

**CANADIAN TAX POLICY TOWARDS FAMILIES:
ECONOMIC ANALYSIS OF CHILD CARE AND SUPPORT**

UNIVERSITY OF MANITOBA

MASTER OF ARTS

DEPARTMENT OF ECONOMICS

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**A Thesis
Submitted to the Faculty of Graduate Studies
in Partial Fulfillment of the Requirements
for the Degree of
MASTER OF ARTS**



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ABSTRACT

This thesis examines Canadian public policy in taxation law towards child care, specifically towards the decision as to whether child care will be provided in the home or purchased.

It reviews the constitutional framework of income tax and family law legislation; the taxation of families historically; recent social changes altering policy assumptions underlying the income tax, specifically the movement of women into the labour force, the increased rate of family breakdown, and reduced fertility; and the effect of having the individual as the unit of taxation. The Cantax Personal Income Tax software is used to compare differences in 1995 after tax income of parents with varying marital status and number of income earners, but with the same total income and number of children. These situations are illustrated using economic analyses of the Supreme Court of Canada' decisions in the *Symes* and *Thibaudeau* cases.

The CanTax experiment showed that the tax structure favours dual-income parents (and until the abolition of the inclusion/deduction provisions in ss. 56 and 60 of the *ITA*, divorced families also) who can income-split because the individual is the Canadian tax.

It concludes that the promotion of secondary employment when child care must be obtained results in policies which further disadvantage stay-at-home parents, who are already economically vulnerable from sacrificing present and future benefits of employment. An alternative approach is advanced, based on the argument that child care provided in the home by a parent is at least an equivalent social good to having both parents work outside the home, and towards which taxation policy should at least be neutral. This thesis argues that social policy should try to protect the secondary earner through provisions targeted specifically at them by placing the tax relief in their name.

ACKNOWLEDGEMENTS

The completion of this thesis would not have been possible without the initial interest in the subject sparked by the economics department at the University of Manitoba, especially in courses taught by Professors Forget and Waterman, and later compounded during law school in the jurisprudence class taught by Professor John Irvine, for which I prepared a research paper on law and economics. The progress of the *Symes* and *Thibaudeau* cases through the courts as I took my law degree alerted me to the existence of a worthy topic to pursue to complete my M.A. I am indebted to the members of my committee, to Professors James Dean and Alvin Esau for their generous participation, and most especially to Professor Irwin Lipnowski for his constant encouragement without which this project would long ago have fallen by the wayside. My parents are as ever owed immeasurably for their unquestioning support.

CHAPTER I

1.1 Introduction

This thesis examines a controversial issue in Canadian tax policy in the area of family law: the public policy approach to child care. When a couple have a child, let us assume that at least one parent will work full time to provide a supporting income. The parents must then decide what to do for child care. The demands of children are such that until they start grade school, they will require full-time adult supervision and care. Parents must choose in what form this care will be provided. One alternative is to have one spouse provide unpaid child care in the home; another is to have both spouses earning an income outside the home, and to purchase child care. For every hour the secondary earner is employed outside the house, an hour of paid child care will be required. For single or divorced parents, there is little alternative but to purchase child care.

This thesis will examine public policy in taxation law towards the decision as to what course of action the secondary earner will take. In particular it examines the judicial treatment of the tax provisions dealing with the deduction of child care expenses and with the inclusion/deduction of child support payments in the custodial parent's income (now abolished). Chapter I starts with a description of the legislative and historical context, to explain the constitutional framework of the income tax legislation and its relationship with family law statutes. It goes on to review the taxation of families historically, and recent social change, specifically the movement of women into the labour marketplace and the

increased rate of family breakdown, cited along with reduced fertility as “the changes in the contemporary western family which call for explanation,”¹ and which alter the policy assumptions underlying the structure of the income tax. It ends with an examination of the consequences for child care of having the individual as the unit of taxation.

Chapter II illustrates the incidence of taxation - how the tax burden differs - using the Cantax Personal Income Tax software to compare the 1995 after tax income of parents with varying marital status and number of income earners, but with the same total income and number of children. It includes economic analysis of judicial interpretation by the Supreme Court of Canada in two tax cases involving the expenses of child care. The first looks at tax policy towards child care costs during marriage, examining the attempt to establish the deductibility of child care payments as a business expense in the *Symes*² case. The second looks at tax policy towards child care costs after marital breakdown, examining the constitutionality of the deduction to the payee and inclusion to the payor of child support payments in the *Thibaudeau*³ case. Both illustrate the difficulties in achieving a consistent application of present day public policy in child care matters.

Chapter III is an examination of the classic principles of public finance - neutrality, incentives and disincentives, efficiency, and equity - as applied in present day government policy on taxation of child care costs. It includes comment on the legislative changes of

¹ Yoram Ben-Porath, “Economics and the Family - Match or Mismatch? A Review of Becker’s *A Treatise on the Family*,” *Journal of Economic Literature*, 20 (March 1982), 60.

² *Symes v. Canada*, (1993), 110 Dominion Law Reports (4th) 470, (Supreme Court of Canada).

³ *Thibaudeau v. Canada (Minister of National Revenue)*, (1995), Supreme Court Judgements No. 42, 12 Review of Family Law (4th) 1, (Supreme Court of Canada).

April 1996, abolishing the tax provisions which allowed non-custodial parents to deduct the payments made for child support, provides an argument for neutrality in taxation towards the child care decision, and reviews some policy options open to the government to implement a neutral policy to protect the economic interest of the stay-at-home spouse. Chapter IV summarizes the arguments presented and concludes the thesis.

1.2 The Constitutional Context

The economist and Nobel-prizewinner Ronald Coase has stated that he “referred to legal cases because they afforded examples of real situations as against the imaginary ones normally used by economists in their analysis.”⁴ Taking a cue from this remark, the following provides the historical and legal background on the tax provisions that form the basis of the economic analysis in this thesis. It includes a description of the division of powers of taxation under the *Constitution Act, 1867*⁵, as well as of the shared responsibilities for family law issues between the federal and provincial governments. It is meant to illustrate how tax policy, as it applies to families and money spent on child care or support, is made more complicated than would be the case if it were administered by only one level of government.

Under that Act, the exclusive legislative authority of the Parliament of Canada was defined to include under s. 91(3) “The raising of Money by any Mode or System of Taxation” and under s. 91(26) “Marriage and Divorce.” The federal government was also

⁴ Ronald H. Coase, “Law and Economics at Chicago,” *Journal of Law and Economics*, XXXVI (April 1993), 251.

⁵ Revised Statutes of Canada 1985, App., No. 5.

to have the residual power, described in s. 91(29) as being over “Such Classes of Subjects as are expressly excepted in the Enumeration of the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces.”

The Fathers of Confederation intended at the time to divide federal and provincial responsibilities into watertight compartments, and to create a strong central government which would avoid the problems of “states’ rights” which had recently led the United States into civil war. The Provincial legislatures were therefore assigned exclusive powers to make laws in relation to certain subjects, which included in s. 92(2) “Direct Taxation within the Province in order to the raising of a Revenue for Provincial Purposes”, s. 92(12) “The Solemnization of Marriage in the Province”, s. 92(13) “Property and Civil Rights in the Province”, and s. 92(14) “The Administration of Justice in the Province.” The latter meant that whether laws were federal or provincial, they were mostly to be administered in provincial courts.

In spite of the best intentions of the Fathers of Confederation, a tangled web resulted from this delineation of powers. The taxation side was sorted out relatively satisfactorily. In most instances when federal and provincial laws conflict, federal law is considered paramount. The law of taxation was held to be an exception, and the two taxing provisions in the Constitution are to be read together to give reasonable effect to both, with the result that a taxpayer can be taxed on income and on other transactions by both the provincial and the federal government. Tax appeals are now heard exclusively in the Tax Court, which is a federal court, and can be appealed to the Federal Court of Appeal and then to the Supreme Court of Canada.

The structure of family law is not so neatly arranged. Federal laws govern capacity to make a valid marriage - things such as consanguinity and affinity⁶, and the remarriage of divorced persons. The provinces may affect the validity of marriages by stipulating pre-ceremonial requirements, such as licenses and who may perform the ceremony. Till 1968, laws on the obligation to support a dependent spouse or children, on the custody of children and on the property rights of married people were enacted solely by the provinces, under s.92(13) "Property and Civil Rights."

Divorce was dealt with province by province, with the law differing according to when English law was received (usually the date of the province's entry into Confederation). Divorce had only been available by Act of Parliament until the *Divorce and Matrimonial Causes Act* of 1857⁷ made judicial divorces available in the English common law. In Quebec with its Civil Code, the former requirement remained necessitating a special Senate Committee to hear cases, till the federal *Divorce Act*⁸ of 1968 introduced no fault divorce across Canada.

Adoption, legitimacy, custody, guardianship, child welfare, affiliation and maintenance of children are all provincial powers. The extent of federal powers in these areas is unclear. The provinces have the power to provide for payments of alimony (to a separated spouse during the marriage) or maintenance (after divorce) by one spouse to the other. The federal *Divorce Act* of 1968 conferred jurisdiction on the superior court in each province to grant divorces, and established a procedure and grounds for obtaining a

⁶ Referring to marriage between persons related by blood or marriage.

⁷ 20 & 21 Victoria, ch. 85.

⁸ *Divorce Act*, Revised Statutes of Canada 1985 (2nd Supp.), c. 3.

decree of divorce. It also included provisions for alimony, maintenance⁹ and custody, but only as corollary relief in divorce proceedings, as an exercise of the divorce power dealing with the direct consequences of marriage and divorce¹⁰.

This power was held to include the ability to vary the order after the divorce proceedings were finished, but only by the court that made the original order.¹¹ It is entirely possible that when court orders are made, federal corollary relief provisions will conflict with provincial legislation. Decisions tend to be inconsistent as to which one is followed, although theoretically the doctrine of federal paramountcy should apply and the order made under the *Divorce Act* should prevail. It should be evident that this situation further complicates the consistent application of tax provisions dealing with child care costs.

In response to these jurisdictional complications, several provinces (starting with Manitoba in 1984) created unified family courts, with comprehensive jurisdiction over family law matters, including the power to determine property, alimony and child support disputes. Family law courts may factor in tax considerations when making their decisions, but the utter separation from the tax courts and the absence of formal guidelines means that whether taxes are taken into account in calculating maintenance, alimony or child support payments is a matter left to the judge's discretion and to the competence of the

⁹ *Ibid.*, s. 11.

¹⁰ In order to be valid, and not to infringe on the provincial responsibilities to order these payments, relief orders under the federal *Divorce Act* must be shown to have a rational, functional connection with the divorce, hence the use of the description, "corollary".

¹¹ *Divorce Act*, s. 17.

parties' legal counsel. The federal government has attempted to address this with the schedule produced in April 1996 as a guideline for judges in making family law awards.¹²

When legislation is produced by federal and ten provincial jurisdictions, and administered separately by both federal and provincial courts, it is not hard to convey the difficulty of providing coherent public policy on child care, or of the complex interrelationship between tax and family law. This may be exacerbated by lack of coordination between levels of government, (which may additionally be of different political beliefs), one commentator remarking that "...the federal and provincial governments conceive their tax policies in a vacuum and this cannot help but create tensions between the two levels of government. This is particularly so when federal initiatives can have an effect upon provincial revenues."¹³

Another problem may be infrequent or erratic consultation with the public before planning changes to the tax system, and the absence of any standard, formal and public way in which economic measures or technical changes can be suggested for the federal Minister to consider before they are implemented. The Carter Commission noted in 1966 that "Federal procedures used to obtain and analyze new ideas prior to the introduction of new federal tax legislation are inadequate, as are the procedures for hearing the views of

¹² Government of Canada, Budget 1996 - The New Child Support Package, (March 6, 1996) 11.

¹³ D. Huggett, "The Budget Process Income Tax Changes," Report of Proceedings of the Twenty-ninth Tax Conference, 1977 (Toronto; Canadian Tax Foundation, 1978), 27, cited in Brian J. Arnold et.al., eds., Materials on Canadian Income Tax (10th ed.; Scarborough: Carswell, 1993), 10.

taxpayers and other interested parties on proposed legislation.”¹⁴ The only means available to the public to influence tax policy is public pressure exerted by interest groups, who alone are unlikely to represent the full spectrum of views of the majority.¹⁵ These problems are echoed at the provincial level.

Co-ordinated initiatives sometimes occur, such as the creation in 1990 of a joint Federal/Provincial/Territorial Committee to study child support in marriage breakdown in terms of the actual costs of raising children¹⁶. Even with occasional joint efforts, or with public consultation sessions, under a federal system with the division of powers described, administrative and political complications make it more difficult to tax Canadian families with dependent children in accordance with the goals of efficiency, horizontal and vertical equity, and with consistency across provinces.

1.3 The Taxation of Families in Canada Historically

Income tax was introduced at the end of the First World War as a temporary measure to meet the expenses of total war. In the history of taxation (though perhaps not in terms of Canadian history) it is therefore a relatively recent phenomenon, and accordingly so are the social premises underlying its structure. The federal government had until that time relied upon indirect taxation for revenues, leaving direct taxation to the

¹⁴ “ Report of the Royal Commission on Taxation (Canada)”, in Penguin Modern Economic Readings - Public Finance, ed. by R.W. Houghton, (Harmondsworth; Penguin Books Ltd., 1970), 167.

¹⁵ Arnold et.al., Materials on Canadian Income Tax, 10.

¹⁶ Federal/Provincial/Territorial Family Law Committee, Report and Recommendations on Child Support, (Ottawa: Department of Justice Canada, January 1995).

provinces following s. 92(2) of the *Constitution Act*. The war made direct federal taxation of income a necessity, and it has been collected ever since.

The Great Depression of the 1930's gave rise to a tax "jungle" of federal, provincial and municipal measures, which led to a revision of the system after the Second World War in which different levels of government agreed to vacate certain areas of tax in order to rationalize the system. Presently both the provinces and the federal government tax income, but for reasons of efficiency, provincial income taxes (with the exception of Quebec's) are collected by the federal government, expressed as a percentage of the federal tax.

Dissatisfaction with post-war revisions of the *Income Tax Act*¹⁷ (ITA) led the Diefenbaker government to appoint a Royal Commission on Taxation in 1962. Chaired by Kenneth Carter, a tax accountant, it became known as the Carter Commission and produced its report in 1966¹⁸. The Report's recommendations were meant to be taken as part of a thorough reform of the Canadian tax system, which was to include changing to the family as the unit of taxation, in order to stop the tax avoidance through income-splitting that was taking place legally under the current provisions. It also suggested a shift to a much broader "comprehensive" tax base, which would take into account all increases in economic power annually irrespective of the source, following the Haig-

¹⁷ *Income Tax Act*, Revised Statutes of Canada 1952, c. 148, as amended by 1970-71, c. 63.

¹⁸ Report of the Royal Commission on Taxation (Ottawa: Queen's Printer, 1966).

Simons definition of personal income as “the money value of the net accretion to one’s economic power between two points in time”¹⁹, whether from income or from capital.

The Carter Commission’s recommendations have continued to play an important part in the debate over tax policy in Canada since their release. Many have been implemented, though in a gradual and piecemeal fashion. (The most controversial recommendations - a comprehensive tax base and making the family the tax unit - have not, and remain unlikely). The Report was a *succès d’estime*; it received critical acclaim from tax academics, who lauded its goals of rationalizing and introducing logical consistency to the tax system according to the classic economic principles of public finance. The reception by the general public and the government was less enthusiastic, and it was considerably watered down in a White Paper before making a diluted appearance in legislative form in the *Income Tax Act* of 1972.

1.4 Social Change and the Structure of the Income Tax

Social changes over the past three decades have further complicated the taxation of families in recent years. At the time the Commission made its Report, 60% of families were supported by a single earner, and it is probably accurate to assume that this was on the whole brought in by the father and husband of the house.²⁰ Tax policy was based on the assumption that the husband was the primary wage earner in the family and the wife worked unpaid in the home, keeping the house and raising the children.

¹⁹ Boris I. Bittker, “A ‘Comprehensive Tax Base’ as a Goal of Income Tax Reform,” Harvard Law Review, 80 (March, 1967), 932.

²⁰ Statistics Canada Catalogue number 13-215 at 7.

Since then, the movement of women and especially married women into the paid workforce, participating in the market economy in the role of income-earners and not primarily as consumers, has made a difference to the underlying assumptions of the tax system and the appropriateness of its provisions. The situation is now reversed: in 1992, dual-earner families made up 60% of husband-wife families²¹ even though average earning levels between men and women still differed. The public policy challenge is to maintain an equitable allocation of tax burdens on this uneven sea of changing demographics.

Family law until the 1960's reflected the rarity of divorce. As mentioned above, in the common law prior to 1857 it was only available by means of an Act of Parliament, and then only accompanied by punitive economic sanctions, which were probably insignificant compared to the public disgrace involved. Even when it became more easily available, divorce had to be grounded on one spouse's fault, in the form of desertion, abuse or adultery, and the assets and children were distributed in such a way as to punish the offending spouse.

With the federal *Divorce Act* in 1968, divorce in Canada became available without proof of fault, and so with comparative ease and as time went on, lack of social stigma. The increased rate of breakdown of marriage has led to considerable augmentation of the case law and amendment of the original statutes in an attempt to deal with widespread family breakdown and to arrange for their adequate support following marital breakdown. There also exist as never before single parent households, where the parents never

²¹ *Ibid.*

married.²² These social changes have required a policy response in the Income Tax Act, which has primarily taken the form of recognizing common law relationships as spouses under the definition in the Act, allowing unmarried couples to take advantage of tax provisions favouring married couples.

1.5 The Individual as Unit of Taxation

From the inception of the Canadian income tax, the individual has been the unit of taxation and there has accordingly only been one tax schedule. The objectives of the tax system should determine the unit chosen, but it appears that in Canada, the United States and England the decision was arrived at more by accident than by design, though they all arrived at different conclusions.²³ Louise Dulude attributes this to the state of marital property law when the income tax was introduced: "In countries where wives had gained control of their property when the first income tax provisions were introduced ...it was taken for granted that the taxpayer would be the individual".²⁴

For whatever reason, Canada chose the individual rather than the married couple or the family as its unit of taxation. The choice of the individual as the unit of taxation has a significant impact on the present day tax structure. Whoever has title to property or legal interest in income, the person to whom the income accrues is the one who is taxed

²² According to Statistics Canada Catalogue number 89-522E, in 1991, 20% of female lone parents and 8% of male lone parents had never been married, figures double those of 1981.

²³ Arnold et. al., Canadian Income Tax, 39.

²⁴ Louise Dulude, "Taxation of the Spouses: A Comparison of Canadian, American, British, French and Swedish Law," Osgoode Hall Law Journal, 23, 87.

on it. The taxpayer's marital status does not affect tax status except where it makes the spouses eligible for intra-family transfers various deductions, credits and rollovers. These can be substantial enough to induce accusations from some quarters that the individual tax unit exists in name only,²⁵ though they are offset by the attribution rules which disallow nominal income-splitting between spouses.

In the debate over taxation reform since 1960, early commentators such as Oldman and Temple were optimistically able to proclaim that "Rational allocation of the burdens of progressive income taxation among individual taxpayers, insofar as marital status is concerned, can to a substantial degree be achieved".²⁶ They envisioned this being accomplished through the adoption of the family or marital couple as the tax unit, allowing as theoretically possible but hardly likely the situation where "If husbands and wives conduct economic activities so completely independent of each other that they may be regarded as independent income and expenditure units, it may be reasonable to tax them separately."²⁷

It was their assumptions and proposed hierarchy of taxation that the Carter Commission adopted. It recommended that the income of families be aggregated and taxed as a unit, on a separate rate schedule from unattached individuals, for two reasons.

²⁵ See e.g. Maureen A. Maloney, "Women and the Income Tax Act: Marriage, Motherhood, and Divorce," 3 Canadian Journal of Women and the Law 182. Michael J. McIntyre and Oliver Oldman in "Taxation of the Family in a Comprehensive and Simplified Income Tax." (June 1977) 90 Harvard Law Review, 1573 take as their thesis the argument that attribution rules, despite being seen as an exception to the individual as tax unit policy, in fact are fundamental to income tax systems but are largely ignored in tax theory.

²⁶ Oliver Oldman and Ralph Temple, "Comparative Analysis of the Taxation of Married Persons," 12 Stanford Law Review, 586.

²⁷ Ibid., p. 598.

One was to deter artificial income splitting between family members. The other was from the belief that the taxation of intrafamily transfers were wrong in principle, and should have no tax consequences, to remove the administrative difficulty of enforcing the attribution rules.

The argument for taxation of the family has rested on these arguments, and is rooted in the assumption that the family or the marital unit acts as a single economic entity. Opposition to the Commission's proposals, and to the idea of the family as the unit of taxation, came from an unlikely alliance of those who felt it was an assault on the institution of marriage - a "tax on virtue" in the words of A.P. Herbert²⁸ - and those who wished to encourage the economic independence of married women by removing the disincentive it would present to the secondary worker in the marriage, most often the wife, whose earnings would be otherwise taxed at her husband's highest marginal rate. The idea that a separate rate structure might favour marriage by allowing for lower rates of taxation on joint family income does not appear to have been contemplated.

Nevertheless, the Carter Commission, taking the outline from the Oldman and Temple article, proposed the following as an equitable application of a progressive income tax. Given the same total income, the most tax was to be paid by a single person. Married couples with that amount of income, whether earned by one spouse or by the work efforts of both combined, were to be taxed somewhat less, on the grounds that though there are two of them, there exist economic advantages to joint living. Lastly, two single persons whose incomes combined to equal that amount should pay the least.

²⁸ **Ibid., p. 585.**

The Commission was loathe to distinguish between married couples where one and where both spouses worked, because of the practical difficulties in evaluating the imputed income from the performance of household services by the spouse working inside the home. But in the White Paper which dealt with and amended the Commission's Report, the government rejected its suggestions as a tax on marriage, which took only into account ability to pay, imposed a higher marginal tax rate on the secondary earner, necessitated the design and implementation of separate tax schedules, and neglected the importance of marriage as a social institution.²⁹ In fact, the separate rate schedules for the married unit would only have been detrimental to the families involved if the rates were higher, and it would be entirely possible for their design to favour families instead, especially where there were dependent children. Nonetheless, the individual remained the unit of taxation.

