portfolio of the remaining sister when the first one dies. But the law says no. That is allowed only if the housemate is a spouse – not a sister.

Conclusion

Tax fairness stipulates that a government's tax system should be equitable to all citizens; however, this is not the case for single seniors in Canada.

We have demonstrated how the current provisions of the Income Tax Act negatively transfer the tax load from senior couples to senior singles through:

- pension income splitting
- double, and transfer of unused, non-refundable tax credits
- OAS and age amount clawbacks affecting single seniors more than couples
- immediate full taxation of registered retirement plan proceeds on death

Increases in GIS and Old Age Security, programs like Pharmacare and Dental Care, and policies like the Disability, Home Accessibility, Multi-generational, Care Giver, and Attendant Care tax credits do not address the underlying income tax inequities imposed on single seniors.

FOR FURTHER INFORMATION, CONTACT:

Elizabeth Brown (Director) at **singleseniorstax@gmail.com**