

Canada's massive tax cuts 1997-2016 –

Who gets the cuts? Personal federal tax cuts 'upside down' by gender

c 2015 by Kathleen A. Lahey

It is well known that tax cuts are regressive: they are 'upside down,' giving the largest tax cut benefits to those with the highest incomes, and small or no tax cut benefits to those with low incomes.

In fact, the more progressive a tax system is, the more regressive or upside down cuts to those taxes will be. The bulk of federal personal tax cuts have been to income taxes, which use graduated rates to allocate tax bills to individuals on the basis of their ability to pay those taxes.

It is less well known that the 'upside down' effect is compounded when low incomes are connected with personal characteristics. The most pervasive characteristic is gender, but similar effects arise based on race, Aboriginal heritage, sexual orientations, gender identities, immigration status, age, and disability.

Both the general 'upside down' distribution of tax cuts and the in-built effects of discriminatory access to incomes can be seen clearly when looking at which who will get the biggest financial benefits from the estimated 2016 \$47 billion 'revenue hole' created by federal personal tax changes made between 1997 and 2016.

The table shows both the general upside-down effect due to income differences, and the gender-based upside-down effect.

The gendered upside-down effect can be seen when the tax cut benefits in each decile are broken down by gender. Although there are women in every income decile, men receive between 50% and 74% of all the tax cuts in each decile – and men's shares in each decile get larger as the income in the deciles increase.

Those in the lowest income decile (decile 1) receive the very smallest share of the 2016 \$47 billion federal personal tax cuts – less than 1%. In that decile, women and men receive roughly equal shares of that small portion; men receive 52%, women, 48%.

In contrast, gender shares in the highest income decile (decile 10), which receives over 35% of the \$47 billion tax cuts in question, are extremely unequal. Men receive nearly 73% of that \$47 billion, while women receive just 27%.

In between, men receive the largest shares in each decile except decile 2. This occurs because men at all income levels have higher average incomes than the women in those income deciles. Women's incomes are clustered at the lower end of all deciles, hence men's decile shares are almost always higher.

The exception in decile 2, which receives a tiny 2% of the \$47 billion in cuts. In this decile, because women's average incomes are clustered in the \$20,000-\$30,000 range, women receive nearly 56% of those tax cut benefits.

Overall, women will receive just 32% of the \$47 billion in net 1997-2016 federal personal tax cuts. Men will receive 68%. Thus men will receive \$33 billion of that \$47 billion in cuts.

If women and men received equal shares of these tax cuts, then women as a group and men as a group would each get half – approximately \$23.5 billion for each group. In fact, however, nearly \$10 billion of women's equal share is shifted to men.

When the well-known income-based upside down effect is combined with the gendered upside down effect, extreme after-tax inequalities between women and men are produced.

In total, women's shares of the tax cut benefits in all ten deciles comes to just \$14 billion.

In contrast, men's shares of the tax cut benefits in just the two top two income deciles comes to \$18 billion.

Market incomes in Canada are well known to reflect gender inequalities. But when tax cuts to progressive tax systems produce general and gendered regressive allocations of tax cuts, massive tax cuts like those implemented federally over the last two decades invisibly but relentlessly shift disproportionately larger shares of tax cuts to men than to women – every year.

Yes, federal income tax changes since 1997 have 'left more money in people's pockets.'

But unless such tax changes are designed to avoid intensifying general and gendered after-tax income inequalities, the reality is that Canada's tax cut regimes have actually 'left more money mainly in men's pockets.'

In turn, these hidden inequalities reinforce women's vulnerability to economic dependency, and form constant barriers to women's economic autonomy and equality.

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This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by Kathleen Lahey and Andrew Mitchell, and they bear the entire responsibility for the use and interpretation of these data.

Distribution of \$47 billion in 2016 revenue lost due to all 1997-2016 personal federal tax changes, by decile and gender

Range of total family incomes in each decile	Net tax cuts received in each decile (\$millions)	Net tax cuts received in each decile (%)	Men's shares of cuts within decile (%)	Women's shares of cuts within decile (%)
1: up to \$19,700	\$ 330.5	0.7%	52.1%	47.9%
2: \$19,701-\$29,100	\$ 946.4	2.0%	42.1%	55.9%
3: \$29,101-\$39,500	\$ 1,298.6	2.7%	50.0%	50.0%
4: \$39,501-\$50,500	\$ 2,135.8	4.5%	59.0%	41.0%
5: \$50,501-\$63,400	\$ 2,891.5	6.2%	61.2%	38.8%
6: \$63,401-\$78,900	\$ 3,736.0	8.0%	68.8%	30.2%
7: \$78,901-\$98,700	\$ 4,809.2	10.2%	69.6%	30.4%
8: \$98,701-\$125,800	\$ 6,111.8	13.0%	73.5%	26.5%
9: \$125,801-\$168,800	\$ 7,979.9	17.0%	73.8%	26.2%
10: \$168,801 and up	\$16,708.9	35.6%	72.7%	27.3%
All	\$46,948.5	100%	69.7%	32.1%
Top 20%	\$24,688.8	52.6% of all cuts	73%	28.2%

Source: Statistics Canada SPSD/M v. 22; deciles and results have been rounded; personal federal tax cuts are from personal income, payroll, and commodity taxes.