Some who wish to encourage the economic independence of women believe in addition to this position that the tax system is based on an unjust and outmoded concept of the legal incapacity of the married woman. They would like to see the tax system become entirely neutral with respect to marriage and to favour the married woman's decision to work outside the home, as summed up by Maureen Maloney's remark that "on balance, if this society is moving toward equality [for women], results equality is essential. The pure form of individual taxation must prevail: marital relief in any form will only distort equality and must not be given unless marriage is considered such an essential stabilizer in the

²⁹ Jack R. London, "The Impact of Changing Perceptions of Social Equity on Tax Policy: The Marital Tax Unit," 26:2 *Osgoode Hall Law Journal*, [1988] 295.

social fabric of society that it must at all costs be encouraged."³⁰ More traditional supporters of marriage as an institution may very well agree more with Ms. Maloney's latter statement than with her actual position. With support from such different perspectives, it becomes politically unlikely that the individual be supplanted as the unit of taxation in Canada.

The much greater participation of women in the paid workforce and their resulting economic independence also means that the individual as tax unit is now a much closer approximation of reality. The question of the appropriate tax unit has thus become something of a non-issue in Canada. Nonetheless, the fact that the individual is the Canadian tax unit has ramifications for the taxation of families, most notably by allowing double-income couples to income split and gain a tax advantage where they would not be able to were the family used as the tax unit.

³⁰ Maureen Maloney, "Women and the Income Tax Act: Marriage, Motherhood, and Divorce," Canadian Journal of Women and the Law, 3 (1989), 191.

CHAPTER II

2.1 Incidence

In 1960, Oldman and Temple were able to characterize the question of incidence thus: "The initial question countries have had to answer in approaching the allocation of tax burdens is whether or not the characteristics of the marriage relationship are such that all married couples with same total incomes should pay approximately the same total tax"³¹. From this point they concluded that the economic lives of the husband and wife are so inseparable as to justify their treatment and taxation as a single unit. This possibility cannot nowadays be seriously entertained; the individual as tax unit is entrenched, because it has supporters of polar opposite political views with vested interests in its continuation.

After three decades of unprecedented familial breakdown, the difficulty now is to compare the tax treatment of child support across married, separated, divorced and single parents. The issue of incidence in taxation raises the question, where does the greatest and the least tax burden fall? Which of these family groups has the most income after tax?

2.2 Assumptions for Comparison of Tax Incidence

The following analysis examines the distribution of the tax burden imposed on the employment income of parents, according to whether they are married or divorced, and whether there are one or two income earners.

³¹ Oldman and Temple, "Comparative Analysis," 596.

Using the Cantax Personal Income Tax Software for 1995 to generate returns, the tax treatment of five different family groups with the same total income will be compared to determine the after-tax income available to the following:

- (i) a married couple with one income earner, with one parent working in the home providing child care;**
- (ii) a married couple, each earning the same income, with child care purchased outside the home;**
- (iii) divorced or separated parents, living apart, with one income earner in the form of the non-custodial parent who pays child support;**
- (iv) divorced or separated parents, living apart, both earning an income, one having custody of both children and receiving support for them;**
- (v) lastly, a single parent working to support children on one income.**

For greater ease in analysis, the following assumptions will be made:

- 1. The families under discussion have two dependent children under the age of seven in need of child care. As the tax system no longer provides any tax exemptions for having children but instead has the means-tested Child Tax Benefit available to those who qualify, the precise number of children is not as relevant, but let it be two for purposes of discussion.**
- 2. Using the average income of families in 1993 as a starting point, estimated at \$52,112,³² for simplicity let the average family income be \$50,000.**

³² Statistics Canada Catalogue number 13-208, 9.

- 3. The comparisons will be of a cross section of taxation of a single income level, assuming that the family group is earning \$50,000 in total, whether from one or two earners, to magnify the different tax treatment of income used to support the same number of people (with the exception of the case of the single parent, who was included for further illustration).**
- 4. Let the income be employment income only, since in 1993, Canadian families received on average 78.9% of income from earnings³³. Though a significant amount of income is not from employment, it is likely less relevant at the lower end of the income scale.**
- 5. Remember that the child care expense deduction for 1995 allows up to \$5000 per child annually, but only to enable parents to work or study, and the payments cannot have been made to a family member.**
- 6. As the tax program obtained is for Manitoban citizens, the provincial system of taxes and credits will apply, which would vary between provinces, but at least the tax treatment for families with children will be consistently applied to the parties involved.**
- 7. CPP and UI contributions are taken into account in the CanTax program when calculating taxes owed. The payments that have to be made by employed parents to CPP and UI has not been subtracted from the after-tax income described.**
- 8. For the purposes of this exercise, references to spouses and couples will include both married and common law couples, as under the *ITA* since January 1, 1993, for all income tax purposes a spouse includes a common law spouse³⁴, but the returns have been filled out using the married, divorced or single categories and not the common-law one.**

³³ *Ibid.*, 10.

³⁴ *ITA*, s. 252(4).

9. Parents who have separated will be assumed to have done so conclusively, so that they no longer qualify as spouses under the *ITA*, and to avoid additional complications to their returns, not to have entered into any other relationships that would count as spousal or parental, bringing further financial obligations.

10. The Child Tax Benefit is paid to the primary caregiver (usually residing with the child) and so to the custodial parent after the divorce.

11. They are also assumed to be residents of Canada and so taxable; and under 65 so not receiving any old age security payments.

12. All calculations are made as if for a 1995 return, and are set out in Table 1.

2.3 Table 1.

Estimation of Household Income After Tax for Various Family Groups, 1995 .

All amounts in dollars.	1. Married, 1 income		2. Married, 2 incomes		3. Divorced, 1 income Custodial / Noncustodial		4. Divorced, 2 incomes Custodial / Noncustodial		5. Single parent, 1 income
Employment income	50 000	25 000	25 000	0	50 000	25 000	25 000	50 000	
Maintenance received or (paid)	n/a	n/a	n/a	25 000	(25 000)	6 000	(6000)	0	
Child care expenses	n/a	10 000		n/a	n/a	10 000	n/a	10 000	
Net taxable income	50 000	15 000	25 000	25 000	25 000	21 000	19 000	40 000	
Basic personal exemption	6456	6456	6456	6456	6456	6456	6456	6456	
Spousal/equiv. amount	5380	0	0	5380	0	5380	0	5380	
C.P.P. contribution	850.50	583.20	583.20	0	850.50	583.20	583.20	850.50	
U.I. contribution	1,271.40	750.00	750.00	0	750.00	750.00	750.00	1,271.40	
Total non-refundable tax credits	2,372.84	1,324.16	1,324.16	2,012.12	1,458.24	2,238.76	1,324.16	2,372.84	
Net Federal tax	8,202.67	1,262.62	3,013.62	2,305.02	2,875.51	1,371.18	1,963.02	5,524.67	
Net Provincial tax	5,091.16	807.44	1,841.44	1,113.70	1,951.72	482.25	1,321.04	3,414.16	
Total tax payable	13,293.83	2,070.06	4,850.06	3,263.72	4,827.23	1,658.43	3,284.06	8,933.83	
Income after tax	\$36,706.17	\$22,929.94	\$20,149.94	\$21,736.28	\$20,172.77	\$29,341.57	\$15,715.94	\$41,066.17	
	BA = Base amount	Total = \$ 43,079.88 BA + \$ 6,373.71 = 17.4%		Total = \$ 41,909.05 BA + \$ 5,202.88 = 14.2%		Total = \$ 45,057.51 BA + \$ 8,351.34 = 22.75%		BA + \$4,360 = 11.88%	
Child Tax Benefit	1,262.04	0	1,336.08	2,466.00	n/a	2,532.12	0	1,336.08	
GST credit	0	0	703.95	608.00	304	608.00	304.00	703.95	
After tax disposable income per family group; total income for all family members; % change from BA	\$37,968.21	\$45,119.91	\$45,119.91	\$24,810.28	\$20,476.77	\$32,481.69	\$16,019.94	\$43,106.2	
	BA = Base amount	= BA + \$7,151.70 = 18.84%		Total = \$45,287.05 = BA + \$ 7,318.84 = 19.28%		Total = \$48,501.63 = BA + \$10,533.42 = 27.74%		= BA + \$5,137.99 = 13.53%	
After tax disposable income per capita	\$9,176.54	\$11,279.98	\$11,279.98	\$8,270.09	\$20,476.77	\$10,827.23	\$16,019.94	\$14,368.73	

2.4 Married Couple with One Income

The first column in Table 1 reveals the tax treatment of a married couple where one spouse provides child care in the home and the earner supports them all on \$50,000 annual income. They cannot deduct child care expenses, as this is only possible if they are incurred to enable a parent to be employed, to undergo government-approved training or to carry on a business or research³⁵. Under s. 64(1) of the *ITA*, child care payments cannot be paid within a family to the father or mother of a child. The couple's taxable income will be \$50,000, as they are not allowed to split this income. A benefit is available in the form of the spousal support exemption for dependent spouses (and certain other relatives)³⁶.

The CanTax return generated showed that in 1995, a married couple with two children living on one income will pay the highest amount of total tax (federal and provincial) of all the family groups profiled: \$13,293.83. They will have the lowest after-tax income of \$36,706.17. They will receive the Child Tax Benefit, which is means tested; calculated on their total income of \$50,000, it will be an estimated \$1,262.04 for the following year. Their income puts them out of the range of recipients of a GST credit.

Their tax treatment reflects current tax policy, which considers that a couple dependent on one income with one spouse providing household services has greater taxable capacity from this imputed income and from the economies of scale of living together, and therefore should pay greater taxes than a couple where both spouses work, as the latter have to buy many of those household services and compared to the parents in

³⁵ *Ibid.*, s. 64.

³⁶ *Ibid.*, s. 74(1).

this example, would have to purchase child care as well.³⁷ The abolition in spring 1996 of the inclusion and deduction provisions of the *ITA* dealing with child support will have no effect on the after tax income available to support the members of this family.

2.5 Married Couple with Two Incomes

In this scenario, shown in columns 2 and 3 in Table 1 under the heading “Married, 2 Incomes”, the spouses both work outside the home, here on the (quite arbitrary) assumption that each spouse earns \$25,000 annually. Income splitting arises naturally from the fact that each spouse files a separate tax return to report their income, as the individual is the official tax unit in the Canadian tax system. Child care is purchased outside the home and child care expenses are deductible to the supporting individual with the lower income; the CanTax return was structured so that whichever parent took the child care expense deduction, the other would claim the Child Tax Benefit (CTB) and obtain the GST credit for spending on themselves and the children.

The CTB of \$1,336.08 exceeds that of the one-income family’s, and the income split allows them a combined GST credit of \$703.95, compared to none for the one-income family. As each spouse files their respective tax returns individually, they can take advantage of two personal exemptions, but cannot take a spousal/spousal equivalent deduction. The joint after-tax income of these two working parents is estimated at \$43,079.88 or 17.4% more than the one-income family’s, which is boosted to 18.84%

³⁷ **Samuel A. Rea in his article “Taxes, Transfers and the Family,” University of Toronto Law Journal 34 (1984) p. 323, cites an article by Gronau suggesting that estimated household production is 20% higher when the wife is not employed outside the home.**

more when the CTB and GST credit are added. Their tax levy is almost half that of a married couple with one income, at \$6,920.12.

This is due to the combined effect of the tax policy assumption that working couples incur greater expenses to run their households, in the form of transport, clothing, child care and so on, so that taxes should be structured to reflect this curtailed ability to pay (as well as to encourage the secondary earner to join the paid workforce), with the income splitting effect of a two-income household, making the difference in taxation more pronounced. As with the preceding family group, the abolition of the inclusion and deduction provisions of the *ITA* dealing with child support will have no effect on the after tax income available to support the members of this family.

2.6 The Symes case

The Symes case provides an illustration of Canadian tax policy on the expense of bringing up children, and raises the question of the allocation of the cost of child care between working parents. At issue was the distinction made in the *ITA* between business expenses and personal and living expenses; the first of which is deductible, the second of which is not.

In tax cases on point, child care expenses are considered to fit into the latter category, as a result of the viewpoint that sees children as a personal consumption decision. They are nevertheless allowed a specific deduction under s. 63 of the Act, and are only permissible as mentioned above, in order to enable a parent to be employed, to undergo government-approved training or to carry on a business or research. Married

couples in which both parents work are able to make use of the child care expense deduction, as it is seen as a form of recompense for the expense of household services which must be purchased rather than provided for in the home.

The appellant in the *Symes* case³⁸, Elizabeth Symes, was a married lawyer and mother working full time as a partner in a Toronto law firm. She appealed Revenue Canada's refusal to allow her to deduct child care expenses (the wages paid to a nanny) as an expense of doing business under ss. 9 and 18 of the *ITA*. She did so on the grounds that to refuse would have a disparate effect on women as they are primarily responsible for child care, making it a denial of the sex equality guaranteed under s.15(1) of the *Charter of Rights*³⁹, although the provisions make no mention of gender, and fathers cannot deduct child care expenses as business expenses either.

Arguing that businessmen as men did not face the same costs to enable them to work, she had deducted them as a business expense peculiar to her as a woman, rather than using the more restricted child care deductions available under s. 63 of the *ITA*. At the trial level of the Federal Court, the judge agreed, holding that the case had to be interpreted in light of the social and economic realities of the times, which meant that there had been an influx of women with children into the marketplace. Symes was held to be discriminated against on the basis of her sex and parental status by denying the deduction,

³⁸ *Supra* note 1.

³⁹ S. 15(1) of the Canadian *Charter of Rights*, being Schedule B of the *Constitution Act, 1982* (U.K.), reads "Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law without discrimination and, in particular, without discrimination based on race, national or ethnic origin, colour, religion, sex, age or mental or physical disability."

which did not treat her like a serious business person with a serious expense incurred for a legitimate purpose. The Federal Court of Appeal took the opposite position and held that denying Symes the deduction was not discriminatory. She took her case to the Supreme Court.

In cases where there is a challenge to legislation under the Charter equality rights guarantee in s. 15(1), the Supreme Court has developed a three stage test to be applied to determine whether the legislation should be struck down or not. These are:

- 1. Did the impugned legislation establish an inequality by drawing a distinction intentionally or otherwise based on a personal characteristic? If so,**
- 2. Is any such inequality discriminatory: does it impose a burden or obligation or disadvantage not imposed on others, or of withholding or limiting access to opportunities, benefits and advantages available to others? If so,**
- 3. If inequality or discrimination exists, does the personal characteristic found constitute an enumerated or analogous ground under s. 15(1)?**

Legislation can still be saved if it is considered justified under s.1 of the Charter, but in this case, the majority of the Supreme Court dismissed the appeal at the first stage of the test, on the grounds that the right to sex equality was not infringed because

“The distinction created between supporting persons who incur child care expenses with respect to an eligible child and those who do not is not a distinction on the basis of sex. The appellant has failed to demonstrate an adverse effect on women

created or contributed to by s. 63, as she has not demonstrated that women disproportionately pay child care expenses and that the section, therefore, disproportionately limits the deduction with respect to actual expenses incurred by women.”⁴⁰

Writing for the majority, Iacobucci J. held that even if Symes had shown that the social costs of child care were borne disproportionately by women, it was not sufficient proof that women pay child care expenses, which would be necessary for ss. 9 and 18(1) to have a gender specific effect and discriminate in the way that she was alleging. Child care expenses were not deductible as a business expense under those sections because they were dealt with under s. 63, and were further precluded by s. 18(1)(h) prohibiting the deduction of personal and living expenses.

One factor influencing the majority decision was that Ms. Symes was not earning income as an employee, but as a member of law firm partnership. Were the court to accept her argument, it would mean that she would be able to deduct all her child care costs as a business expense, whereas a woman working as an employee (almost certainly in a lower-paying job) would only be able to deduct the s. 63 amount, not the full amount of child care costs. The court was loathe to put Ms. Symes in a better position than someone such as her secretary; this was certainly part of the motive for the dismissal. The Carter Commission shared this concern for what it considered an imbalance in the tax system, which favoured the self-employed over the employee insofar as the deductibility of

⁴⁰ ***Symes, Review of Family Law*, 472.**

the costs of doing business over the costs of working was concerned, and advised the equalization of the two situations, but Canadian tax policy has not responded.

The two female judges McLaughlin and L'Heureux-Dubé JJ. dissented, agreeing with Ms. Symes' argument. The latter held that the existence of s. 63 did not preclude the deduction of child care expenses as a deductible business expense, and that the relevant tax provisions were gendered in nature and should be interpreted in a way that takes into account the realities of business women's expenses in relation to child care. She therefore held that the child care expenses of Ms. Symes came within the definition of gaining or producing income in s. 18(1)(a), and were not barred as personal or living expenses under s. 18(1)(h).

Both Ms. Symes's argument and her strategy have been objected to by advocates of the child care movement, the first on the same grounds as the majority of the Court, that "success for Symes would establish a hierarchy of women which is in inverse order to their ability to pay child care, headed by business women... a victory for Symes would have privileged those already privileged by reason of their class [the largely professional group of the self-employed] ... at the expense of women who lack this privilege"⁴¹ by skewing government tax expenditures on child care heavily towards a group already in a position of social and economic privilege, of which women made up less than 25%⁴². Had the provisions been interpreted as L'Heureux-Dube J. suggested, these expenses would have been solely available to the very narrow group of self-employed women. It would

⁴¹ C.F.L. Young, "Child Care and The Charter: Privileging the Privileged," Review of Constitutional Studies, 2 (1994), 33-36.

⁴² Ibid., p. 32.

have excluded any other employed custodial parents from taking advantage of the provisions, and allowed Ms. Symes and others in her situation an amount of tax relief for child care extraordinarily greater than that available to employees.

The second objection is closely related to the first, as the manner in which changes in public policy are brought about, whether by judicial activism, as suggested by L'Heureux-Dubé J., or through legislative change, may result in distorted and inequitable tax expenditures such as those cited above by the Supreme Court and by other commentators. The media and public opinion were supportive of Ms. Symes in her unsuccessful attempt to establish the deductibility of child care payments as a business expense.

As a closer examination of the situation above reveals, had she been successful, her victory would have been of questionable benefit to the majority of women in the workforce and in fact would have meant her relative gain at their expense. The public scrutiny which legislative change requires allows for greater research and consultation and forces a broader perspective on the formation of policy, making it more likely that such a narrow interpretation would not pass without amendments to ensure the availability of the benefits of the provision on a much wider scale, or indeed might not pass at all.

This case also raises the question of whether, by taking the responsibility for child care expenses on herself and pursuing the issue on the grounds that women bear the greater costs of child care, Ms. Symes was acting in the general interests of women. It is true that as a general rule, it is women who are the secondary earners, who make the decision as to whether or not they will join the paid workforce as opposed to providing

child care in the home, and whose presence in the workforce makes paid child care necessary. Nevertheless, if both parents are to be held equally responsible for the well-being and upbringing of their children, and if women's equality is considered to depend on an equal sharing of child care responsibilities, it does not follow that the costs of child care should be attributable solely to one parent alone based on their sex, as Ms. Symes was arguing.

A more equitable for public policy to undertake might be to allow the expenses of child care to be divided between the parents during marriage, in order to emphasize and encourage fathers' joint responsibility to support their children. Furthermore, if child care expenses were to be fully deductible as business expenses to the self-employed, it would only be equitable to amend the child care expenses deduction to allow their full deductibility to the employed, though to do so would be to increase the tax incentives to have both parents work and would further disadvantage stay-at-home parent, as will be explained.

2.7 Table 2.

Estimation of Household Income

Inclusion/Deduction Provision

All amounts in dollars.	Carried	2
	1	2
Employment income	9,606	
Maintenance received or (paid)		
Child care expenses		
Net taxable income	9,606	
Basic personal exemption		
Spousal/equiv. amount	7380	
C.P.F. contribution		
U.I. contribution	71.40	
Total non-refundable tax credits	73.34	
Net Federal tax	202.87	
Net Provincial tax	2,291.16	
Total tax payable	2,494.03	
Income after tax	31,706.17	22
	BA: BA:	10
	ent	BA
Child Tax Benefit	262.00	
GST credit		
After tax disposable income per family group; total income for all family members; % change from BA		
After tax disposable income per capita	76.54	

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2.7 Table 2.

Estimation of Household Income After Tax for Various Family Groups After Abolition of Inclusion/Deduction provisions

All amounts in dollars.	1. Married, 1 income		2. Married, 2 incomes		3. Divorced, 1 income Custodial / Noncustodial		4. Divorced, 2 incomes Custodial / Noncustodial		5. Single parent, 1 income
Employment income	50 000	25 000	25 000		1	50 000	25 000	25 000	50 000
Maintenance received or (paid)	n/a	n/a	n/a		25 000	(25 000)	6 000	(6000)	0
Child care expenses	n/a	10 000			.67	n/a	10 000	n/a	10 000
Net/ taxable income	50 000	15 000	25 000		.33	25 000	15 000	25 000	40 000
Basic personal exemption	6456	6456	6456		6456	6456	6456	6456	6456
Spousal/equiv. amount	5380	0	0		5380	0	5380	0	5380
C.P.F. contribution	850.50	583.20	583.20		0	850.50	583.20	583.20	850.50
U.I. contribution	1,271.40	750.00	750.00		0	1,271.40	750.00	750.00	1,271.40
Total non-refundable tax credits	2,372.84	1,324.16	1,324.16		2,012.12	1,458.24	2,238.76	1,324.16	2,372.84
Net Federal tax	8,202.67	1,262.62	3,013.62		0	9,144.71	311.24	3,013.62	5,524.67
Net Provincial tax	5,091.16	807.44	1,836.44		0	6,016.75	0	2,021.44	3,109.16
Total tax payable	13,293.83	2,070.06	4,850.06		(430)	15,161.5	40.58	5,035.06	8,633.83
Income after tax	\$36,706.17	\$22,929.94	\$20,149.94		\$430.00	\$34,838.54	\$24,959.42	\$19,964.94	\$41,366.17
	BA = Base amount	Total = \$ 43,079.88 BA + \$ 6,373.71 = 17.4%			Total = \$35,268.54 BA - \$1,437.63 = -3.92%		Total = \$ 44,924.36 BA + \$8,218.19 = 22.39%		BA + \$4,660 = 12.7%
Child Tax Benefit	1,262.04	0	1,336.08		3,773.88	0	3,635.04	0	1,336.08
GST credit	0	503.00	703.95		608.00	0	713.00	304.00	0
After tax disposable income per family group; total income for all family members; % change from BA	\$37,968.21		\$45,622.91		\$4,811.88	\$34,838.54	\$29,307.46	\$20,268.94	\$42,702.25
	BA = Base amount		= BA + \$7,654.70 = 20.16%		Total = \$ 39,650.42 = BA + \$1,682.21 = 4.43%		Total = \$49,576.40 = BA + \$11,688.19 = 30.57%		= BA + \$4,734.84 = 12.47%
After tax disposable income per capita	\$9,176.54		\$11,405.73		\$1,603.96	\$9,838.54	\$9,769.15	\$20,268.94	\$14,234.08
					plus maintenance				

2.8 Divorced Parents with One Income

In this situation, the non-custodial parent is the sole income earner of \$50,000, paying half (for purposes of comparison, however unlikely this may be in fact) of his or her earnings to their former spouse in the form of maintenance, then deducting that amount from his or her total income and paying tax on the remaining half only, as allowed under s. 60(b) of the *ITA* until 1996. The custodial parent cares for the children and does not work outside the home; the maintenance is the sole source of their support and must be included as income on the tax return as required by law under s. 56(1)(b) of the *ITA*. After a divorce or separation, any advantages of joint living will be gone, as two households must be maintained. This rationale accounts at least in part for the lesser tax burden on separated and divorced parents.

