



# Guy Caron

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December 2<sup>nd</sup>, 2015

Hon. Bill Morneau  
Minister of Finance  
90 Elgin Street  
Ottawa, Ontario K1A 0G5

Dear Minister Morneau,  
Congratulations on your appointment as Finance Minister.

I am writing today with regards to the government's proposed changes to personal income taxes. I would like to propose a small modification to the plan that would allow us to benefit a far greater number of Canadians and more closely achieve the stated goal of reducing taxes for the middle class.

During the election campaign, your party ran on a platform that promised a middle class tax cut. However, I was concerned to discover, that the plan would in fact leave the bottom 67.5% of Canadian tax filers with nothing while giving the largest benefit to people making between \$89,000 and \$200,000. I was also troubled to discover that the median income earner in Canada would receive no benefit under the current plan. Surely a middle class tax cut should benefit a more significant proportion of the Canadian population, including middle income earners.

Analysis from independent economists has deepened concerns about the uneven distribution of benefits from the proposal:

- David MacDonald of the Canadian Centre for Policy Alternatives has used Statistics Canada modeling to show that middle class families making between \$48,000 and \$62,000 would see an average benefit for just \$51 while families making between \$166,000 and \$211,000 would receive a much higher average benefit of \$813.
- Stephen Gordon, professor of economics at l'Université Laval, has noted that the proposed changes would provide a greater benefit to someone making \$150,000 than someone earning \$50,000 both in absolute terms and as a percentage of their income.
- Luc Godbout, Research Chair in Taxation and Public Finance at l'Université de Sherbrooke finds that dual-earner couples earning a combined \$250,000 would stand to gain \$1,120 while similar couples earning \$75,000 would get \$0 to \$4 on average.

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These problems all arise from the fact that the original plan chose to cut taxes on the second tax bracket which concentrates benefits among high income earners and leaves the majority of Canadians behind. Fortunately it is quite easy to address these problems with a simple modification to the plan that would extend benefits to significantly more Canadians and make our tax system fairer and more progressive. Instead of reducing taxes on the second income bracket, and thereby excluding more than two thirds of Canadians, we can help far more people and make the distribution of benefits fairer by reducing the tax rate on the first bracket.

Below are the details of our alternative proposal:

- Reduce taxes on the first bracket from 15% to 14% to provide a benefit to everyone who pays taxes and concentrate the benefits among middle class families.
- Though this change would benefit a far greater number of taxpayers, it would only cost slightly more than the existing proposal. This difference could be easily covered by a very small increase to corporate income taxes of just 0.5 points.
- This would also provide sufficient revenues to boost funding by 40% to the highly successful Working Income Tax Benefit which boosts the incomes of low income workers and encourages participation in the labour force.

With these simple changes, we can ensure that the tax cuts benefit 90% of working Canadians instead of the original Liberal plan which would only reward the top 32.5% of income earners. In fact, everyone earning up to \$66,950 would see a greater benefit under our revised proposal than under the original Liberal plan. This means that over 70% of Canadians would be better off under our modified plan.

I would be pleased to further discuss the details and benefits of this proposal with you at your convenience and strongly encourage you to consider these modifications before tabling legislation in the House of Commons. I look forward to working with you to ensure that more Canadians benefit and to make our tax system a little bit fairer.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Guy Caron', with a stylized flourish at the end.

Guy Caron  
MP for Rimouski-Neigette – Témiscouata – Les Basques  
NDP Finance Critic