Each of the former spouses claims the personal exemption. Child care expenses cannot be deducted as the custodial parent is not employed outside the home, but he or she can claim the “equivalent to spouse” amount of \$5380 for one of the children. The former spouses end up with similar after-tax incomes, though the custodial parent has \$22,011.28 on which to support three people, compared to \$20,172.77 for the non-custodial parent to support his or herself. Their combined incomes after tax, for the maintenance of four persons over two households, is \$42,183.18, the second lowest of the after-tax incomes for that number of persons, because of the unavailability of the child care expenses deduction.

The tax system provides limited income splitting for divorced couples with children under s. 56 of the *ITA* and gives them \$5,477.88 more after-tax income than a married couple in the same situation and with the same original income, though this must be used to support two households. The custodial parent will be further assisted by a GST credit of \$713 as well as the

Child Tax Benefit, calculated at \$3,774 and bringing the total income to support that parent and the two children to \$26,488.28.

When broken down into income of \$8,829.43 per capita, the custodial parent has the lowest amount of all the family groups to support each member of the household, a sum furthermore based on the assumption of a very high sum of maintenance. Given that an estimated 80% of custodial parents are women, this example illustrates the phenomenon of the “feminization of poverty” arising in the wake of marital breakdown, where the standard of living of the custodial parent and the children drops, if they are solely supported by maintenance payments which in fact will rarely constitute half of the non-custodial parent’s income. It also illustrates the frequently seen rise in the non-custodial parent’s standard of living after the separation, as he or she in this situation ends up with the greatest amount of after tax income per capita with which to support him or herself at \$20,172.77.

The repeal of the provisions allowing for the deduction of the support payments to the payor and requiring their inclusion in the income of the payee will have considerable effect on the after-tax income available to support these parents and children. Table 2 illustrates the effects. The situation of married couples, and of the single parent, remain unchanged. After the abolition, the situation of the divorced parents with children dependent on one income is drastically changed. The CanTax return has been prepared for the custodial, non-income earning parent assuming they earn \$1, which gives them a tax refund of \$430. To this that parent will add \$3,773.88 of CTB, and \$608 of GST credit. The amount of maintenance paid will not be included in income, and so will be added to the above sums.

However, looking at the tax return of the income-earning non-custodial parent, they are now treated as an individual without dependents with total tax payable of \$15,161.50, and

receiving no CTB or GST credit. So he or she will be taxed accordingly, whatever the amount of maintenance they are actually paying to the custodial parent and children, any payment must be made from the total after tax income of \$34,838.54. To attempt to pay the \$25,000 paid theoretically under the existence of the provisions would now leave the non-custodial parent with total personal disposable income of \$9,838.54; as this is unlikely to be considered sufficient to support that parent, the maintenance paid to the custodial parent will be correspondingly reduced. The estimated percentage change tells the story: aggregate after tax income for both parents will actually be 3.92% *less* than that of a one income family running only one household. Aggregate after tax disposable income after the addition of the CTB and GST credit is only 4.43% more.

While the situation described may be atypical of families after marital breakdown in that the non-custodial parent provides the entire support for the custodial parent and children when it is more likely that the custodial parent will work outside the home to some degree, it nevertheless demonstrates that the removal of the inclusion/deduction provisions will act against the interests of some of the persons it was provided to assist.

2.9 Divorced Parents with Two Incomes

Again in this case, divorce or separation will mean that all the advantages of joint living are gone, as two households must be maintained, and the custodial parent must now purchase child care. Both of the former spouses may also purchase household services. Again the assumption has been that each parent earns \$25,000, however unreflective this may be of the state of affairs in real life. When both parents have an income after marital breakdown, the courts expect them to provide for child support according to their relative ability to pay. Let the non-custodial parent pay \$6,000 maintenance. That parent will then reduce taxable income by \$6,000

to \$19,000. The custodial parent will include the \$6,000 in income for a total taxable income of \$31,000.

As a working parent, the custodial parent will be able to deduct child care expenses of \$10,000 for a taxable income of \$21,000. The payor of child care expenses may deduct them regardless of who has custody, but we will again assume that the custodial parent pays all costs after receiving maintenance. Each parent can claim the basic level of personal exemption, and the custodial parent can additionally claim "equivalent to spouse" for one child, and will also get all the Child Tax Benefit of \$3,635.04.

Divorced parents with two incomes benefit most from the structure of the tax system, as their aggregated after tax income is estimated at \$51,673.86, exceeding their total income in the first place. This reveals the compound effect of the tax system providing child care deductions for working parents, added to income splitting upon marriage breakdown from individual returns. The expense of maintaining two households and the expenses involved in working are taken into account, but the comparison with the tax situation of the married couple with one income is pronounced; in aggregate they will have \$47,055.94 or 28.2% more after-tax income than the latter. The Child Tax Benefit adds on another estimated \$3,635.04 tax free to the income of the custodial parent, which along with GST credits totaling \$982.88 brings in total \$14,967.69 or 40.78% more after tax income with benefits in aggregate than a one income family with the same number of members.

The effect of the repeal of the inclusion/deduction provisions will not be as harsh in this case as in the previous situation, primarily because each parent is earning \$25,000 so that the income is naturally split, and because the custodial parent can make use of the child care expenses deduction. Their aggregate income after tax is now only 22.39% more than that of the one

married couple, instead of 22.75%; once the CTB and GST are added, their aggregate after tax disposable income is 27.35% more instead of 27.74%, leaving their situation relatively unchanged.

The juxtaposition of the financial circumstances of the custodial parent in these two situations of divorce - between benefits of \$3,374.99 to be added to whatever maintenance can be derived from the non-custodial parent's income of \$34,838.54, compared to an after tax income of \$28,082.46 which maintenance payments of only \$6000 would bring to \$34,082.46 - provides a vivid illustration of why policy makers have placed such importance on encouraging women, who form the majority of custodial parents, into the workplace. Unfortunately, for every incentive that assists women to do so, the non-working custodial parent becomes relatively more disadvantaged.

2.10 The Thibaudeau case

Legislative changes were introduced in the federal budget of March 6, 1996 announcing the repeal of sections 56(1)(b) and 60(b) of the *ITA*, to come into effect in May 1997. The latter allowed the parent paying child support on behalf of dependent children to deduct the payments made from their pre-tax income, and the former required the recipient parent to include these payments as income and pay tax on them. Effectively, this allowed income-splitting for purposes of child support to separated or divorced parents where it is not allowed to married ones. From 1942 to 1997, most separated or divorced couples will have enjoyed a tax advantage of monies used for child support.

The original motive behind the enactment was partly to encourage the non-custodial parent to pay, but primarily to provide greater after-tax income for all parties in order to ease the

financial pressure on the payor spouse, who at the time of the provisions' introduction in 1942 was facing a heavier tax burden due to the fiscal requirements of war.⁴³ It was an anomalous arrangement, and has been the subject of debate over its correct categorization as a tax expenditure over the question of whose income they were considered to be, revealing shortcomings in the definition of income in the *ITA*.⁴⁴ As the tax unit of the Canadian system was and is officially based on the individual, the provisions were exceptional in that they linked a separated or divorced couple as an economic unit while continuing to treat a married couple as individuals; a strange inversion of Carter's recommendation to recognize the family as the unit of taxation, recognizing it to its benefit only after its breakdown.

The provisions likely fulfilled the legislative intent of providing greater after tax income in the vast majority of cases at the time of their introduction, and until women's presence in the paid workforce led to a significant number of separated or divorced women whose incomes were higher than their former husbands'. When the provisions were challenged in the *Thibaudeau* case, even the federal government's statistics indicated that there were tax savings in only 67% of cases; in 30% of cases, the payee had a higher income than the payor and so was paying taxes on them at a higher marginal rate than they would have been taxed at in the hands of the payor. Opponents of the provision argued that the latter situation was even more common.

This was the situation of the complainant Suzanne Thibaudeau. Though the tax ramifications of the child support payments had been taken into account or "grossed up" in

⁴³ A similar provision allowing the inclusion/deduction of alimony was enacted in the same year in the U.S.A., as due to the high marginal tax rates imposed to finance the war, Congress feared that alimony payors would not have sufficient funds to meet their tax burden after paying alimony. Child support payments were not made deductible in the U.S., however. Wendy Gerzog Shaller, "On Public Policy Grounds, A Limited Tax Credit for Child Support and Alimony," *American Journal of Tax Policy*, 13 (Fall 1994), 321.

⁴⁴ Richard Krever, "Support Payments and the Personal Income Tax," *Osgoode Hall Law Journal*, 21:4 1983, 638-640.

determining their amount, she found that the payments increased her tax burden by more than the divorce decree provided for, which amount had to be paid for out of her own income and resources. She also objected to being taxed on the child support payments she was receiving, which were solely for the benefit of the children, when the father of the children was able to write them off. She therefore filed the child support payments separately, under her children's names.

The payments were included as income on a reassessment of her return for 1989. She first appealed to the Tax Court, on the grounds that s. 56(1)(b) of the *ITA* violated her equality rights under s. 15 of the Charter (as in the *Symes* case) by requiring that she include in her income monies paid to her that were to be used solely for the benefit of her children. She held that the unconstitutional discrimination arose on grounds analogous to those enumerated in the Charter, by imposing undue hardship on separated custodial parents as a group, who were receiving maintenance payments for their children.

The Tax Court accepted her argument that she was a member of a group entitled to the benefit of the s. 15 equality guarantee, but held that the second stage of the test (described above with reference to the *Symes* case) was not satisfied, in that there existed no burden, obligation or disadvantage imposed that was not imposed on others. As long as the tax consequences of the payments were taken into account and "grossed up" accordingly, which as the judge pointed out there was a judicial responsibility to do, no prejudicial consequences should stem from s.56(1)(b).

When that failed, Thibaudeau sought judicial review in the Federal Court of Appeal, with some success. There they struck down s. 56(1)(b) requiring the separated or divorced custodial parent to include child support payments in income. It was struck down on the grounds that it was discriminatory against the personal characteristic of being a divorced or separated custodial parent, imposing a special burden on members of this group. As in the Tax Court, this was

accepted as analogous to other grounds listed in s. 15 of the Charter, on the basis that they all frequently served as the basis for discrimination.

S. 56(1)(b) was not saved by s. 1 of the Charter⁴⁵, which can justify some legislation which would otherwise be contrary to the rights guaranteed therein. The court held that the government objective to provide a tax subsidy to separated and divorced families was important enough to warrant a Charter breach, but that the legislation did not meet the requirements to do so, due to its uncertain effectiveness in practice so that the recipients of the payments did not always benefit from the income splitting. Notably, they did not strike down s. 60(b) which allowed the payor spouse to deduct them to maintain the incentive system, and by doing so rendered child support payments between divorced or separated parents tax-free.

The case was appealed to the Supreme Court. The federal government's position in the appeal was that the decision of the Federal Court essentially rendered these payments tax-free; that many federal statutes and policies make distinctions on the basis of family status, and to hold that to do so is contrary to the Charter is simply to limit the power of Parliament to make social legislation, and lastly that the ruling caused uncertainty in the law, encouraging litigation and payors to default on payments. The overriding concern of the government in the area was said not to be to increase revenue for the government from this source but to ensure that someone pays the tax. (Ironically, both now occur with the repeal of both provisions of the *Act*, as the payor is now taxed on the full amount of their income and nobody is able to take advantage of income-splitting.)

⁴⁵ Section 1 of the Charter reads, "The *Canadian Charter of Rights and Freedoms* guarantees the rights and freedoms set out in its subject only to such reasonable limits prescribed by law as can be demonstrably justified in a free and democratic society."

The majority in the Supreme Court ruled against Mme. Thibault on the grounds that the inclusion/deduction system established under the *ITA* conferred if anything a benefit on divorced families by allowing them to income-split, and attributed any disproportionate displacement of the tax liability between the two former spouses to faults in the family law system, not the *ITA*. To defend the provisions, it was necessary to hold that the benefit was conferred on the “post-divorce family unit”, and to recognize that ss. 56(1)(b) and 60(b) operate at the level of a couple to minimize the tax consequences of support payments, and so to promote the best interests of the children to ensure there is more money available for their care. That one member of the unit might derive greater benefit from the legislation did not in and of itself trigger a s.15(1) violation, nor did it lead to a finding that the distinction amounts to a denial of equal benefit or protection under the law. The court dealt with any administrative difficulties by holding that the amount of income taxable under the provisions was determined by the family law system, under which a gross-up should occur to include tax liability.

As in the *Symes* case, the two female judges of the Supreme Court dissented from the majority judgement. Both concluded that the s. 56(1)(b) requirement infringed the right to equality guaranteed by the Charter, imposing a special burden on custodial parents by being likely to disadvantage custodial parents (recognizing that the vast majority of whom were single mothers) and likely to advantage non-custodial parents. By doing so, they held that it imposes on the former an unequal burden of the law and denies them the equal benefit of the law, violating s. 15(1) of the Charter and unsalvageable under s. 1.

Each agreed with the decision of the Federal Court of Appeal to strike it down, (in *McLaughlin's* case advising that s. 56 (1)(b) be “read down” to exclude child support, including only alimony and maintenance) rendering child support payments between separated or divorced

parents tax free. Despite recognizing that the goal of the provisions was to provide greater after tax income to ameliorate families' situation upon divorce or separation, and that it succeeded in doing so in 67% of cases, they nevertheless decided that this was done at the cost of placing an "unequal and unjustifiable tax burden on the shoulders of custodial parents like Ms. Thibaudeau." L'Heureux-Dubé J. argued that Charter protection should be extended, because of the economic and social disadvantage to separated or divorced custodial parents of the requirement to include child support payments in income under s.56(1)(b).

The dissenting justices concluded that the higher the custodial parent's income, the greater the disadvantage suffered as a result of the inclusion of child support in his or her income. This ignores the degree to which the tax burden might be taken into account in the court order. An "unequal and unjustifiable tax burden" only arises in cases where the custodial parent is making a comparable or greater income than the non-custodial parent, resulting in the payments in the hands of the custodial parent having a higher marginal rate of taxation applied (the intended result of a progressive tax system), and so a smaller amount of after-tax income being made available to the "post-divorce family unit".

The courts have taken the approach that both parents have a duty to provide for the maintenance of their children after marital breakdown. The rule developed over time in family law, and set out in s. 15(8) of the *Divorce Act*, is that each parent is expected to contribute to the support of their children relative to their ability to pay⁴⁶. Separation agreements and divorce settlements are structured with this as a rule of thumb, but according to the common law the judge retains the discretionary power to make decisions according to his or her belief as to what course of action would be best suited to the circumstances of the case.

⁴⁶ Lorne H. Wolfson, "Reflections on *R.v.Thibaudeau*," Canadian Family Law Quarterly, 13, 169.

It is little remarked that if the payor is earning less than the recipient, surely the degree of injustice to the recipient in being required to include support payments in income is lessened if not eliminated. (The guidelines for child support payments suggested by the federal government in the spring of 1997 would restrict this discretion by determining payments based only on the ability to pay of the non-custodial parent, without taking into account the income and financial resources of the custodial parent, giving rise to considerable public controversy.) Where the payor's income exceeded the recipient's, as long as the tax liability was added to the payor's over and above the amount deemed due to assist in child support, then no disadvantage would be suffered.

Indeed, as long as the income of the separated custodial parent is lower than that of the non-custodial payor parent, the provisions confer a tax advantage to the "post-divorce family unit", which may or may not be entirely conveyed to the custodial parent and the children. Mme. Thibaudeau objected that the payor was under no legal obligation to share the tax saving with the custodial parent, and often was reluctant to do so. But if the custodial parent is making an equal or greater income than the non-custodial payor, having to include child support payments in income is not a disadvantage to the custodial parent, as long as the payments are adequate in themselves as child support and are also calculated to include coverage of the taxes payable on them.

If the payment is low due to the limited resources of the payor, and cannot cover the increased taxation amount, then the caselaw principle to determine support payments according to the relative incomes of the parents may very well result in a situation comparable to that of Mme. Thibaudeau; but as long as the recipient parent has a higher income, how is this objectionable? As long as the support amount was determined by the court according to the parents' relative ability to pay, and the gross-up was included, then the arrangement was arguably equitable in the

circumstances. There will no longer be a tax advantage however, as they will be taxed at a rate equal to or higher than the rate which would have applied in the hands of the payor.

The abolition of the provisions simply mean that the payor has less after tax income with which to make payments which are already low by necessity of low income, and any incentive effect the deduction provided will be lost. The incentive effect was dismissed by the critics of the provisions, on the grounds that the high rate of default of support payments were evidence that it was negligible. Sadly this is not necessarily the case. It is entirely possible that the abolition of the provisions will lead to a still higher rate of default through the removal of the incentive effect of deductibility.

Neither the dissenting justices, nor those commentators supporting their point of view, appeared to realize that their proposals rendering the child support payments untaxed would be unfair to those parents who do not qualify for the provisions and must support children entirely out of after-tax income. Other alternatives mentioned, such as taxation of the payments in the hands of the child, would have the same effect. An optional deduction/inclusion scheme, available only when the payee parent was in a significantly lower tax bracket, might have been constructed which would avoid the problem encountered by Mme. Thibaudeau, but again it would allow the tax advantage of income splitting of child support monies only to those parents who had separated or divorced.

It is usually argued that the financial situation of separated or divorced parents is not the same as that of married or single parents, a distinction which is valid when referring to the need to support two households with resulting expenses. But as Mme. Thibaudeau built her case on the grounds that she was having to pay income on payments which were to be used exclusively for the benefit of her children, there is an argument that an inequity exists in allowing deduction of

child support payments only to separated or divorced parents, on the grounds that the expense of raising children will be the same to all parents, and that the state of the parental relationship is not relevant to the taxation of funds directed specifically at the costs of raising children.

From an economist's perspective, it remains that the provisions made available a form of income splitting, and so a tax saving, which was not available to married or single parents for the money they spent on raising their children. The unfairness of the solutions proposed by the dissenting justices is most pronounced when the taxation of a single custodial parent with no external sources of child support, whose income is fully taxed, is compared to the proposed treatment of a separated or divorced custodial parent, who would receive child support payments tax free. It merely created inequality of treatment of parents in different marital relationships to do anything but either abolish the provision entirely and so lower the amount of money available for child support to the children of separated or divorced parents, or to provide some form of tax break to all parents still supporting children.⁴⁷

Another contentious issue in the policy debate over the existence of the provisions was the efficiency of the taxation and family law systems in implementing them. In other words, the degree to which the tax liability was taken into account in the calculation of support payments in separation and divorce proceedings. Until the Budget of 1996, the tax system merely required that the income be included by the recipient, and made no mention of who was to bear the tax consequences. There was no guidance to courts or lawyers in the *Divorce Act* or in provincial family law legislation as to how calculations should be made. The provision's effect in providing an incentive to make greater payments or to make them at all was therefore uncertain. In other

⁴⁷ Which in fact the federal government has attempted to do, after abolishing s. 56(a) and s. 60(b), by proposing a greater tax credit towards families with children who constitute the "working poor".

words, irrespective of the theoretical merits or demerits of the inclusion/deduction provisions, there may have been such inefficiency in their application as to make irrelevant any discussion of their effectiveness.

It was alleged in *Thibaudeau*, and accepted by the Federal Court of Appeal as the reason for striking down s.56(1)(b), that the family law system failed to ensure that the provision operated to the benefit of the recipient and the children and occasionally worked to their detriment. Critics alleged that the high rate of default on support payments⁴⁸ was a sign that the provisions had none of the incentive effect which the ability to income-split was supposed to have on the payor, as a further inducement to make the payments. The Supreme Court majority sidestepped the issue by merely saying that the relevant gross-up to include the tax liability should occur.

Evidence on the issue is conflicting. Certainly private separation agreements may be arranged without professional advice on the tax implications. A 1990 survey of judges conducted by a judge found that “only a minority of lawyers present income tax calculations to courts where it would be appropriate to do so. A majority of judges admitted that they will not do their own calculations if the calculations are not presented by counsel.”⁴⁹ But it is not judges who are expected to do the calculations, it is counsel for the parents, and given the routine nature of the practice of family law, determining responsibility for the tax liability from support payments should be standard procedure in all separation and divorce proceedings.

⁴⁸ For instance, the default rate as described in Elizabeth Sachs, “Support and Custody Enforcement Programme: The Experience of Two Years,” *Advocates’ Quarterly*, II (1990), 42, and in Freda M. Steel, “Maintenance Enforcement in Canada,” *Ottawa Law Review*, 17 (1985), 491-493.

⁴⁹ Judge R.J. Williams, “Child Support, An Update and Revisions of Qualification of Child Support,” *Review of Family Law*, 18 (1989), 234.

Indeed, one commentator on *Thibaudeau* remarked on this topic, “In my experience, all competent family law lawyers and judges do take into account the tax effects of the support payments when fixing the quantum of support. While it is possible that those individuals who negotiate their own agreements may fail to make sufficient allowances for the impact of taxation, their ignorance of the law and family law procedure is hardly a sufficient basis upon which to attack and perhaps reject the entire system.”⁵⁰ The author also recalls being informed by her family law professor that the common attitude within the legal profession was that striking down s. 56(1)(b) would simply lead to a massive number of applications for downward variations in child support payments, to remove the gross-up added to them to cover the increased taxes resulting from including them in income.

Nor should the high default rate be taken as an indication that the provisions were totally lacking in incentive effect. It is entirely possible that the abolition of the provisions will remove an important incentive for some payors, and increase the default rate. Having less after-tax income will certainly add to pressures in that direction. It should also be noted that the tax liability sum would be arrived at in the midst of general negotiations over the end of the marriage, and would be one chip amongst many in determining the division of assets, spousal support, and custody.

If the element of inefficiency is removed, all that can be criticized about the provisions is that they provide greater after tax income to too few members of the group they are meant to assist - parents raising children. The *Thibaudeau* case undeniably gives cause to consider the need for tax policy changes arising from changing social circumstances, exemplified by the changing fortunes of custodial parents. Rather than being a disadvantaged victim, Mme.

⁵⁰ Wolfson, “Reflections,” 167.

Thibaudeau's position is actually symptomatic of ongoing change and improvement in the rising average income of women, reflected in the increasing number of custodial parents (who are around 80% women) with incomes close to or greater than the income of their former spouses.

The inclusion in the March 1996 budget of replacing the abolished provisions with federal child support guidelines for the courts was in response to the criticisms on grounds of efficiency, and the guidelines are meant to make attribution and calculation of the tax burden more exact, though they have also met with considerable public controversy, through constraints imposed on the discretion of the court in determining support awards without regard to the income of the recipient, only that of the payor. Without question, from a strictly theoretical perspective, the provisions allowed a tax advantage in child support to separated and divorced parents, which was unavailable to married or single parents. One estimate indicative of the loss to the former group is the federal government statistic which in 1991 gave \$330 million as the uncollected tax revenues from the income-splitting allowed under ss. 56 and 60.⁵¹

In the very budget that abolished the provisions, the total cost of these tax rules for federal and provincial governments was estimated at \$410 million for the 1996-97 fiscal year. The revenue gains thereby generated are to be put towards implementation of the Federal Child Support Guidelines and new enforcement measures, as well as towards the Working Income Supplement of the Child Tax Benefit.⁵² By the government's own admission, the loss to separated and divorced families will be significant, and the lowest income custodial households will be the group to lose the most. One commentator described this result as "the government ...having its cake (increased tax revenues), and eating it too (praise for having changed the tax

⁵¹ Lisa Philipps and Margot Young, "Sex, Tax and the Charter: A Review of *Thibaudeau v. Canada*," *Review of Constitutional Studies*, 2:2 (1995), 274.

⁵² Canada, "The New Child Support Package," in *Budget 1996*, (Ottawa: Department of Finance, 1996), 9-10.

system), basking in the praise from one of the principal groups which would be left worse off by the changes - with the pressure from that group in fact having been instrumental in making those changes politically possible.”⁵³

In both the *Thibaudeau* and *Symes* cases, the plaintiffs argued for more privileged treatment from which only a very small group would benefit, an exception to the tax rules which would have complicated their administration while making a larger community of taxpayers relatively worse off. The more exceptions to the general tax rules allowed, the greater will be the expenses incurred through tax expenditures, and the weaker the political will to resist other claims for exemption. The more tax credits and deductions available to persons with the required qualifications, the higher tax expenditures will be. As well, the greater will be the expenses incurred in collection, to pay for the more intensive administration necessary to look at the details of each particular case to ensure that the qualifications are met.

The Supreme Court has been subject to criticism for an alleged reluctance to uphold Charter rights in the tax area, and tackle the *ITA* on Charter issues. Indeed the Court was presented in the *Symes* case with the suggestion that it would be overshooting the purpose of the Charter to subject the *ITA* to it, and that it would be best to defer to the legislatures with respect to difficult economic questions. This was dismissed with the comment that the *ITA* was certainly not insulated against all forms of Charter review. Since the *Symes* and *Thibaudeau* decisions, the Supreme Court has codified the rules of statutory interpretation that apply to taxation statutes in the *Bon-Secours* case, emphasizing purpose-based analysis of legislation in a way which one

⁵³ Ross Finnie, “An Evaluation of the Tax Changes in the Government’s Proposed Child-Support Package”, *Review of Family Law* (4th), 18, 174.

commentator says is rooted in the Carter Commission, which is said to provide “the authoritative purposive vernacular for those charged with understanding the Income Tax Act.”⁵⁴

An economist might nevertheless advance the point that given the interrelation of the design of tax provisions in quite a precise way, demonstrable numerically and whose effects are subject to numerical analysis, that a Charter challenge to a provision of the *ITA* requires an economically informed judicial response. As *Symes* and *Thibaudeau* demonstrate, Charter challenges are more likely to address the interests of one narrow group in a certain section of the *Act*, and so may have an uneven or distorting effect on policy if they result in a response which does not take into account the broader interests of the public at large.

As the *ITA* is designed as a whole, including the provisions designed to assist parents in the support of their children, it only makes sense for provisions dealing with related areas to be examined at the same time, to assist in pursuing the acknowledged public finance goal of achieving horizontal equity in the generation of fiscal revenue. Unlike general written provisions of the law in other areas, which may be balanced off against each other according to judicial discretion, and can stand up to individual scrutiny, the individual provisions of the *ITA* cannot be considered with the same degree of isolation, nor challenged on a Charter basis in isolation, but must be considered in a way that takes into account all other relevant provisions with which they were designed to interact. The *ITA* should be considered in its totality to a greater degree than other legislation when an individual provision is questioned. Certainly these Charter challenges promoted neither equity nor efficiency, and the arguments put forward in dissent do bring into

⁵⁴ J.E. (Ted) Fulcher, “The Income Tax Act, The Rules of Interpretation and Tax Avoidance. Purpose vs. Plain Meaning: Which, When and Why?” *The Canadian Bar Review*, 74 (1995), 577.

question the Supreme Court's "competence to second guess government policies designed to balance a broad range of social interests."⁵⁵

2.11 Working Single Parent

In this situation, the other parent is held to be totally absent, so that maintenance is not obtainable or even contemplated. Income is held in line with the rest of the examples at \$50,000, though it should be noted that in 1993 the average income for female lone parent families was \$22,621.⁵⁶ The working single parent is assumed to be purchasing child care and so can fully deduct for child care expenses of \$10,000, leaving taxable income at \$40,000. After the basic personal exemption, the "equivalent to spouse" provision may be claimed, leaving an after tax income of \$42,702.08. This is around 13% more than the one-income family of four, although this parent is supporting three rather than four people on it and in fact has the third highest income per capita of the groups surveyed at \$14,234.08. She or he will receive a Child Tax Benefit of \$1,336.08 calculated on a total income of \$50,000. At this level of income, there is no GST credit. The abolition of the inclusion/deduction provisions will have no effect on this parent's after-tax income.

⁵⁵ Lisa Philipps, "Tax Law: Equality Rights: Thibaudeau v. Canada," The Canadian Bar Review, 74 (1993), 674.

⁵⁶ Statistics Canada Catalogue Number 13-208, 10.

CHAPTER III

3.1 Summary of results of CanTax returns

From the CanTax experiment, it would appear that from a total income of \$50,000, after the addition of the CTB and GST credits, a married couple with one income would have \$37,968.21, a married couple with two incomes \$45,622.91, the divorced custodial parent working only in the home \$26,488.28 and their non-custodial ex-spouse \$20,172.77 for a total income of \$46,671.05, the divorced custodial parent working outside the home receiving \$35,653.92 and their ex-spouse \$16,019.94 for a total of \$51,673.86. The single working parent receives \$42,702.25.

All of these after-tax income amounts must go to support two adults and two children under seven years of age, with the exception of the last income which supports only one adult and two children. Considered without taking into account the costs of working or maintaining two households, the tax burden is heaviest upon married couples with one income, then the working single parent; next upon the married working couple, after this upon the divorced couple with one income, and is lightest upon divorced working parents.

The pattern that emerges indicates that the single greatest tax advantage, and so the greatest tax expenditures, occur due to the income-splitting available to dual income parents through the individual tax return, combined with the s. 56 provision (whose

benefit is to end in May 1997), which is accentuated by the CTB and GST calculated on the split income.

Many advantages are available to all married and common-law couples⁵⁷ ranging from tax credits allowed for those individuals who support spouses⁵⁸, to allowing interspousal transfers of unused tax credits⁵⁹, to allowing one spouse to deduct contributions made to an RRSP for the benefit of another⁶⁰. However the present structure of tax deductions and credits, as revealed by the tax treatments illustrated on Table 1, favours the double income couple, allowing them greater deductions than to a couple with one income adding up to the same amount, but in fact allow the greatest amount of after tax income to divorced parents where both are working. Despite the objections raised to having the family as tax unit, having the individual as tax unit also works against the interests of the one income family, which cannot take advantage of the ability to file two tax returns.

The cross-section revealed by the CanTax experiment of after-tax income levels including benefits, indicates that the taxation system at present favours the dual-income

⁵⁷ All these benefits are available to common law couples, who are included in the *ITA* under the definition of spouse, which extends the meaning to include a person of the opposite sex who is cohabiting in a conjugal relationship with a taxpayer and either cohabited with the taxpayer throughout the preceding 12-month period, or is a parent of a child of whom the taxpayer is also a parent. Recognition of common-law relationships came about in family law to offer protection to individuals, again mostly women, whose sacrifices and contributions to that relationship would otherwise have gone without recognition or remedy upon its breakup. Legislation such as this was introduced to extend the benefits traditionally accorded to marriage to women involved in informal relationships.

⁵⁸ *Income Tax Act*, s. 118(1)(a).

⁵⁹ *Ibid.*, s. 118.8.

⁶⁰ *Ibid.*, s. 146(5.1).

couple not only through the income-splitting that filing two returns allows. Additional benefits which will not extend to one-income families include the provision for a claim of child care expenses up to \$10,000; the ability of the spouse with the lower income to claim a higher amount of Child Tax Benefit; and for both spouses to claim GST rebates, which a one-income family at the same total income level does not receive at all. Another significant long-term benefit is the greater capacity for RRSP investment available to two income earners, where the one income earner can only make spousal RRSP contributions up to the amount of his or her own RRSP contribution limit.

The CanTax experiment reveals that the tax system is not neutral in dealing with the taxation of child support between families in the situations described. The Child Tax Benefit⁶¹, which was implemented in January of 1993, replaced other subsidies to the decision to have children, including the family allowance, the refundable child tax credit and the credit for dependents under 18 years of age, thus tailoring the subsidy to those deemed truly needy of it, having it phase out as the recipients' income rises. The income-splitting effects of the individual tax unit and of the inclusion/deduction provisions for child support resulted in higher amounts of the CTB being received by custodial parents than by any other group, with the one-income family receiving the least.

Under s. 63 of the *ITA*, taxpayers are allowed the deduction of child care expenses, but in 1995 were limited to the lesser of \$3,000 for each child, or two-thirds of the taxpayer's earned income. The deduction is greater for each child under 7 years of age (as assumed in the experiment) or for those with a severe and prolonged physical or mental

⁶¹ **Ibid., s. 122.6 - 122.64. It is delivered in non-taxable monthly payments.**

impairment, allowing \$5,000 for 1993 and subsequent taxation years. As a deduction from gross income, it is a tax advantage which will be of particular effect for higher income levels, as it will not have the progressive effect of a tax credit calculated on net taxable income. This provision is of assistance only to the two income parents and the single parent.

Though not explicitly recognized as such, income-splitting was available under the Canadian tax system to divorced or separated couples for monies spent on child support, by allowing the deduction of alimony and maintenance payments under s. 60 of the ITA. It was therefore available to all parents, together or divorced, except to married couples dependent on one income, and to single parents who could not take advantage of any of the provisions, which required a spouse or former spouse for eligibility. The experiment conducted for this thesis, though somewhat simplified in its assumptions, indicates that while on the face of it the majority of tax provisions seem to favour married couples, in fact until the recent repeal of ss. 56 and 60, the greatest amount of after-tax income was available to divorced parents where both work outside the home. Whether or not this constitutes an incentive to divorce depends on whether the increased income available exceeds the increased costs arising from the division of the family into two. The abolition of the inclusion/deduction provisions will shift the tax advantage to double income families who file two tax returns.

3.2 Neutrality of taxation in the child care decision

The Carter Commission advocated that neutrality be a governing principle of the income tax system's design, directed towards the goal of maximizing the rate of increase in the productivity of all Canadian resources, assuming that full employment is achieved. Specifically,

“ The tax system should be neutral in the sense that, with explicitly specified exceptions, it should be designed to bring about a minimum change in the allocation of resources within the private sector of the economy relative to the allocation that would take place in the absence of taxes. Such neutrality is desirable because, at least in the present state of knowledge, the allocation of resources in response to free market forces will in general give in the short run the best utilization of resources, and in the long run the most satisfactory rate of increase in the output of the economy...

Where there are imperfections in the market mechanism, as the result of uncertainty, immobility of factors of production, monopoly power, and so on, the tax system should be used to change the allocation of resources to compensate for these imperfections. However, the use of compensatory, non-neutral tax provisions is not justified if other instruments could achieve the same results at a smaller total cost than could tax provisions.”⁶²

In making this recommendation, the Commission did not foresee the degree of overlap of the public economic and personal spheres that was to come about in the next thirty years, but assumed an enduring division between the formal market economy and

⁶² From Report of the Royal Commission on Taxation (Ottawa: Queen's Printer, 1966) in Arnold et. al, Materials on Canadian Income Tax, 17.

private family life. It relied on the existence of an unchanging social foundation of the traditional family in stable, permanent marriage with one parent in the home and the other the income earner.

The Commission did not foresee that the resources which would respond to free market forces would include the women who now participate in the paid workforce before and after marriage. This social change, along with corresponding intellectual awareness of it, no longer permits a defence of economic theory that simply uses the concept of neutrality without going beyond it to explain the social benefit or disadvantage of the behaviour which is marked out for policy favour, discouragement or indifference.

Canadian tax scholarship has been accused of assuming that “the legal reasonings provided by the judiciary determine the outcome of cases, and that judicial decision-making is neutral and largely autonomous”⁶³ The tax system has as its primary goal the payment of taxes to provide revenue for the government, and it requires that taxes be paid on income for this purpose, but its policy function is not limited to that pursuit. Any purposes beyond the raising of revenue must be justified, and must also conform to the requirements of the Canadian Charter of Rights and Freedoms since its introduction in 1982.

Case precedent has established that the legal interpretation of tax law allows for the recognition that income taxation may be used to attain certain policy objectives, and to encourage behaviour of one sort or another.⁶⁴ Under the modern approach to

⁶³ Berry F.C. Hsu, “The Politics in the Canadian Judicial Decision Making Process: Economic Analysis of Tax Litigation,” *Alberta Law Review*, 32 (1994), 742.

⁶⁴ *Stuart Invs. Ltd. v. Her Majesty The Queen* [1984] *Canadian Tax Cases* 294, 84 *Dominion Tax Cases* 6305 (S.C.C.)

interpretation of the *ITA*, the words are to be read in their ordinary grammatical sense in the whole context of the statute, including its underlying policy.⁶⁵ It is naive, or perhaps willful blindness, for either judges or the commentators on their decisions to hide behind the supposed neutrality of the tax system; the underlying policy of the provisions in question must be explained and defended as well. The *ITA* is without doubt a policy instrument, though one whose effectiveness is limited by the amount of income its targets may have.

As a policy tool, the *ITA* is open to debate over what its functions should be, beyond the collection of government revenue to fund the most basic and agreed upon public goods. In the post world war period, it was accepted that the Canadian tax system be structured progressively, and designed as efficiently as possible, in accordance with the public finance principles of horizontal and vertical equity. For forty years these principles were followed in the construction of an all-encompassing welfare state, in which the tax system played no small part as the source of funds for social programs, and to some degree as a vehicle for redistribution. More recently, conservative, neoclassical economic thought has advanced a public policy perspective that would limit the redistributive function, through greater emphasis on allowing individuals to maximize personal wealth and freedom of choice by less taxation. These fundamental beliefs as to what constitutes the greatest public good are what will determine tax policy towards the parental decision on how to provide child care.

⁶⁵ Arnold et. al., Materials on Canadian Income Tax, 96

As the above brief history of income taxation in Canada mentioned, income taxation was instituted on the assumption that there was only one wage-earner in the family, who was the father, and that the majority of wives worked in the home, providing household services and childcare that did not enter the calculations of the circulating economy. Marriage was expected to be lifelong and stable. Tax law was designed accordingly, to cover the vast majority of cases. In the past three decades these assumptions have been criticised and the empirical grounds for them undermined, as women have moved into the workforce, as the long term stability of marriage has evaporated and the divorce rate increased.

The course of legislative history in tax and family law shows considerable reaction to this turbulent social change. Family law legislation has spent most of the past 30 years after the introduction of no-fault divorce trying to develop adequate laws to provide for the support and maintenance of the family after it has broken down, as well as acting to protect the individuals involved in common law relationships when they have not sought to avail themselves of the legal advantages of a marital relationship. Similarly, tax law has altered its definition of spouse to include common law relationships, to extend the benefits of marriage to couples or parents who have not married, and to address the financial circumstances surrounding divorce. These changes have been primarily motivated to protect the weaker party *after* marital breakdown, most often the custodial mother and children, and have not considered the position of the stay-at-home spouse prior to marriage other than to provide discouragement for doing so, in the way of tax incentives to return to work.

3.3 Thesis argument

This thesis seeks to address the intersection of the personal and economic spheres in the decision of the secondary earner to provide child care unpaid in the home, or to work outside the home to obtain a second income and purchase child care. At present, the tax system provides certain tax advantages towards the decision to marry, the decision to have children, and the decision to have both parents work outside the home. It will be argued that the present system of tax advantages does not present a consistent set of provisions in the range of benefits allowed to parents raising children, and that instead it rewards one course of action against another - working outside the home and purchasing child care against providing unpaid child care in the home - to the detriment of the weakest party involved, the stay at home parent. And furthermore, it will be advanced that policies should be implemented that would be neutral between the decision as to how to provide child care, and which would act to protect the economic vulnerability of the parent providing unpaid child care.

3.4 Equity

Questions of equity in the tax structure introduce the idea of justice, and the need for public acceptance of the rules promulgated. The Carter Commission held that equity should prevail over all other policy objectives, on the grounds that “ Unless the allocation of the burden [of taxation] is generally accepted as fair, the social and political fabric of a

country is weakened and can be destroyed.”⁶⁶ The Commission held that in order to determine horizontal and vertical equity two questions had to be answered: “What personal circumstances should be recognized in allocating tax burdens among individuals and families? By how much should tax burdens differ between those in one circumstance relative to those in another?”⁶⁷

Horizontal equity requires that people in similar circumstances be treated similarly, echoing the legal precept that justice is done by treating like cases alike. The two kinds of equity are inseparable, and cannot be pursued independently. Again this pursuit was easier when dealing with single income families. Even so, Oldman and Temple in 1960 maintained that tax policy decisions were not obvious: “The initial question countries have had to answer in approaching the allocation of tax burdens is whether or not the characteristics of the marriage relationship are such that all married couples with the same total incomes should pay approximately the same total tax.”⁶⁸

Some tax theorists argue that provisions favouring one income couples should be eliminated in the interests of horizontal equity - in other words that the spousal deduction should no longer be available, as it “accentuates the unfairness present in the system from the exclusion from tax of the value of household services, which is greater in the one income couple.”⁶⁹ Others point out that the gradual reduction in the marital exemption,

⁶⁶ “Report of the Royal Commission on Taxation (Canada)”, in Penguin Modern Economic Readings - Public Finance, ed. R.W. Houghton, 143.

⁶⁷ Ibid.

⁶⁸ Oldman and Temple, “Comparative Analysis,” 596.

⁶⁹ Supra note 8 at 42. ????

along with tax reductions, credits and the transferability of unused deductions impose high marginal tax rates on the secondary worker of a married couple.⁷⁰

All these assume the circumstances of couples with one income are similar enough to those of couples with two incomes to warrant treatment as identical entities. This argument is usually countered on the grounds that such provisions simply offset the advantages of income splitting available to a two-income couple at the same income level, because they file their tax returns as individuals, not as a household and so are able to keep their income in lower tax brackets than were it taxed as an aggregate amount.

Vertical equity requires that people in different circumstances be treated appropriately differently, and so deals with the varying distribution of the tax burden across income levels, which in Canada is provided by progressive taxation rates and compensated for by other social welfare mechanisms. In the experiment above, by holding income constant across the family groups, and considering only the number of persons the total income was meant to support, any differing circumstances and so considerations of vertical equity were ignored to make the comparison of available after-tax income.

To construct an equitable tax system after the breakdown of the family over the past three decades, it must now be asked in addition, what is the correct tax burden to be imposed after marriage breakdown, especially when dependent children are involved? Are all parents with dependent children to be treated neutrally by the tax system? Or do different consumption patterns for working and divorced families legitimize differential tax

⁷⁰ Samuel A. Rea, Jr., "Taxes, Transfers and the Family," University of Toronto Law Journal, 326-328.

treatment? How should different arrangements of families with dependent children be taxed?

Those people setting tax policy now must decide what is equitable across a range of situations where there may be one or two income-earners, each making varying amounts. They must do so in such a way as to assist in the support of dependent children and possibly a dependent spouse, but also to assist the family where both spouses work, and the divorced family where two households are being maintained in such a way as to support the custodial spouse.

The differences in circumstances which resulted in the variation in after-tax income in the above analysis, such as number of households to support, number of income earners, and child care expenses, are important and instructive elements which must be considered. It is in a way disingenuous to treat all these families as identical, given such significant differences that would mean a great deal to each household's annual cost of living. If ability to pay is considered as the determining factor in setting taxation levels and advantages, then it is indeed proper to take into account whether or not the \$50,000 total income must be spent on one rent or mortgage or two, or on child care costs into the thousands.

In which case, the tax system may be structured equitably when it allows around 20% more after-tax income to dual-income families for the additional costs of child care, which no doubt are the greatest additional cost to having both parents work. And it may be equitable to allow 30% more after-tax income to divorced and separated parents to

take into account the cost of running two households. But this additional income will only be available to divorced and separated parents where the custodial parent works.

As Table 2 reveals, the divorced custodial parent who is not employed outside the home and who is entirely dependent on the non-custodial parent for support will now have to be paid out of the latter's after-tax income. With the CTB and GST credit added, their aggregate total income with benefits have been reduced to only 4.43% more than the one income family's, despite the need to support two households from it, where before the abolition of the inclusion/deduction provisions they had 22.92% more in aggregate total income.

The CanTax experiment revealed that the tax system has been structured to provide advantages to double income parents, and until the abolition of the inclusion/deduction provisions, for separated and divorced parents as well. It is for custodial parents with little or no income that the end result of the *Thibaudeau* case will have the greatest ill effect, where the tax system's systemic bias in favour of dual income parents will work against them. It is a sad irony that in the *Thibaudeau* case, the federal government could have been more vociferous in defence of the impugned provisions, but they were on politically shaky ground, as public support was on the side of Mme. Thibaudeau, generally decrying the injustice of the sections. In fact the provisions gave a tax advantage to the majority of the group to whom they applied, and their abolition will be a corresponding loss. Even a commentator who opposed the concepts behind the provisions conceded that:

“At low and middle income levels, both the fathers as payers and the mothers as recipients may need the tax benefit in order to provide for their children and themselves, as a result of their increased post separation costs. It is arguable that neither group can afford the losses resulting from complete removal of the present tax benefit now extended to payers or the continuation of complete taxation in the hands of the recipients.”⁷¹

There are conflicting bodies of thought on the idea that taxation should be based very simply on ability to pay. There is also the point of view that policy should look beyond ability to pay, and to take into account the incentives to certain forms of behaviour that tax advantages may exert before enacting any provisions. According to this vantage point, it may be undesirable to provide tax advantages to undesirable social behaviour such as divorce, or at least to strictly limit the tax advantages so that they cover only the increased costs of running two households and do not become an incentive in themselves.

Certainly, the CanTax experiment provides an illustration of the cost of separated or divorced families in tax expenditures to the government, aside from any other costs which arise in the form of higher expenses of the family law system, and not taking into account the social costs of family breakdown. These situations of high tax expenditure are also those which reveal the phenomenon of the feminization of poverty, as the custodial parent is most often the mother. If a tax system is desired which encourages the stability of marriage as a social institution by lightening its financial pressures, it is questionable

⁷¹ E. Diane Pask, “Canadian Family Law and Social Policy: A New Generation,” Houston Law Review, 3, footnotes 49 and 50.

why income-splitting was available to divorced couples and to married couples with two incomes, but not to married couples with one income.⁷²

The Canadian tax system will have achieved greater horizontal equity in this respect by the abolition of the income-splitting effect of the inclusion/deduction provisions, though as explained at the particular expense of those divorced custodial parents who are largely dependent on non-custodial parents. The situation of the single working parent still remains largely unaddressed, as they get little assistance from any of the ITA provisions apart from the Child Tax Benefit. This would appear to be a continuing violation of the principle of equity, if one does not take into account the social services available from other sources to single working parents. As pointed out by Stephen Rea, the use of tax credits promotes vertical equity only - the transfer of income from higher income to lower income families with children; tax deductions are a more suitable tool for promotion of horizontal equity, treating families of equivalent numbers and income the same⁷³, and the two policy objectives may conflict.

⁷² As an example of the incentive effects of social legislation being attacked for having good intentions but undesirable consequences, take for instance the recent debate in the United States over the incentive effects of the Aid to Families with Dependent Children (AFDC) program. Originally aimed at relieving the financial difficulties of widowed mothers with small children, it became the vehicle for support of young single mothers and their children, in numbers described by U.S. Senator Daniel Patrick Moynihan as amounting to 1.1 million in Washington, D.C. alone. This legislation was accused of becoming the motive behind many of these cases of single motherhood in order to obtain its benefits, leading to the severe modifications of the 1996 Federal welfare bill, which limited families to a maximum of five years on welfare when the average 'stay' is thirteen years. This was a positive program of benefits however, which might be distinguished from a structure of tax incentives which require income to take advantage of.

⁷³ Rea, "Taxes, Transfers," 332.

3.5 Arguments for incentives for two income couples

There presently exist a divergence of views as to which economic decision produces the greater public good; to have a system of taxation which encourages the presence of both spouses in the paid workplace, and to leave childcare in the hands of a paid professionals, or to subsidize spouses who remain providing childcare unpaid in the home. This lack of social consensus has had a strong effect on the development of public policy.

The economic argument has long been advanced that the performance of household services by a non-working spouse is a form of imputed income which they receive untaxed, whereas the two-income couple must purchase these services in the market with after-tax income. The theory of imputed income also assumes that the couple who both work outside the home have additional costs for transport, clothes but most of all child care. The policy conclusion has been that any tax treatment favouring one income couples should therefore be eliminated, to increase horizontal equity and reduce to a minimum the disincentive to work outside the home, which such favourable treatment places on the secondary worker (almost always the woman) by raising opportunity costs.⁷⁴

The present child care expenses deduction, which is restricted to the use of parents who are working, studying or doing research, was designed according to this economic logic. Notably, some economists have been of the opinion that the never-ending nature and extent of measuring imputed income made it impossible to estimate fairly, and so

⁷⁴ Ibid., 42.

rejected the idea that couples relying on one income were particularly better off than couples relying on two incomes,⁷⁵ or at least held that the difficulties of estimating it were insurmountable. The Carter Commission was also of this view. The finite hours and easily estimated costs of paid child care might be easier to impute income from than other household services, however.

Perhaps the strongest policy pressures have been from academics and tax commentators arguing for greater if not absolute neutrality in taxation bearing upon the decision to marry, and for incentives to enable the secondary earner to join the workforce. Critics, especially those writing from a feminist perspective, assert that the tax system's assumptions are now outdated and discriminatory to women by discouraging wives as secondary workers from seeking employment, and by favouring marriage at all.⁷⁶ Even if it is recognized that horizontal equity is offended by not taxing family units of equal income similarly, preferring those with more than one earner, the argument is advanced that equity should yield to the temporary policy goal of equalization of women in the social and economic spheres, "even to the extent of discriminating against one part of the disadvantaged group, in this case, women who form part of one-earner family units."⁷⁷

From a feminist perspective, there are multiple reasons to encourage women to work outside the home; most of all to lessen the risk of dependency on men, but also to encourage their rate of saving which is ordinarily so disparate from men's, to prevent later

⁷⁵ McIntyre and Oldman, "Taxation of the Family," 1587-1588.

⁷⁶ E.g., Maureen A. Maloney, "Women and the Income Tax Act: Marriage, Motherhood, and Divorce," Canadian Journal of Women and the Law, 3, 182.

⁷⁷ Jack R. London, "The Impact of Changing Perceptions of Social Equity on Tax Policy: The Marital Tax Unit," Osgoode Hall Law Journal, 26:2 [1988], 294.

dependence on the state, and to enhance their ability to be self-sufficient. The recommended course of action is that “(f)iscal policy that favours and facilitates the emerging economic independence of women who earn income is to be given primacy of place.”⁷⁸

The reasons behind this policy pressure arise from concern about the vulnerability women expose themselves to in marrying, when “(s)ex-based inequality in the economic impact of divorce has been shown to arise from the sharing of distinct roles and functions within the family”⁷⁹ such that “marriage and child care has statistically shown...to almost result in a rebuttable presumption of economic disadvantage where childraising is concerned.”⁸⁰ For the same reasons, advocates from the child care lobby aim at avoiding the further privatization of child care, at increasing the number of public non-profit child care spaces and enhancing the role of the state in child care, and so oppose further private tax relief.⁸¹

The possibility of later economic weakness, among other aspects of traditional womanhood to which they object, leads some feminist commentators to go so far as to conclude that distinct roles and functions are to be discouraged entirely, and that both spouses should be encouraged to work outside the home and purchase child care accordingly, as part of a much broader move to “deprivatize and ‘defamiliaze’ [sic] not

⁷⁸ *Ibid.*, 303.

⁷⁹ E. Diane Pask, “Canadian Family Law,” 499.

⁸⁰ *Ibid.* See also Nitya Duclos, “Breaking the Dependency Circle: The Family Law Act Reconsidered,” *University of Toronto Faculty of Law Review*, 45 (Spring 1987), 3

⁸¹ C.F.L. Young, “Child Care and The Charter: Privileging the Privileged,” *Review of Constitutional Studies*, 2 (1994), 34-35.

just the tax treatment of child support but the social benefits and entitlements of women and children more generally”⁸²

This argument forms part of an ideological perspective which at one extreme questions the existence of masculine and feminine roles other than as social constructs, and which has a wider agenda of countering policies which they consider involve “perpetuation of beliefs about sex identity, legitimating the sexual division of labour, current ideals of femininity, and women’s subordinate position in society as a whole.”⁸³ Ostensibly this is done to protect women from the disadvantages of traditional heterosexual relationships. In economic terms, it translates into a tax and social policy structure which encourages both parents to work, with a paid child care worker looking after their children, ideally funded by the state. This showing up statistically as higher GDP, as a larger workforce, and as greater disposable income in the economy.

3.6 Universal child care as policy statement on value of parental child care

Were a government-funded, universal child care system actually put in place as advocated, the contrast between the tax treatment of two income and one income parents would become even more pronounced. Because of their belief that the overriding policy priority must be to facilitate women’s equality with men through economic independence, members of the child care lobby and others who wish to see such a system in place are

⁸² Phillipps and Young, “Sex and the Charter.” 226.

⁸³ Ibid., pp.250-251. See also the approach of Judith E. Grbich in “The Tax Unit Debate Revisited: Notes on the Critical Resources of a Feminist Revenue Law Scholarship,” Canadian Journal of Women and the Law, 4 (1990-91), 512-538.

generally opposed to further tax relief to individual parents, or “privatization” of child care, in favour of a greater role for the state.

To implement such a system under the present tax structure would result in a policy valuing paid child care over unpaid. The emphasis on economic independence results in an extremely materialistic policy approach, which considers paid child care a greater social good than the same work done by a stay-at-home parent, simply because it is paid. Such policies act against the interests of those they are purportedly assisting, by leaving the stay-at-home parent in a relatively more vulnerable position, especially the divorced stay-at-home parent after the abolition of the inclusion/deduction provisions, as the CanTax experiment shows.

If those who hold themselves out as representing the interests of women truly have the interests of all women at heart, they would not support policies which act against the weakest of the group they are avowedly helping, but would support policies specifically designed to assist those spouses who choose to make the altruistic sacrifice of employment and its benefits to provide child care in the home. At the very least, they should support policy measures which would be neutral between the decision to take the latter course, or to take paid employment. Otherwise, the same social contribution - child care - is only recognized and encouraged by public policy when entered into as a paid child care worker, and discouraged when done as a parent.

3.7 Argument for neutrality in taxation towards child care decision

The problem with policies favouring dual income couples in order to foster the economic independence of women above all other policy goals, is that they act against the interests of those spouses, who may very well be women, who choose nevertheless to make the economic sacrifice of forsaking employment in order to provide childcare in the home.

The argument has been made that from an efficiency point of view, the tax free status of child care in the home induces too much home production relative to market production, and that child care expenses should be deductible if the wish is to offset this effect.⁸⁴ An additional feminist objection is that this reinforces that traditional economic dependence of women on men.⁸⁵ This begs the question however; what if parents consider the primary reason for their employment to be able to raise and support a family, in which they would prefer to have one parent provide child care in the home? Who decides whether there is too much home production relative to market production? What if the purpose behind market production in the first place is to enable more home production? This is where parental preferences should prevail.

There are likely class differences in the priority put on employment and the reasons and satisfactions derived from it. People from higher socio-economic levels are more likely to put greater emphasis on the status and satisfaction derived from what they consider a career, and correspondingly hold persons who attain status in this area in greater esteem than those who do not. Whereas people working at a lower socio-economic level, at

⁸⁴ Rea, "Taxes, Transfers," 332-333.

⁸⁵ Maloney, "Women and the Income Tax Act," 193.

lower paying jobs, may be more prone to consider work as a means to external ends, and not expect that it be intrinsically satisfying, instead seeing it primarily as a way to support their family. Given that the first group is likely to have a stronger political voice, and that the authors of government policy are likely to share their perspective, their expectations are more likely to be reflected in government policy.

Whether done from a desire for the heightened level of interest and intensity shown in the children when the caregiver is a parent rather than a paid child care worker, or to fulfill the parent's own desire to carry out their maternal or paternal role full time, the parental decision to have one spouse provide childcare in the home is at least as valid and worthy of public support as the decision of the secondary earner to enter the paid workforce. It should be respected as altruistic, volunteer behaviour done for understandable reasons, and the parent sacrificing employment to provide care is deserving of consideration in the design of the tax system.

To implement this consideration places those individuals responsible for formulating tax policy on the horns of a dilemma. So far, the tax structure has impliedly recognized imputed income for work done in the home (ignoring the Carter Commission's belief that it is too difficult to evaluate). It does so because a progressive tax system results in the married couple with one income being taxed more than the couple with two incomes adding up to the same amount, in spite of their additional advantages in the form of the child care deduction, and of some degree of income-splitting. Those who argue that the tax system should do precisely this in order to encourage the presence of both spouses in the workforce have obviously been the determining influence in policy-making.

But this is punitive of those parents who decide to provide child care in the home and who in doing so forsake the economic protection of continued employment of one spouse.

3.8 Opportunity cost to the stay at home spouse

Though most tax theorists recognize the imputed worth of the work done in the home, the opportunity cost of the lost employment to the stay at home spouse is not taken into account in the tax system at present. The literature on the subject is dominated by those who emphasize the economic independence of women at all costs. Accordingly, the childcare expense deduction is largely seen as a form of recompense for household services which must be purchased rather than provided for in the home, and at the same time a form of recognition of homemakers' services as imputed income.

This is at the very least ironic, as the practical result of recognizing home child care as imputed income is to impose higher taxation where there is less ability to pay. The one income family has one income earner supporting three dependents; the two income family has two earners supporting two dependents. This is an important difference. The result is as the CanTax experiment demonstrated; one-income families go home with the least after-tax income, and so render the stay at home spouse even more economically dependent on the working spouse (in most cases the husband), entirely contrary to the proclaimed goals of modern policy.

The concerns expressed by commentators about the economic disadvantage arising from providing home child care during marriage and leaving the labour force are entirely valid. There is a problem in the erosion of the economic position, of the bargaining power

as an economic agent, of the stay at home parent. The education, training, and work experience of the stay at home spouse atones; the loss of seniority and present income diminishes their ability to find better paying jobs and to accumulate income and savings.

The longer they remain out of the labour force, the more dependent they become on the income earning spouse, not just for present support but even more for future income and pension. Interminable debate in the family law courts has attempted to address this very issue, of estimating the lost income opportunities to spouses who remained in the home over varying periods of time and who are facing divorce and the prospect of self-sufficiency,⁸⁶ in order to determine the amount of compensation for the “unjust enrichment” gained by the income-earner who benefited from the housekeeping and child care provided while they gained experience and seniority in their workplace. One study of forty-four reported decisions since 1992 found that “most courts calculate the post-divorce loss of income suffered by a spouse arising from care for the children and will normally require payment of spousal support equal to half of this value”⁸⁷ in order to share the cost equally between the parents.

The policies advocated by those who wish to promote the economic independence of women do nothing to shore up the economic position during marriage of those who

⁸⁶ See especially Alfred A. Mamo, “Taxes, What Taxes?-- Should the Court Discount Future Economic Loss Projections for Notional Taxes?” Canadian Family Law Quarterly, 10, 299, and Carol J. Rogerson, “Judicial Interpretation of the Spousal Support Provisions of the Divorce Act, 1985,” Advocates’ Quarterly, 12, 31, detailing attempts of family law courts across the country to calculate the lost income and opportunities to wives of divorcing couples over the period of the marriage, in order to calculate spousal support amounts.

⁸⁷ Christopher J. Bruce, A Contractual Model of the Determination of Spousal Support Upon Divorce (unpublished), cited in Pask, “Canadian Family Law,” footnote 24.

choose to stay at home to raise their children; as the end result of the *Thibaudeau* case has shown, they do even less for those who wish to stay at home with their children after marital breakdown. The result is inequities between the situation of one income and two income families, illustrated by the difference in after-tax income shown in the CanTax experiment. As noted above, some commentators are prepared to accept this as the price of making women independent.

The inconsistency in their policy approach becomes evident when they acknowledge that in the event of marital breakdown, it is the stay-at-home spouse who will bear the brunt of the resulting economic disadvantage, but still advocate further measures to reward dual income families, rather than measures which would provide more economic security within marriage. After a review of 267 cases dealing with child and/or spousal support, Carol Rogerson concluded that given the courts' foremost emphasis on promoting the self-sufficiency of the spouses after divorce, the group suffering most under support legislation ..are "younger women whose marriages break down when they are in their 30's or 40's, who had reduced or ceased their participation in the labour force during the marriage, and who are often left with the post-divorce responsibility for the care of children."⁸⁸ An additional problem is that the courts' notion of self-sufficiency is reached at a very low level, which does not take into account the costs of supporting children nor the opportunity cost of having forsaken employment to look after them.⁸⁹

The extent of the disadvantage is compounded when one considers not just the present income forsaken by that parent, but also all the future benefits made possible by

⁸⁸ Rogerson, "Judicial Interpretation," 385.

⁸⁹ Ibid.

paid employment. As Pask puts it, "the noneconomic advantage of well brought-up children hardly compensates for the economic disadvantage of lost job skills, self-confidence, or inadequate curriculum vitae."⁹⁰ All but the stay at home spouse will be direct beneficiaries of the unemployment system and the Canada Pension Plan. The stay-at home spouse will also have forsaken years of opportunity to invest in RRSPs, so that even though a share of the other spouse's RRSPs may be received upon divorce, it will not amount to the same advantage as that gained by having worked those same years.

The taxback of the marital exemption as the dependent spouse becomes a secondary earner has been cited as an instance of high rates (from the spouse's income tax rate) acting as a disincentive to return to work.⁹¹ In fact, the break-even point for the secondary earner *with children* returning to the workforce will be the amount of child care costs. A child may add anywhere from 12% to 34% to family expenses, according to one calculation.⁹² Acting as a rational economic agent, the stay at home spouse will not return to employment unless he or she is likely to make considerably more than that amount, though the additional long-term benefits of gaining work experience and seniority, and of contributing to the CPP and to an RRSP provide considerable incentive beyond that.

⁹⁰ Pask, "Canadian Family Law."

⁹¹ Rea, "Taxes, Transfers," 327.

⁹² Ibid., p. 331.

3.9 Economic thought on the incentive effect of taxes on child-raising

The argument advanced by this thesis is not without support in some economic literature, in the area of the incentive effect of taxation structures on economic agents' decision-making. Where neutrality is adhered to in order to ensure that peoples' economic decisions will not be influenced by the presence of a tax, incentives encourage certain economic behaviour through the use of tax advantages unavailable to other taxpayers. They are implemented on grounds decided outside the economic framework, most broadly speaking that the results of the encouraged behaviour are socially desirable and so a legitimate distortion of neutrality.

It may seem unrealistic to suggest that a couple would make the decision to marry, or to divorce, or to work, solely on tax grounds. Nevertheless the economic literature on divorce stresses that divorce will be encouraged if there is a net gain to both parties, for instance if the tax saving from separation and divorce exceeds the increased cost of living in two households.⁹³ For rational economic agents prior to the abolition of the inclusion/deduction provisions, the incentives in the Canadian tax system were structured to reward dual employment and divorce; they now reward dual employment.

The notion that tax levels could affect decisions such as how many children to have and how to raise them did not have much credibility in 1960, when influential tax commentators Oliver Oldman and Ralph Temple (whose work greatly influenced the Carter Commission) were of the opinion that "tax considerations are with rare exceptions of minor importance in the making of decisions to marry or bear children"⁹⁴. However, if

⁹³ *Ibid.*, p. 335.

⁹⁴ Oldman and Temple, "Comparative Analysis," 602.

one accepts the assumptions of economists such as Gary Becker⁹⁵ that parents are rational economic agents who will take expected income levels, taxation levels and cost of raising children into account in deciding what their legal relationship is to be with the other parent, or the extent to which household and childcare services will be purchased or provided unpaid within the home, the treatment the tax system accords parents of varying marital circumstances in the support of their children becomes very important. As Maureen Maloney put it, "From a social perspective it seems ironic that a society which chooses through its Income Tax Act to appear neutral in the decision to marry should subsidize and accordingly encourage divorce, although admittedly it is unlikely that income tax implications will affect decisions to divorce."⁹⁶

A generation of economic scholarship applied to demographics has since then provided a body of research indicating that taxation may strongly influence the workforce participation rate and the fertility rate through its effect on the income of married women.⁹⁷ While it may be more difficult intuitively to agree that the level of taxes will dictate how many children a family will have, it is perhaps easier to accept that the taxation level may help determine whether the one parent provides child care in the home, or earns a second income and purchases child care.

⁹⁵ Author of among other works A Treatise on the Family (Cambridge: Harvard University Press, 1981).

⁹⁶ Maloney, "Women and the Income Tax Act," 208.

⁹⁷ Starting with the seminal work by Gary Becker in his book A Treatise on the Family, surveyed in Yoram Ben-Porath, "Economics and the Family - Match or Mismatch? A Review of Becker's A Treatise on the Family," Journal of Economic Literature, 20 (March 1982), 52.

Though some of the literature recognizes that one of the most important costs of raising children, estimated at 40% of their cost, is the market wages forgone by a parent, usually the mother,⁹⁸ on the whole there appears to be little appreciation of the opportunity cost to the parent in the home. In spite of this, Gary Becker in contemplating the demand for children points out that the number of children a family will have is strongly negatively related to the wage rate or other measures of the value of time of wives, and is more often positively than negatively related to the wage rate or earnings of husbands.⁹⁹

He argues that such incentives may have effect in the most personal spheres, such as the decision to have children and to work outside the home. Considering children as a commodity, the demand for which depends on their price relative to the price of all other commodities, he proposes that the relative cost of children is significantly affected by changes in the value of the time of married women, because the cost of the mother's time is a major part of the total cost of producing and rearing children.¹⁰⁰ Furthermore, he posits that the demand for children will depend on the desired quality, measured by the level of schooling, so that an increase in quality means a higher cost for each child, and an increase in quantity raises the cost of adding to the quality of each child, as more children would be affected. The end result is that moderate initial increases in the initial price of children could explain both the large declines in fertility and the large increases in quality.

⁹⁸ Rea, "Taxes, Transfers," 334.

⁹⁹ Becker, "Treatise on the Family," 98.

¹⁰⁰ Ibid.

Economic development can also affect fertility and the quality of children, Becker argued, because rates of return on investments in education and other human capital increase. Combined with a rise in income, which can reduce fertility through the interaction with quality, there can be significant effects on fertility even when the true income elasticity of demand for children is positive and sizable.¹⁰¹ If that is the case, then tax provisions which provide greater incentives for the secondary earner, most often the mother, to work outside the home means that there will be a greater return from employment and so make children relatively more costly. Tax provisions which were neutral between the decision to provide child care inside or outside the home would slightly decrease the cost of having children to parents in both one-income and two-income families.

3.10 The nature of children as economic entities

Though it may have considerable explanatory power by linking the increasing earning power of women in developed countries over the last 100 years to the increase in labour force participation of married women and the large decline in fertility, the argument that children are a form of commodity has certain drawbacks.

The treatment of a family with dependents will differ according to whether public policy considers having children to be discouraged, tolerated neutrally or encouraged. Considering children to be merely a matter of their parents' consumption decisions, without external social effects or benefits, leads to the present policy situation which is

¹⁰¹ Ibid., 112.

structured to prefer the presence of both parents in the workforce and child care purchased outside the home.

This will be reflected in higher figures in employment and GDP; but as well as weakening the economic situation of those who choose to provide child care in the home, it raises the opportunity cost of having children, and results in uneven policy results across different federal government departments. Take for example the inconsistency between having an immigration policy whose numbers are dictated by the low Canadian birthrate, which has been below replacement since the early seventies, or federal social programs whose future operations are jeopardized by the same, while at the same time having a tax system which does not attempt to ease the financial burden of having and raising children.

Children are definitely an expense to parents, but surely a unique one. To characterize them as commodities, which sounds as if they are on the same level as tea, coffee and raw jute, takes rather extreme a materialist approach to analysis. Furthermore it is an inaccurate one. True commodities are raw materials, primary products, consumed in the production of some other entity or refined to be consumed themselves. (To be fair, the commodity theory was later revised: "Becker's more recent work on altruism, in which children's utility or income appears in the parental utility function, relieves this theory of the imperfect analogy between children and durable consumer goods.")¹⁰²

A child is an end in itself, with characteristics entirely apart from the satisfaction he or she may bring to his or her parents. A more precise description in economic terms might posit them as another consumer from birth, and thereafter as raw material in the

¹⁰² Ben-Porath, "Economics and the Family," 59.

process of production of their adult selves. Sooner or later they will be a member of the labour force as well, and the quality of human capital that they provide may be closely related to the caliber of upbringing that they have received.

The returns to parents from children are now intrinsic rather than monetary. Though there may remain some economic safeguard in having children to look after you in old age, this is not the primary reason advanced for having them, as it is now commonly assumed that individuals will work to provide themselves with income and savings to support themselves during their adult lives, and to avoid being a financial burden to the next generation. Children are more accurately described in an economic sense as an investment in human capital by their parents at considerable personal expense, for little or no economic return to themselves but to considerable benefit to the general public, by providing both a consumer and producer/ worker for the next generation. Some have gone so far to suggest that children be treated as a tax-free contribution to the national good. In contrast, the situation of the stay-at-home spouse is one of erosion of marketable human capital, and the gradual transformation into someone dependent on the income-earner.

All the more reason that the tax system should make allowances for those parents who decide to accept the opportunity cost of foregoing one income and the resulting economic insecurity in order to provide child care and other household services in the home. By eliminating the inclusion/deduction provisions, an advantage available only to the separated and divorced has been removed and so the playing field of child support somewhat levelled. It would have been more generous to the child-supporting taxpayer if

income-splitting had been instead extended to include all parents, regardless of the state of the parental relationship.

3.11 Proposed policy solutions

Making the tax system neutral as to the decision to provide child care in the home, through the extension of some form of tax advantage for child care whether provided in the home, or in the form of child care expenses when both parents are employed, would allow parental preferences to prevail in the child care decision while providing greater economic protection to the stay at home spouse.

Ideally, any tax relief provided for child care in the home should be tied to the spouse providing the care, in order to provide some form of protection against their weakening economic situation. A suitable means for this might be to allow an RRSP amount beyond the RRSP contribution limit of the working spouse and equal to the child care expenses deduction, to be made out in the name of the stay at home spouse. To the extent that that provision is not used, a deferred RRSP could be created in the name of the stay at home spouse, for use upon their return to the workforce. Should universal child care be introduced, the most equitable way to implement it would be through the use of a tax credit or voucher, which could be directed towards the child care worker of the parents' choice, be it an institution or a family member, including the parent or a near relative.

Another possibility would be to allow the child care expense deduction to be paid to the stay at home parent, or to a close family member, as a form of income splitting of

greater benefit to lower income families who would be less able to take advantage of the RRSP provisions.¹⁰³ The drawback would be that though these payments would free up more after-tax income to support family members during marriage, there would not be the same long term protection of the stay-at-home spouse's economic position whether inside or outside the marital unit.

In the debate over taxation of families, it does not appear to be generally grasped that one income families have one source of support and three dependents, whereas two income families have two sources of support and only two dependents. This is indirectly acknowledged in the *ITA*, in that the spousal exemption may be used by a single custodial parent as a dependent's exemption for one of the children. Ideally this should be more explicitly taken into account in the design of the tax system. Tax provisions which recognize responsibility for the support of children, whether for custodial or non-custodial parents, do make sense on the grounds of ability to pay. Stephen Rea points out that if tax and transfer policies are based on need, then they must reflect family composition as well as income, if needs are affected by family size.¹⁰⁴ He also finds using equivalence scales that "the existing Canadian tax system provides far less tax relief to those with a child than would be necessary to restore the consumption of the parents, particularly at higher income levels."¹⁰⁵

Though the likelihood of introducing the family as the unit of taxation is remote, a concept such as the household makes sense if ability to pay is to be the determining factor.

¹⁰³ I am indebted to Professor Alvin Esau for bringing up this point.

¹⁰⁴ Rea, "Taxes, Transfers," 315.

¹⁰⁵ *Ibid.*, 331.

The French tax system offers a model for income-splitting, which divides up total family income into a number of “parts” according to the number of persons in the family, applies the individual tax rate to each part and demands payment of the aggregate tax.¹⁰⁶ It would result in the most equitable tax system to aggregate household income and divide it amongst the number of dependents, of which the stay at home spouse would constitute one. This tax structure could still allow the added RRSP contribution/deferral as earlier suggested, to continue to provide a degree of economic security to the stay-at home spouse.

3.12 Why there is no reason to fear the effects of the suggested provisions

Critics may argue that to institute the proposed provisions would induce a false sense of security, and perpetuate the phenomenon of women staying home to raise their children only to end up with very little ability to support themselves should the marriage end years later, when it would be practically impossible for them to earn income levels with which they could take advantage of the RRSPs. The answer to this lies in the family law system, which should properly regard women having made this sacrifice as permanent dependents of their former spouse. Unfortunately, this has not been the pattern; the courts have chosen to follow other approaches, such as the need for a “clean break” between the former spouses, and the need for self-sufficiency on the part of the lower-earning spouse¹⁰⁷.

¹⁰⁶ Dulude, “Taxation of Spouses,” 71.

¹⁰⁷ As described by Mamo in “Taxes, What Taxes”, and Rogerson in “Judicial Interpretation”, cited above.

More recently there has been debate over a move towards the “human capital” model, which does much more to protect the sacrifice of the stay-at-home spouse. As described by Mamo, this model “recognizes the fact that in most marriages, the fusion of the human resources of the spouses has long-term, if not permanent, economic consequences and as such the “lump sum clean break” approach is neither possible nor practical. The most valuable asset that most families possess is the actualization of a person’s capacity to earn income and there is no practical or realistic way to divide that asset except for the ongoing participation by the spouses in the splitting of that income.”¹⁰⁸ For the moment, the courts’ emphasis remains on self-sufficiency, rather than the financial consequences of child care.¹⁰⁹

A tax system neutral between the decision of the secondary earner to provide child care in the home vis-à-vis purchasing it, would no doubt be strongly objected to as encouraging women to place themselves in this historically vulnerable position. However, this might not occur as often as anticipated, for the same reason why providing tax advantages to the stay at home parent would not likely result in that many spouses taking advantage of its provisions after the return of their youngest child to school.

As long as potential income exceeds child care costs by a significant amount, it is unlikely that the stay at home parent will provide child care in the home for long after the youngest child is enrolled in school full time. The opportunity cost from staying in the home, even with the added economic protection of the proposed RRSP benefits, would

¹⁰⁸ Mamo, “Taxes, What Taxes,” 310-311.

¹⁰⁹ Rogerson, “Judicial Interpretation,” 397. See also Ellen Zweibel, “Child Support Policy and Child Support Guidelines: Broadening the Agenda,” Canadian Journal of Women and the Law, 6 (1993), 377.

not likely exceed the gains from external employment. Also it seems unlikely that the secondary earner would seek work outside the home if the prospective income didn't exceed whatever the increased costs were that it resulted in - clothing, transport, residual childcare and housekeeping.

It should not be forgotten that in a climate of economic uncertainty, general job instability makes two incomes more attractive: to spread the risk of job loss, and to make greater efforts to procure long term economic safety, by having both parents employed. In the situation here described, it may be that the only women who choose to stay at home to provide child care are those whose husbands are wealthy enough to allow them to do so, or those whose income would be so low that it barely covers the cost of child care and isn't considered worthwhile. Furthermore, parents who wish to have one spouse remain at home with the children will want to be as certain as possible of their sole income; in cases where the mother has the more reliable or greater income, the decision may well be made that the father stay at home with the children.

Given the scale of the movement of women into the workforce over the past thirty years, it is entirely arguable that their presence there is now the norm. The post war increase in the labour force participation rate by women has primarily been made up by women with children at home.¹¹⁰ In 1990, 71% of couples with children aged 18 or younger in the house-hold were dual-earners, with both parents having some employment outside the home, if not full time employment.¹¹¹ Today it is more accurate to assume

¹¹⁰ From Statistics Canada - Catalogue 75-001E, in Penny Basset, Perspectives (Summer 1994), 37.

¹¹¹ From Statistics Canada - Catalogue 75-001E, in Katherine Marshall, Perspectives (Autumn 1993), 23.

that both parents work, with the result that, put another way, “the most significant economic consequences of marriage generally flow from the birth of children rather than from marriage itself.”¹¹² If the income that would be given up is much greater than the cost of child care, the influence of tax incentives on the child care decision may be marginal.

Should the state act to protect the altruistic, economic sacrifice of the stay at home parent if that is their decision, given the overwhelming incentives to work, the most likely result would be merely a temporary interlude in a working life of several decades, until the youngest child is in school full time. For women leaving “mid-length marriages,” a policy arrangement such as the RRSP provisions proposed could be of real assistance upon their return to the workforce, as they would have a long enough period of employment ahead of them to take advantage of them. For women leaving very long marriages in which they have never worked outside the home, the courts are apparently more sensitive to their inability to become self-sufficient and make awards with a greater degree of sensitivity, though the amount of spousal support may still be questionably low.¹¹³

The theory of imputed income provided a more accurate reflection of the real situation when women’s incomes outside the home were low or negligible. It would have been a lower opportunity cost to provide child care in the home, and less income forsaken by doing so. The most important part of Becker’s thesis for the child care decision is the effect he predicts of the higher income levels now reached by women. His work suggests that even a relatively small incentive may make an important difference in decisions made

¹¹² Rogerson, “Judicial Interpretation,” 390.

¹¹³ Ibid., 400.

at the margin; that any rule which affects the relative costs of one activity versus another might tip the balance of the decision, even in the most personal areas.

Tax incentives and disincentives may have an effect on the decision to work or to provide childcare, but their effect will be marginal in the face of the long term benefits of paid employment. Mme. Thibaudeau and Ms. Symes are both in their own way illustrations of this effect: women whose income levels have blurred the line between personal expenses and the expenses of "doing business" or working, and which have led them to challenge the established order in taxation, though to the detriment of women who were less fortunate in their careers.

Perhaps what has happened, at least in the wealthy industrialized western countries where the fertility rate has dropped below the replacement rate, is that incomes are now so high that children have become a luxury rather than a necessity. The movement of women into the workforce at wage levels which have gradually been approaching that of men, combined with the movement towards a high-tech economy requiring a highly skilled, well educated labour force means that the cost of having children has been pushed up from two directions.

The cost of children is up on the one hand from the increasing cost of time and income forgone on the part of the mother by having them, and on the other from the actual cost over the children's early lifetime of educating them to the point of self-sufficiency. And because children are no longer relied upon as a source of support in old age, they no longer have the pension-like qualities that used to provide an economic incentive to have a family. In an economy which following Becker's thesis demands well-

educated, “high quality” children, rather than larger numbers of less educated children who would be correspondingly less able to support themselves, could children have become too expensive to have anymore?

If this is the case, then serious social problems arise, because while the personal benefits of children which accrue to parents are intrinsic and do not lead to any financial return, the social benefits from the production of the next generation remain necessary to society at large. This is reflected in the fact that while the policy underlying the *ITA* has been to assist in the functioning of a two income family, which according to Becker effectively raises the cost of children, the federal government has simultaneously been encouraging immigration in large numbers, in order to maintain the replacement level of Canada’s population and to provide the workforce to support Canadian universal social programs. If this scenario is at all accurate, public policy should be moving towards relieving parents of the entire cost of raising children, in order to give incentive to have them at all.

CHAPTER IV

4.1 Conclusion

This thesis has asked the question, what should public policy in taxation law be towards the decision as to what course of action parents will take in choosing child care? On the premise that child care means full time adult supervision until the youngest child is in school full time, does tax law encourage both parents to work outside the home and purchase care, or does it favour the decision to have one spouse providing child care unpaid in the home?

The results of the CanTax experiment showed that at the same level of income, the tax structure is designed to favour dual-income parents, who are able to take advantage of income-splitting because of the early adoption of the individual as the tax unit in the Canadian income tax system. The inclusion/deduction provisions in ss. 56 and 60 of the *ITA* compounded the income splitting effect, by allowing separated and divorced parents a further tax break on child support (and alimony and maintenance) payments. Their abolition, threatened to take effect in May 1997, will significantly lessen the amount of after tax income available to these families, and will have the harshest effect on custodial parents (and children) who rely largely on the non-custodial parent for support.

Policy pressures from commentators of feminist persuasion emphasizing the economic independence of women above all other policy goals have been translated practically into tax provisions to encourage married women with children to work outside

the home. The achievement of equality with men is seen to be reached through success in the public economic sphere, which requires relief from responsibility for child care in order not to compromise women's financial independence. To avoid the historic pattern of dependence on the husband, which is nowadays so often dashed on the rocks of marital breakdown, the self-sacrificial results of staying at home to care for children are seen in the long run as too detrimental to the spouse who does so, and so is deliberately discouraged.

Hence the emphasis on tax provisions to relieve child care costs in cases such as *Symes*, (though in that case the plaintiff was looking only to benefit the very narrow group of self-employed women) while the child care expenses deduction specifically forbids the payment of child care costs to a parent or family member. Hence the lobbying for a universal child care system, but one which strictly opposes the extension of further tax relief for private care.

In both the *Symes* and the *Thibaudeau* cases, the plaintiff was lobbying for recognition of discrimination based on her status as a woman with child care expenses. In both cases, they were supported by the media and women's groups who believed their causes were in the interest of women generally. But in both cases, a closer economic analysis reveals that their success would have been to the relative disadvantage of the great majority of women in similar circumstances.

Symes believed she was acting to the benefit of women in bringing a constitutional challenge to the limitation on child care expenses, to further facilitate women's ability to work outside the home. But had she succeeded, she would have placed self-employed

women in a position grossly more advantageous to the position of employed women by allowing them the full deductibility of child care costs. Thibaudeau believed she was acting to the benefit of divorced custodial parents (the majority of whom are mothers) by refusing to pay the taxes required by the *ITA* on the child support payments received from her ex-husband, whose income was close enough to hers to eliminate the tax advantage from the income-splitting which those provisions allowed.

Though she did not succeed, her challenge led the federal government to re-examine the provisions, and with the public support for Thibaudeau in mind, to announce their abolition as of May 1997, taking \$400 million dollars of after tax income from separated and divorced families, by the government's own estimate, though this was done in conjunction with legislation requiring courts to take into account the tax consequences in determining child support awards. and amid promises to use the tax revenues to help the lot of low income parents and children. The guidelines for child support payments have themselves been the subject of considerable public criticism for altering the family law policy, which up to this time has looked to the relative abilities of both parents to provide for the support of their children, to one which looks solely to the income of the non-custodial payor, without regard to the financial capacity of the recipient.

The conclusion reached in this thesis is that the CanTax experiment and the cases examined above demonstrate that the policy emphasis on the economic independence of women, solely through the promotion of provisions which favour employment outside the home, have in fact resulted in a tax structure which relatively (and sometimes absolutely) penalizes the stay at home spouse, who is most often the woman. And furthermore that

no attention has been paid to any other method of protecting the economic position of the stay at home spouse.

An alternative approach to the child care decision was advanced, based on the argument that child care provided in the home by a parent is at least an equivalent social good to having both parents work outside the home, and towards which taxation policy should at least be neutral. This argument is highlighted when the ideal scenario to achieve the economic independence of women is described as child care lobbyists would now have it: a state-run universal system of child care, which would employ as fully paid child care workers everybody but the child's actual parent. Children are better seen as a long-term investment in human capital, necessary for long-term public welfare, whose value to the parents is certainly more intrinsic than financially rewarding. To promote secondary employment outside the home when child care must be some how obtained results in policies which further disadvantage those who are already made economically vulnerable by sacrificing one income and the savings and other benefits which would accrue with it. At the extreme, it implies that only work entering into the circulating economy has value to society, and places the importance of another body in the workforce above the purpose of being in the workforce, which is usually to the end of supporting oneself and one's family.

There is no denying that the stay at home spouse by doing so weakens their position as a bargaining agent in the workplace, and loses the considerable benefits of employment, including present and future income, with its auxiliary attractions, some of which in the long run are of crucial importance: work experience, seniority, pension, and

especially the additional RRSP contribution room available when both spouses rather than just one works. Feminist critiques are accurate in their distrust of the risk taken by women in making this decision; however they wish on the whole to discourage it entirely.

This thesis argues instead that while admittedly a self-sacrificial act, it is a social good nevertheless which many parents may wish to choose, and that social policy should accommodate this desire and try to protect the secondary earner through provisions targeted specifically at them by placing the tax relief in their name. The proposed method would be to neutralize the tax consequences of the child care decision by allowing as an additional RRSP contribution by the one income family an amount equal to the child care expenses. This RRSP would have to be registered in the name of the stay at home spouse, and to the extent that it was not used, it could be deferred and accumulate for use upon the return of that spouse to the workforce. Other instruments of tax relief could no doubt be devised which might work more effectively in neutralizing tax policy towards the child care decision; but the key element would have to remain that they somehow accrued in the name of the stay at home spouse during the marriage.

A pre-emptive strike was made against critics of this proposed form of tax relief, with recourse to the economic ideas of Gary Becker. He was attempting to explain a three-fold phenomenon: the mass movement of women into the workforce, the high rate of marital breakdown, and the drop in the ‘demand for children,’ in other words the reduced fertility rate, which in all the industrialized Western countries has been below replacement for a generation. Becker linked the relative cost of children, and the desired “quality” or degree of schooling they would require, to the value of time of married

women which has been rising throughout this century, and said that there is a positive correlation between the two, explaining both the greater workforce participation of women as well as the lower birthrate.

The importance of this theory to this thesis is twofold. First of all it adds respectable theoretical underpinnings to the argument that moderate changes in the price of children, through the influence of tax advantages or disadvantages, may affect the decision as to how child care will be provided. And secondly, it lends itself to an explanation of why the provisions suggested in order to have tax neutrality towards the child care decision will not lead to a lemming-like total abandonment of the workplace by women wishing to stay at home with their children. The explanation is basically that even with a tax system that allowed the child care expenses deduction to be taken either as a deduction from one of the incomes of dual working parents, or as RRSPs in the name of the stay at home spouse, the attraction of the benefits of employment in the long run will likely nevertheless outweigh the inclination to provide child care in the home and to some degree is outweighing the inclination to have children at all.

If this is the case, the state has a responsibility not only to respect the parental decision to provide child care in the home, and to structure tax policy to be neutral between the decision to provide it in the home or purchase it. It should also consider a general policy of support for all parents with dependent children, to recognize and compensate them for the decision to have children at considerable personal expense and sacrifice when the benefits arising from them are in the public interest and a definite contribution to the public good.

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Legislation

Income Tax Act, R.S.C. 1952, c. 148 as amended by 1970-71-72, c. 63.

Divorce Act, R.S.C. 1985 (2nd Supp.), c. 3.

Cases

Symes v. Canada, [1993] 4 Supreme Court Reports 695, 110 D.L.R. (4th) 470 (Supreme Court of Canada).

Thibaudeau v. Canada, 114 D.L.R. (4th) 261, aff'd. [1995] S.C.J. No. 42 (Q.L.).

APPENDIX

CanTax returns used in calculation of Tables 1 and 2.

Married with one income



T1 GENERAL 1995

Federal and Manitoba Individual income tax return Step 1 - Identification

Title: Mr
First name: John
Last name: Doe
C/O: Alexandra M. Lamont
Addr.: 21-785 Dorchester Avenue
City: Winnipeg
Prov.: Manitoba
Postal code: R3M 0P5

Your SIN: 613-118-397
Your date of birth: 03/01/56
Your language of correspondence: English [X] French []

If this return is for a deceased person, enter the date of death: DD MM YY

On December 31, 1995, you were:
1 [X] Married
2 [] Common-law
3 [] Widowed
4 [] Divorced
5 [] Separated
6 [] Single

Spouse's SIN: 603-680-752
First name of your spouse: Jane
Check this box if your spouse was self-employed in 1995: []

Province or territory of residence on December 31, 1995: Manitoba

Province or territory of self-employment in 1995: N/A

If you became or ceased to be a resident of Canada in 1995, give date of: entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes [X] 1 No [] 2
If yes, enter the number of children under age 19 on December 31, 1995 (if applicable): 2
If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable):

Step 3 - Total income

Table with 3 columns: Description, Amount, and Total. Rows include Employment income (50,000.00), Commissions (102), Old Age Security pension (113), Canada or Quebec Pension Plan benefits (114), Disability benefits (152), Unemployment insurance benefits (119), Taxable amount of dividends (120), Interest and other investment income (121), Net partnership income (122), Rental income (Gross 100, Net 126), Taxable capital gains (127), Alimony or maintenance income (128), Registered retirement savings plan income (129), Other income (130), Business income (Gross 162, Net 136), Professional income (Gross 164, Net 137), Commission income (Gross 166, Net 139), Farming income (Gross 168, Net 141), Fishing income (Gross 170, Net 143), Workers' Compensation payments (144), Social assistance payments (145), Net federal supplements (146), and TOTAL INCOME (150, 50,000.00).

Table with 4 columns: 605, 600, and empty cells.

Step 4 - Taxable income

John Doe

SIN: 613-118-397

2

Enter your total income from line 150. 200

50,000 | 00

Pension adjustment amount	206			
Registered pension plan contributions	207			
Registered retirement savings plan contributions (attach receipts)	208			
Annual union, professional, or like dues (box 44 on all T4 slips)	212			
Child care expenses (attach a completed Form T778)	214			
Attendant care expenses	216			
Business investment loss				
Gross	228	Allowable	217	
Moving expenses	219			
Alimony or maintenance paid	220			
Carrying charges and interest expenses (attach Schedule 4)	221			
Exploration and development expenses (attach Schedule 4)	224			
Other employment expenses	229			
Other deductions				
Specify:	232			
		Add lines 207 to 224, 229 and 232	233=	<NIL>
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234	50,000 00
Social benefits repayment	235			
Subtract line 235 from line 234.		NET INCOME	236	50,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237			
		Add lines 236 and 237.	239	50,000 00
Employee home relocation loan deduction (from all T4 slips)	248			
Stock option and shares deductions (from all T4 slips)	249			
Other payments deduction	250			
Limited partnership losses of other years	251			
Non-capital losses of other years	252			
Net capital losses of other years (1972 to 1994)	253			
Capital gains deduction	254			
Northern residents deductions (attach a completed Form T2222)	255			
Additional deductions	256			
		Add lines 248 through 256.	257=	<NIL>
Subtract line 257 from line 239.		TAXABLE INCOME	260	50,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$8,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount	5,380		00	
Subtract your spouse's net income				
Spousal amount (maximum claim \$5,380.00)	5,380	▶ 303	5,380	00
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		308		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	850	50 •
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312	1,271	40 •
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)	330			
Subtract 3% of line 236 (max. \$1,614)			1,500	00
Subtotal				
Subtract medical expenses adjustment	331			
Allowable portion of medical expenses		▶ 332		
	Add lines 300 through 326 and line 332	335	13,957	90
	Multiply the amount on line 335 by 17% =	338	2,372	84
Charitable donations (from the calculation below)		349		
	Total non-refundable tax credits.	350	2,372	84

Charitable donations

Total charitable donations (attach receipts)				
Calculate 20% of the amount on line 236			10,000	00 (i)
Enter the lesser of (i) or (ii)	340			(ii)
Cultural, ecological, and government gifts	342			
Total donations	344			
Line 344, maximum \$200	345			
Line 344 minus line 345				
		▶ at 17% =	346	
		▶ at 29% =	348	
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.	349			

Step 6 - Refund or Balance owing

John Doe

SIN: 613-118-397

4

		FEDERAL TAX	408	7,963 76	
Total federal political contributions (receipts)	400				
Federal political contribution tax credit	410				
Investment tax credit (attach a completed Form T2038 (IND.))	412				
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit 414				
	Add lines 410, 412 and 414. 416	<NIL>		<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 408)	417			7,963	76
Federal individual surtax	419			238	91
	Add lines 417 and 419. NET FEDERAL TAX 420			8,202	67
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8	421				
Social benefits repayment (enter the amount from line 235)	422				
Provincial tax	Manitoba 428			5,091	16
	Add lines 420 through 428. TOTAL PAYABLE 438			13,293	83

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	450				
Refund of investment tax credit (attach Form T2038 (IND.))	454				
Part XII.2 trust tax credit (box 38 on all T3 slips)	456				
Employee and partner GST rebate (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits MB	479				
	TOTAL CREDITS 482				
	Subtract line 482 from line 435.			13,293	83

REFUND 484

BALANCE OWING 485 13,293 | 83
 AMOUNT ENCLOSED 486

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	<input type="checkbox"/> Child Tax Benefit (CTB)	

deposited into the same account

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 28/02/97 Telephone (204) 475-2692

490 Person or firm paid to prepare this return.

Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	630	684							
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Married parents with two incomes



T1 GENERAL 1995

**Federal and Manitoba
Individual income tax return
Step 1 - Identification**

Title: Ms.
 First name: Rowena
 Last name: Radnicki
 C/O: Alexandra M. Lamont
 Addr.: 45 College Street
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0Q7

Your SIN: 400-000-006
 DD MM YY
 Your date of birth: 30/06/65
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: 600-000-004
 First name of your spouse: Roland
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995:
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) 1
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) 15,000 | 00

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	25,000 00
Commissions (box 42 on all T4 slips)	102	
Other employment income	104	
Old Age Security pension (box 18 on the T4A(OAS) slip)	113	
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114	
Disability benefits included on line 114	152	
Other pensions or superannuation	115	
Unemployment insurance benefits (box 14 on the T4U slip)	119	
Taxable amount of dividends from taxable Canadian corporations	120	
Interest and other investment income (attach Schedule 4)	121	
Net partnership income: limited or non-active partners only	122	
Rental income	Gross 160 Net 125	
Taxable capital gains (attach a completed Schedule 3)	127	
Alimony or maintenance income	128	
Registered retirement savings plan income (from all T4RSP slips)	129	
Other income:	130	
Business income	Gross 162 Net 135	
Professional income	Gross 164 Net 137	
Commission income	Gross 166 Net 139	
Farming income	Gross 168 Net 141	
Fishing income	Gross 170 Net 143	
Workers' Compensation payments	144	
Social assistance payments	145	
Net federal supplements	146	
Add lines 144, 145 and 146.	147	
TOTAL INCOME	150	25,000 00

605		600	
-----	--	-----	--

Step 4 - Taxable income

Rowena Radnicki

SIN: 400-000-006

2

Enter your total income from line 150. 200

25,000 | 00

Pension adjustment amount	206			
Registered pension plan contributions	207			
Registered retirement savings plan contributions (attach receipts)	208			
Annual union, professional, or like dues (box 44 on all T4 slips)	212			
Child care expenses (attach a completed Form T778)	214			
Attendant care expenses	215			
Business investment loss				
Gross	226		Allowable	217
Moving expenses	219			
Alimony or maintenance paid	220			
Carrying charges and interest expenses (attach Schedule 4)	221			
Exploration and development expenses (attach Schedule 4)	224			
Other employment expenses	229			
Other deductions				
Specify:	232			
Add lines 207 to 224, 229 and 232.	233=	<NIL>		
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234	25,000 00
Social benefits repayment	235			
Subtract line 235 from line 234.		NET INCOME	236	25,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237			
Add lines 236 and 237.	239			25,000 00
Employee home relocation loan deduction (from all T4 slips)	248			
Stock option and shares deductions (from all T4 slips)	249			
Other payments deduction	250			
Limited partnership losses of other years	251			
Non-capital losses of other years	252			
Net capital losses of other years (1972 to 1994)	253			
Capital gains deduction	254			
Northern residents deductions (attach a completed Form T2222)	255			
Additional deductions	256			
Add lines 248 through 256.	257=	<NIL>		
Subtract line 257 from line 239.		TAXABLE INCOME	260	25,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount	5,918		00	
Subtract your spouse's net income	15,000		00	
Spousal amount (maximum claim \$5,380.00)		▶ 303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	583	20 •
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		•
Unemployment Insurance premiums from box 18 on all T4 slips		312	750	00 •
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)	330			
Subtract 3% of line 236 (max. \$1,614)			750	00
Subtotal				
Subtract medical expenses adjustment	331			
Allowable portion of medical expenses		▶ 332		
Add lines 300 through 326 and line 332		335	7,789	20

	Multiply the amount on line 335 by 17% =	338	1,324	16
Charitable donations (from the calculation below)		349		
Total non-refundable tax credits.		350	1,324	16

Charitable donations

Total charitable donations (attach receipts)				(i)
Calculate 20% of the amount on line 236			5,000	00 (ii)
Enter the lesser of (i) or (ii)	340			
Cultural, ecological, and government gifts	342			
Total donations	344			
Line 344, maximum \$200	345			
Line 344 minus line 345		▶	at 17% =	346
		▶	at 29% =	348
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.	349			

Step 6 - Refund or Balance owing

Rowena Radnicki

SIN: 400-000-006

		FEDERAL TAX	406	2,925	84
Total federal political contributions (receipts)	409				
Federal political contribution tax credit	410				
Investment tax credit (attach a completed Form T2038 (IND.))	412				
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit 414				
	Add lines 410, 412 and 414. 416	<NIL>		<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 406)	417			2,925	84
Federal individual surtax	419			87	78
	Add lines 417 and 419. NET FEDERAL TAX 420			3,013	62
Canada Pension Plan contr. payable on self-employment and other earnings Schedule 8	421				
Social benefits repayment (enter the amount from line 235)	422				
Provincial tax	Manitoba 428			1,841	44
	Add lines 420 through 428. TOTAL PAYABLE 435			4,855	06

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	480				
Refund of investment tax credit (attach Form T2038 (IND.))	484				
Part XII.2 trust tax credit (box 38 on all T3 slips)	486				
Employee and partner GST rebate (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits MB	479	5	00		
	TOTAL CREDITS 482	5	00		
	Subtract line 482 from line 435.			5	00
				4,850	06

REFUND 484

BALANCE OWING 485 4,850 | 06
 AMOUNT ENCLOSED 486

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	Child Tax Benefit (CTB) deposited into the same account	

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 01/03/97 Telephone (204) 477-5292

490 Person or firm paid to prepare this return.

Name _____
 Addr. _____
 Postal code _____ Tel. _____

Do not use this area	638									
	684									

Married parents with no incomes



T1 GENERAL 1995

Federal and Manitoba Individual income tax return Step 1 - Identification

Title: Mr.
First name: Roland
Last name: Radnicki
C/O: Alexandra M. Lamont
Addr.: 45 College Street
City: Winnipeg
Prov.: Manitoba
Postal code: R3M 0Q7

Your SIN: 600-000-004
Your date of birth: 04/06/55
Your language of correspondence: English [X] French []
If this return is for a deceased person, enter the date of death:
On December 31, 1995, you were: 1 [X] Married 2 [] Common-law 3 [] Widowed 4 [] Divorced 5 [] Separated 6 [] Single
Spouse's SIN: 400-000-006
First name of your spouse: Rowena
Check this box if your spouse was self-employed in 1995: 1 []

Province or territory of residence on December 31, 1995: Manitoba
Province or territory of self-employment in 1995: N/A
If you became or ceased to be a resident of Canada in 1995, give date of: entry: departure:

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes [] 1 No [X] 2
If yes, enter the number of children under age 19 on December 31, 1995 (if applicable)
If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) 25,000 00

Step 3 - Total Income

Table with 3 columns: Description, Line Number, Amount. Includes Employment income (101, 25,000.00), Commissions (102), Other employment income (104), Old Age Security pension (113), Canada or Quebec Pension Plan benefits (114), Disability benefits (152), Other pensions or superannuation (115), Unemployment insurance benefits (119), Taxable amount of dividends (120), Interest and other investment income (121), Net partnership income (122), Rental income (126), Taxable capital gains (127), Alimony or maintenance income (128), Registered retirement savings plan income (129), Other income (130), Business income (135), Professional income (137), Commission income (139), Farming income (141), Fishing income (143), Workers' Compensation payments (144), Social assistance payments (145), Net federal supplements (146), TOTAL INCOME (150, 25,000.00)

Summary table with columns for 605, 600, and other tax-related categories.

Step 4 - Taxable income

Roland Radnicki

SIN: 600-000-004
2

Enter your total income from line 150. 200 25,000 00

Pension adjustment amount	206		
Registered pension plan contributions	207		
Registered retirement savings plan contributions (attach receipts)	208		
Annual union, professional, or like dues (box 44 on all T4 slips)	212		
Child care expenses (attach a completed Form T778)	214	10,000	00
Attendant care expenses	215		
Business investment loss			
Gross	228	Allowable	217
Moving expenses	219		
Alimony or maintenance paid	220		
Carrying charges and interest expenses (attach Schedule 4)	221		
Exploration and development expenses (attach Schedule 4)	224		
Other employment expenses	229		
Other deductions			
Specify:	232		
	Add lines 207 to 224, 229 and 232.	233=	10,000 00 ▶
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234 <u>15,000 00</u>
Social benefits repayment	235		
Subtract line 235 from line 234.		NET INCOME	236 <u>15,000 00</u>
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237		
	Add lines 236 and 237.	239	<u>15,000 00</u>

Employee home relocation loan deduction (from all T4 slips)	248				
Stock option and shares deductions (from all T4 slips)	249				
Other payments deduction	250				
Limited partnership losses of other years	251				
Non-capital losses of other years	252				
Net capital losses of other years (1972 to 1994)	253				
Capital gains deduction	254				
Northern residents deductions (attach a completed Form T2222)	255				
Additional deductions	256				
	Add lines 248 through 256.	257=	<NIL> ▶		
Subtract line 257 from line 239.		TAXABLE INCOME	260 <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 100px;">15,000</td><td style="width: 50px;">00</td></tr></table>	15,000	00
15,000	00				

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$8,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount	5,918		00	
Subtract your spouse's net income	25,000		00	
Spousal amount (maximum claim \$5,380.00)		▶ 303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	583	20
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312	750	00
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)		330		
Subtract 3% of line 236 (max. \$1,614)	450		00	
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		▶ 332		
Add lines 300 through 326 and line 332		335	7,789	20
Multiply the amount on line 335 by 17% =				
		338	1,324	16
Charitable donations (from the calculation below)		349		
		Total non-refundable tax credits.	350	1,324 16

Charitable donations

Total charitable donations (attach receipts)					
Calculate 20% of the amount on line 236			3,000	00	(i)
Enter the lesser of (i) or (ii)		340			(ii)
Cultural, ecological, and government gifts		342			
Total donations		344			
Line 344, maximum \$200		345			
Line 344 minus line 345			▶ at 17% =	346	
			▶ at 29% =	348	
Allowable portion of charitable donations (add lines 346 and 348)					
Enter this amount on line 349 above.					349

Step 6 - Refund or Balance owing

Roland Radnicki

SIN: 600-000-004

Table with columns for description, amount, and tax calculation. Rows include: Total federal political contributions (receipts) 400, Federal political contribution tax credit 410, Investment tax credit (attach a completed Form T2038 (IND.)) 412, Labour-sponsored funds tax credit Net cost 413, Allowable credit 414, Add lines 410, 412 and 414. 416, Federal tax before federal individual surtax (subtract line 416 from line 406) 417, Federal individual surtax 419, Add lines 417 and 419. NET FEDERAL TAX 420, Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8 421, Social benefits repayment (enter the amount from line 235) 422, Provincial tax Manitoba 428, Add lines 420 through 428. TOTAL PAYABLE 435. Results: 1,225 84, 1,262 62, 807 44, 2,070 06.

Table with columns for description, amount, and tax calculation. Rows include: Total income tax deducted (from all information slips) 437, Canada Pension Plan overpayment 448, Unemployment Insurance overpayment 450, Refund of investment tax credit (attach Form T2038 (IND.)) 454, Part XII.2 trust tax credit (box 38 on all T3 slips) 456, Employee and partner GST rebate (attach Form GST-370) 457, Tax paid by instalments 476, Forward-averaging tax credit (from Form T581) 478, Credits MB 479, TOTAL CREDITS 482, Subtract line 482 from line 435. Results: 2,070 06.

REFUND 484

BALANCE OWING 485 2,070 06
AMOUNT ENCLOSED 486

DIRECT DEPOSIT REQUEST

Form with fields for Branch number, Institution number, Account number, and Child Tax Benefit (CTB) deposited into the same account.

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 01/03/97 Telephone (204) 477-5292

490 Person or firm paid to prepare this return.

Name _____
Addr. _____
Postal code _____ Tel. _____

Table with 7 columns and 1 row. First column: Do not use this area. Second column: 630. Third column: 684. Other columns are empty.



**Federal and Manitoba
Individual income tax return
Step 1 - Identification**

Divorced custodial parent receiving child support and having no other income, prior to the abolition of ss. 56(1)(b) and 60(b).

T1 GENERAL 1995

Title: Ms.
 First name: Beatrice
 Last name: Boop
 C/O: Alexandra M. Lamont
 Addr.: 975 Wine Avenue
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0T4

Your SIN: 300-000-007
 DD MM YY
 Your date of birth: 06/05/64
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) 2
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	
Commissions (box 42 on all T4 slips)	102	
Other employment income	104	
Old Age Security pension (box 18 on the T4A(OAS) slip)	113	
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114	
Disability benefits included on line 114	152	
Other pensions or superannuation	115	
Unemployment insurance benefits (box 14 on the T4U slip)	119	
Taxable amount of dividends from taxable Canadian corporations	120	
Interest and other investment income (attach Schedule 4)	121	
Net partnership income: limited or non-active partners only	122	
Rental income	Gross 160	Net 126
Taxable capital gains (attach a completed Schedule 3)	127	
Alimony or maintenance income	128	25,000 00
Registered retirement savings plan income (from all T4RSP slips)	129	
Other income:	130	
Business income	Gross 162	Net 136
Professional income	Gross 164	Net 137
Commission income	Gross 166	Net 139
Farming income	Gross 168	Net 141
Fishing income	Gross 170	Net 143
Workers' Compensation payments	144	
Social assistance payments	145	
Net federal supplements	146	
Add lines 144, 145 and 146.		147
TOTAL INCOME	150	25,000 00

605					600				
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Step 4 - Taxable income

Besrice Boop

SIN: 300-000-007

2

Enter your total income from line 150. 200

25,000 | 00

Pension adjustment amount	206		
Registered pension plan contributions	207		
Registered retirement savings plan contributions (attach receipts)	208		
Annual union, professional, or like dues (box 44 on all T4 slips)	212		
Child care expenses (attach a completed Form T778)	214		
Attendant care expenses	215		
Business investment loss			
Gross 228		Allowable 217	
Moving expenses	219		
Alimony or maintenance paid	220		
Carrying charges and interest expenses (attach Schedule 4)	221		
Exploration and development expenses (attach Schedule 4)	224		
Other employment expenses	229		
Other deductions			
Specify:	232		
	Add lines 207 to 224, 229 and 232.	233=	<NIL>
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234
			25,000 00
Social benefits repayment	235		
Subtract line 235 from line 234.		NET INCOME	236
			25,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237		
	Add lines 236 and 237.	239	25,000 00

Employee home relocation loan deduction (from all T4 slips)	248		
Stock option and shares deductions (from all T4 slips)	249		
Other payments deduction	250		
Limited partnership losses of other years	251		
Non-capital losses of other years	252		
Net capital losses of other years (1972 to 1994)	253		
Capital gains deduction	254		
Northern residents deductions (attach a completed Form T2222)	255		
Additional deductions	256		
	Add lines 248 through 256.	257=	<NIL>
Subtract line 257 from line 239.		TAXABLE INCOME	280
			25,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount				
(maximum claim \$5,380.00)		▶ 303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305	5,380	00
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308		
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312		
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)				
		330		
Subtract 3% of line 236 (max. \$1,614)	750			00
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		▶ 332		
Add lines 300 through 326 and line 332		335	11,836	00
Multiply the amount on line 335 by 17% =				
		338	2,012	12
Charitable donations (from the calculation below)		349		
Total non-refundable tax credits.		350	2,012	12

Charitable donations

Total charitable donations (attach receipts)				
Calculate 20% of the amount on line 236			5,000	00
Enter the lesser of (i) or (ii)		340		
Cultural, ecological, and government gifts				
		342		
Total donations		344		
Line 344, maximum \$200		345		
Line 344 minus line 345			▶ at 17% =	346
			▶ at 29% =	348
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.				
		349		

Step 6 - Refund or Balance owing

Beatrice Boop

SIN: 300-000-007

4

		FEDERAL TAX	406	2,237	88
Total federal political contributions (receipts)	400				
Federal political contribution tax credit		410			
Investment tax credit (attach a completed Form T2038 (IND.))		412			
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit	414			
	Add lines 410, 412 and 414.	416	<NIL>	<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 406)		417		2,237	88
Federal individual surtax		419		67	14
	Add lines 417 and 419.	420		2,305	02
		NET FEDERAL TAX			
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8		421			
Social benefits repayment (enter the amount from line 235)		422			
Provincial tax	Manitoba	428		1,113	70
	Add lines 420 through 428.	436		3,418	72

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	450				
Refund of investment tax credit (attach Form T2038 (IND.))	454				
Part XII.2 trust tax credit (box 38 on all T3 slips)	456				
Employee and partner GST rebats (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits	MB	479	155 00		
	TOTAL CREDITS	482	155 00	155	00
	Subtract line 482 from line 436.			3,263	72

REFUND 484 _____

BALANCE OWING 485 3,263 72
 AMOUNT ENCLOSED 486 _____

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702 _____	703 _____	704 _____
701 <input type="checkbox"/>	Child Tax Benefit (CTB) deposited into the same account	

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 07/07/97 Telephone (204) 772-9869

490 Person or firm paid to prepare this return.

Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	630																		
	684																		

Revenue Canada
Federal and Manitoba
Individual income tax return
Step 1 - Identification

Divorced non-custodial parent, paying child support prior to the abolition of ss. 56(1)(b) and 60(b).

T1 GENERAL 1995

Title: Mr.
 First name: Bertram
 Last name: Blixen
 C/O: Alexandra M. Lamont
 Addr.: 21-785 Dorchester Avenue
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0J6

7

Your SIN: 700-000-003
 DD MM YY
 Your date of birth: 07/08/69
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2

If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) _____

If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	50,000	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	Gross 160 Net 126		
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128		
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	Gross 162 Net 135		
Professional income	Gross 164 Net 137		
Commission income	Gross 166 Net 139		
Farming income	Gross 168 Net 141		
Fishing income	Gross 170 Net 143		
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.	147		
TOTAL INCOME	160	50,000	00

605				600			
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Step 4 - Taxable Income

Bartram Eisen

SIN: 700-000-003

2

Enter your total income from line 150. 200

50,000 | 00

Pension adjustment amount	206			
Registered pension plan contributions	207			
Registered retirement savings plan contributions (attach receipts)	208			
Annual union, professional, or like dues (box 44 on all T4 slips)	212			
Child care expenses (attach a completed Form T778)	214			
Attendant care expenses	215			
Business investment loss				
Gross 238		Allowable 217		
Moving expenses	219			
Alimony or maintenance paid	220	25,000	00	
Carrying charges and interest expenses (attach Schedule 4)	221			
Exploration and development expenses (attach Schedule 4)	224			
Other employment expenses	229			
Other deductions				
Specify:	232			
Add lines 207 to 224, 229 and 232.	233=	25,000	00	▶
Line 200 minus line 233.				25,000 00
		NET INCOME BEFORE ADJUSTMENTS	234	25,000 00
Social benefits repayment	235			
Subtract line 235 from line 234.		NET INCOME	236	25,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237			
Add lines 236 and 237.	239			25,000 00
Employee home relocation loan deduction (from all T4 slips)	248			
Stock option and shares deductions (from all T4 slips)	249			
Other payments deduction	250			
Limited partnership losses of other years	251			
Non-capital losses of other years	252			
Net capital losses of other years (1972 to 1994)	253			
Capital gains deduction	254			
Northern residents deductions (attach a completed Form T2222)	255			
Additional deductions	256			
Add lines 248 through 256.	257=	<NIL>		▶
Subtract line 257 from line 239.				<NIL> 00
		TAXABLE INCOME	260	25,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount (maximum claim \$5,380.00)		303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	850	50
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment Insurance premiums from box 18 on all T4 slips		312	1,271	40
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)		330		
Subtract 3% of line 236 (max. \$1,614)			750	00
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		332		
Add lines 300 through 326 and line 332		335	8,577	90
Multiply the amount on line 335 by 17% =				
		338	1,458	24
Charitable donations (from the calculation below)		349		
		Total non-refundable tax credits.	350	1,458 24

Charitable donations

Total charitable donations (attach receipts)				(i)
Calculate 20% of the amount on line 236			5,000	00 (ii)
Enter the lesser of (i) or (ii)		340		
Cultural, ecological, and government gifts		342		
Total donations		344		
Line 344, maximum \$200		345		
Line 344 minus line 345				
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.				

Step 6 - Refund or Balance owing

Bartram Blasen

SIN: 700-000-003 ⁴

		FEDERAL TAX	406	2,791	76
Total federal political contributions (receipts)	408				
Federal political contribution tax credit		410			
Investment tax credit (attach a completed Form T2038 (IND.))		412			
Labour-sponsored funds tax credit	Net cost 413				
		Allowable credit 414			
	Add lines 410, 412 and 414.	416	<NIL>	<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 406)		417		2,791	76
Federal individual surtax		419		83	75
	Add lines 417 and 419.	NET FEDERAL TAX		2,875	51
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8		421			
Social benefits repayment (enter the amount from line 235)		422			
Provincial tax	Manitoba	428		1,951	72
	Add lines 420 through 428.	TOTAL PAYABLE	436	4,827	23

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	480				
Refund of investment tax credit (attach Form T2038 (IND.))	484				
Part XII.2 trust tax credit (box 38 on all T3 slips)	486				
Employee and partner GST rebate (attach Form GST-370)	487				
Tax paid by instalments	478				
Forward-averaging tax credit (from Form T581)	478				
Credits	MB	479			
	TOTAL CREDITS	482			
	Subtract line 482 from line 436.			4,827	23

REFUND 484 _____

BALANCE OWING 485 **4,827** **23**
AMOUNT ENCLOSED 486 _____

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702 _____	703 _____	704 _____
701 <input type="checkbox"/>	Child Tax Benefit (CTB) deposited into the same account	

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 01/03/97 Telephone (204) 475-2692

490 Person or firm paid to prepare this return.

Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	638								
	684								



**Federal and Manitoba
Individual income tax return
Step 1 - Identification**

*Divorced, employer custodial parent
receiving child support payments
prior to the abolition
of ss. 56(1)(b) and 60(b)*

T1 GENERAL 1995

Title: Ms.
 First name: Wanda
 Last name: Woley
 C/O: Alexandra M. Lamont
 Addr.: 123 Bath Street
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3N 2N2

Your SIN: 100-000-009
 DD MM YY
 Your date of birth: 03/08/62
 DD MM YY
 Your language of correspondence:
 English French

If this return is for a deceased person, enter the date of death: DD MM YY

On December 31, 1995, you were:
 1 Married
 2 Common-law
 3 Widowed
 4 Divorced
 5 Separated
 6 Single

Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995: Manitoba
 Province or territory of self-employment in 1995: N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) 2
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	25,000	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	Gross 160	Net 126	
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128	6,000	00
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	Gross 162	Net 136	
Professional income	Gross 164	Net 137	
Commission income	Gross 166	Net 139	
Farming income	Gross 168	Net 141	
Fishing income	Gross 170	Net 143	
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.	147		
TOTAL INCOME	150	31,000	00

605					600				
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Step 4 - Taxable income

Wanda Woley

SIN: 100-000-009

2

Enter your total income from line 150. 200

31,000 | 00

Pension adjustment amount	206		
Registered pension plan contributions	207		
Registered retirement savings plan contributions (attach receipts)	208		
Annual union, professional, or like dues (box 44 on all T4 slips)	212		
Child care expenses (attach a completed Form T778)	214	10,000	00
Attendant care expenses	215		
Business investment loss			
Gross 228		Allowable 217	
Moving expenses	219		
Alimony or maintenance paid	220		
Carrying charges and interest expenses (attach Schedule 4)	221		
Exploration and development expenses (attach Schedule 4)	224		
Other employment expenses	229		
Other deductions			
Specify:	232		
	Add lines 207 to 224, 229 and 232.	233=	10,000 00 ▶
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234
			21,000 00
Social benefits repayment	235		
Subtract line 235 from line 234.		NET INCOME	236
			21,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237		
	Add lines 236 and 237.	239	21,000 00
Employee home relocation loan deduction (from all T4 slips)	248		
Stock option and shares deductions (from all T4 slips)	249		
Other payments deduction	250		
Limited partnership losses of other years	251		
Non-capital losses of other years	252		
Net capital losses of other years (1972 to 1994)	253		
Capital gains deduction	254		
Northern residents deductions (attach a completed Form T2222)	255		
Additional deductions	256		
	Add lines 248 through 256.	257=	<NIL> ▶
Subtract line 257 from line 239.		TAXABLE INCOME	280
			21,000 00

Step 6 - Refund or Balance owing

Wanda Woley

SIN: 100-000-009

		FEDERAL TAX	406	1,331	24
Total federal political contributions (receipts)	408				
Federal political contribution tax credit	410				
Investment tax credit (attach a completed Form T2038 (IND.))	412				
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit 414				
	Add lines 410, 412 and 414.	416	<NIL>	<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 406)		417		1,331	24
Federal individual surtax		419		39	94
	Add lines 417 and 419.	420		1,371	18
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8		421			
Social benefits repayment (enter the amount from line 235)		422			
Provincial tax	Manitoba	428		482	25
	Add lines 420 through 428.	435		1,853	43

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment insurance overpayment	450				
Refund of investment tax credit (attach Form T2038 (IND.))	454				
Part XII.2 trust tax credit (box 38 on all T3 slips)	456				
Employee and partner GST rebate (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits	MB	479	195 00		
	TOTAL CREDITS	482	195 00		
	Subtract line 482 from line 435.			195	00
				1,658	43

REFUND 484

BALANCE OWING 485 1,658 43
 AMOUNT ENCLOSED 486

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	<input type="checkbox"/> Child Tax Benefit (CTB)	

deposited into the same account

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 08/07/97 Telephone (204) 489-8032

490 Person or firm paid to prepare this return.

Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	630									
	684									



Revenue
Canada

Federal and Manitoba Individual Income Tax Return Step 1 - Identification

Title:	<u>Mr</u>
First name:	<u>William</u>
Last name:	<u>Whafford</u>
C/O:	<u>Alexandra J. Larson</u>
Addr.:	<u>21-785 Dorchester</u>
City:	<u>Winnipeg</u>
Prov.:	<u>Manitoba</u>
Postal code:	<u>R3M 2L5</u>

Province or territory of residence:	<u>Manitoba</u>
Province or territory of self-employment:	<u>N/A</u>
If you became or ceased to be a resident of Canada in 1995, give date of entry:	<u>DD / MM / YY</u>

Step 2 - Goods and services tax

Are you applying for the goods and services tax credit?
 If yes, enter the number of children under age 18.
 If yes, enter your spouse's net income.

Step 3 - Total income

Employment income (box 14 on T4 slips)	
Commissions (box 42 on all T4 slips)	
Other employment income	
Old Age Security pension (box 1 on the T4-AIC)	
Canada or Quebec Pension Plan benefits (box 41)	
Disability benefits included on line 41	
Other pensions or superannuation	
Unemployment insurance benefits (box 14 on T4)	
Taxable amount of dividends from taxable Canadian corporations (attach Form 981)	
Interest and other investment income (attach Form T4-EI)	
Net partnership income: limited partner (attach Form T4-EI)	
Rental income	
Taxable capital gains (attach a Form T4-EI)	
Alimony or maintenance income	
Registered retirement savings plan income (Form T4-RSP)	
Other income:	
Business income	
Professional income	
Commission income	
Farming income	
Fishing income	
Workers' Compensation payments	
Social assistance payments	
Net federal supplements	
Add lines 45 and 46	

605		
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Revenue Canada
Federal and Manitoba
Individual income tax return
Step 1 - Identification

*Divorced, employed non-custodial parent,
 paying child support prior to the abolition
 of ss. 56(1)(b) and 60(b).* **T1 GENERAL 1995**

Title: Mr
 First name: William
 Last name: Whaffer
 C/O: Alexandra M. Lamont
 Addr.: 21-785 Dorchester
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0P5

Your SIN: 603-680-752 7
 DD MM YY
 Your date of birth: 04/10/60
 DD MM YY
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit?
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable)
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable)

Yes 1 No 2

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	25,000	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	126		
Gross	180		
Net	126		
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128		
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	135		
Gross	182		
Net	135		
Professional income	137		
Gross	184		
Net	137		
Commission income	139		
Gross	188		
Net	139		
Farming income	141		
Gross	188		
Net	141		
Fishing income	143		
Gross	170		
Net	143		
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.	147		
TOTAL INCOME	180	25,000	00

605					600				
-----	--	--	--	--	-----	--	--	--	--

Step 4 - Taxable income

William Whetter

SIN: 603-680-752
2

Enter your total income from line 150. 200 25,000 | 00

Pension adjustment amount	206			
Registered pension plan contributions	207			
Registered retirement savings plan contributions (attach receipts)	208			
Annual union, professional, or like dues (box 44 on all T4 slips)	212			
Child care expenses (attach a completed Form T778)	214			
Attendant care expenses	216			
Business investment loss				
Gross	228	Allowable	217	
Moving expenses	219			
Alimony or maintenance paid	220	6,000	00	
Carrying charges and interest expenses (attach Schedule 4)	221			
Exploration and development expenses (attach Schedule 4)	224			
Other employment expenses	229			
Other deductions				
Specify:	232			
Add lines 207 to 224, 229 and 232.	233=	6,000	00	6,000 00
Line 200 minus line 233.				19,000 00
				NET INCOME BEFORE ADJUSTMENTS 234
Social benefits repayment	235			
Subtract line 235 from line 234.				NET INCOME 236
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237			
Add lines 236 and 237.	239			19,000 00
Employee home relocation loan deduction (from all T4 slips)	248			
Stock option and shares deductions (from all T4 slips)	249			
Other payments deduction	250			
Limited partnership losses of other years	251			
Non-capital losses of other years	252			
Net capital losses of other years (1972 to 1994)	253			
Capital gains deduction	254			
Northern residents deductions (attach a completed Form T2222)	255			
Additional deductions	256			
Add lines 248 through 256.	257=	<NIL>		<NIL>
Subtract line 257 from line 239.				TAXABLE INCOME 260
				19,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount (maximum claim \$5,380.00)		303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	583	20
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312	750	00
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)		330		
Subtract 3% of line 236 (max. \$1,614)			570	00
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		332		
Add lines 300 through 326 and line 332		335	7,789	20
Multiply the amount on line 335 by 17% =		338	1,324	16
Charitable donations (from the calculation below)		349		
Total non-refundable tax credits.		350	1,324	16

Charitable donations

Total charitable donations (attach receipts)				(i)
Calculate 20% of the amount on line 236			3,800	00 (ii)
Enter the lesser of (i) or (ii)	340			
Cultural, ecological, and government gifts	342			
Total donations	344			
Line 344, maximum \$200	345			
Line 344 minus line 345				
at 17% =		346		
at 20% =		348		
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.	349			

Single parent, employed

T1 GENERAL 1995

Revenue Canada Federal and Manitoba Individual income tax return Step 1 - Identification

Title: Ms. First name: Jolene Last name: Jones C/O: Alexandra M. Lamont Addr.: 279 Yale Avenue City: Winnipeg Prov.: Manitoba Postal code: R3M 0J2

Your SIN: 200-000-008 Your date of birth: 06/04/60 Your language of correspondence: English [X] French [] If this return is for a deceased person, enter the date of death: DD MM YY On December 31, 1995, you were: 1 [] Married 2 [] Common-law 3 [] Widowed 4 [] Divorced 5 [] Separated 6 [X] Single Spouse's SIN: First name of your spouse: Check this box if your spouse was self-employed in 1995: 1 []

Province or territory of residence on December 31, 1995: Manitoba Province or territory of self-employment in 1995: N/A If you became or ceased to be a resident of Canada in 1995, give date of: entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes [X] 1 No [] 2 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) 2 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable)

Step 3 - Total income

Table with 3 columns: Description, Amount, and Total. Rows include Employment income (101, 50,000.00), Commissions (102), Other employment income (104), Old Age Security pension (113), Canada or Quebec Pension Plan benefits (114), Disability benefits (152), Other pensions or superannuation (115), Unemployment insurance benefits (119), Taxable amount of dividends (120), Interest and other investment income (121), Net partnership income (122), Rental income (126), Taxable capital gains (127), Alimony or maintenance income (128), Registered retirement savings plan income (129), Other income (130), Business income (135), Professional income (137), Commission income (139), Farming income (141), Fishing income (143), Workers' Compensation payments (144), Social assistance payments (145), Net federal supplements (146), and TOTAL INCOME (150, 50,000.00).

Table with 4 columns: 605, 600, and empty cells.

Step 4 - Taxable income

Jolene Jones

SN: 200-000-008

2

Enter your total income from line 150. 200

50,000 | 00

Pension adjustment amount	206			
Registered pension plan contributions	207			
Registered retirement savings plan contributions (attach receipts)	208			
Annual union, professional, or like dues (box 44 on all T4 slips)	212			
Child care expenses (attach a completed Form T778)	214	10,000	00	
Attendant care expenses	215			
Business investment loss				
Gross 228		Allowable	217	
Moving expenses	219			
Alimony or maintenance paid	220			
Carrying charges and interest expenses (attach Schedule 4)	221			
Exploration and development expenses (attach Schedule 4)	224			
Other employment expenses	229			
Other deductions				
Specify:	232			
		Add lines 207 to 224, 229 and 232.	233=	10,000 00 ▶
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234	40,000 00
Social benefits repayment	235			
Subtract line 235 from line 234.		NET INCOME	236	40,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237			
		Add lines 236 and 237.	239	40,000 00
Employee home relocation loan deduction (from all T4 slips)	248			
Stock option and shares deductions (from all T4 slips)	249			
Other payments deduction	250			
Limited partnership losses of other years	251			
Non-capital losses of other years	252			
Net capital losses of other years (1972 to 1994)	253			
Capital gains deduction	254			
Northern residents deductions (attach a completed Form T2222)	255			
Additional deductions	256			
		Add lines 248 through 256.	257=	<NIL> ▶
Subtract line 257 from line 239.		TAXABLE INCOME	260	40,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount (maximum claim \$5,380.00)		303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305	5,380	00
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	850	50
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312	1,271	40
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)		330		
Subtract 3% of line 236 (max. \$1,614)			1,200	00
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		332		
Add lines 300 through 326 and line 332		336	13,957	90
	Multiply the amount on line 335 by 17% =	338	2,372	84
Charitable donations (from the calculation below)		349		
	Total non-refundable tax credits.	350	2,372	84

Charitable donations

Total charitable donations (attach receipts)			(i)
Calculate 20% of the amount on line 236		8,000	00 (ii)
Enter the lesser of (i) or (ii)	340		
Cultural, ecological, and government gifts	342		
Total donations	344		
Line 344, maximum \$200	345		
Line 344 minus line 345			
	at 17% =	346	
	at 28% =	348	
Allowable portion of charitable donations (add lines 346 and 348)			
Enter this amount on line 349 above.	349		



**Federal and Manitoba
Individual income tax return
Step 1 - Identification**

*Divorced, unemployed custodial parent
receiving child support after abolition
of ss. 56(1)(b) and 60(b)*

T1 GENERAL 1995

Title: Ms.
 First name: Henrietta
 Last name: Chartreuse
 C/O: Alexandra M. Lamont
 Addr.: 345 Wells Street
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3N 3P5

Your SIN: 900-000-001
 DD MM YY
 Your date of birth: 07/12/59
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) 2
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	1	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment Insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	Gross 160	Net 126	
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128		
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	Gross 162	Net 135	
Professional income	Gross 164	Net 137	
Commission income	Gross 166	Net 139	
Farming income	Gross 168	Net 141	
Fishing income	Gross 170	Net 143	
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.		147	
TOTAL INCOME	150	1	00

605		600	
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Step 4 - Taxable income

Henrietta Chartrous

SIN: 900-000-001

2

Enter your total income from line 150. 200

1 00

Pension adjustment amount	206			
Registered pension plan contributions		207		
Registered retirement savings plan contributions (attach receipts)		208		
Annual union, professional, or like dues (box 44 on all T4 slips)		212		
Child care expenses (attach a completed Form T778)		214		
Attendant care expenses		215		
Business investment loss				
Gross 228		Allowable 217		
Moving expenses		219		
Alimony or maintenance paid		220		
Carrying charges and interest expenses (attach Schedule 4)		221		
Exploration and development expenses (attach Schedule 4)		224		
Other employment expenses		229		
Other deductions				
Specify:		232		
	Add lines 207 to 224, 229 and 232.	233=	<NIL>	<NIL>
Line 200 minus line 233.			NET INCOME BEFORE ADJUSTMENTS	234
				1 00
Social benefits repayment		235		
Subtract line 235 from line 234.			NET INCOME	236
				1 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)		237		
	Add lines 236 and 237.	239		1 00
Employee home relocation loan deduction (from all T4 slips)		248		
Stock option and shares deductions (from all T4 slips)		249		
Other payments deduction		250		
Limited partnership losses of other years		251		
Non-capital losses of other years		252		
Net capital losses of other years (1972 to 1994)		253		
Capital gains deduction		254		
Northern residents deductions (attach a completed Form T2222)		255		
Additional deductions		256		
	Add lines 248 through 256.	257=	<NIL>	<NIL>
Subtract line 257 from line 239.			TAXABLE INCOME	260
				1 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300		6,456	00
Age amount (if you were born in 1930 or earlier)		301			
Spousal amount					
Complete the following calculation:					
Base amount					
Subtract your spouse's net income					
Spousal amount					
(maximum claim \$5,380.00)		▶ 303			
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		5,380	00
Amounts for infirm dependants age 18 or older					
(attach a completed Schedule 6)		306			
Canada or Quebec Pension Plan contributions					
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308			
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310			
Unemployment Insurance premiums from box 18 on all T4 slips		312			
Pension income amount (maximum \$1,000)		314			
Disability amount (claim \$4,233)		316			
Disability amount transferred from a dependant other than spouse		318			
Tuition fees		320			
Education amount		322			
Tuition fees and education amount transferred from a child		324			
Amounts transferred from your spouse (attach Schedule 2)		326			
Medical expenses (attach receipts)	330				
Subtract 3% of line 236 (max. \$1,614)			0	03	
Subtotal					
Subtract medical expenses adjustment	331				
Allowable portion of medical expenses		▶ 332			
Add lines 300 through 326 and line 332		335		11,836	00
Multiply the amount on line 335 by 17% =					
				338	2,012
Charitable donations (from the calculation below)				349	12
				Total non-refundable tax credits.	350
				2,012	12

Charitable donations

Total charitable donations (attach receipts)					
Calculate 20% of the amount on line 236			0	20	(i)
Enter the lesser of (i) or (ii)	340				(ii)
Cultural, ecological, and government gifts	342				
Total donations	344				
Line 344, maximum \$200	345				
Line 344 minus line 345			▶	at 17% = 346	
			▶	at 20% = 348	
Allowable portion of charitable donations (add lines 346 and 348)					
Enter this amount on line 349 above.					

Step 6 - Refund or Balance owing

Henrietta Chartrouse

SIN: 900-000-001

4

		FEDERAL TAX		406
Total federal political contributions (receipts)	400			
Federal political contribution tax credit	410			
Investment tax credit (attach a completed Form T2038 (IND.))	412			
Labour-sponsored funds tax credit	Net cost 413			
	Allowable credit 414			
	Add lines 410, 412 and 414.	416	<NIL>	>
Federal tax before federal individual surtax (subtract line 416 from line 406)		417		<NIL>
Federal individual surtax		419		
	Add lines 417 and 419.		NET FEDERAL TAX	420
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 6		421		
Social benefits repayment (enter the amount from line 235)		422		
Provincial tax	Manitoba	428		
	Add lines 420 through 428.		TOTAL PAYABLE	435
				>
				<NIL>

Total income tax deducted (from all information slips)	437			
Canada Pension Plan overpayment	448			
Unemployment Insurance overpayment	450			
Refund of investment tax credit (attach Form T2038 (IND.))	454			
Part XII.2 trust tax credit (box 38 on all T3 slips)	456			
Employee and partner GST rebate (attach Form GST-370)	457			
Tax paid by instalments	476			
Forward-averaging tax credit (from Form T581)	478			
Credits	MB	479	404 99	
	TOTAL CREDITS	482	404 99	>
				404 99
				Subtract line 482 from line 435.
				-404 99

REFUND 484 404 99

BALANCE OWING 485
AMOUNT ENCLOSED 486

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	Child Tax Benefit (CTB) deposited into the same account	

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1998.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 03/07/97 Telephone (204) 475-6231

490 Person or firm paid to prepare this return.

Name _____
Addr. _____
Prov. _____ Postal code _____ Tel. _____

Do not use this area	630									
	684									

RC-95-117

Revenue Canada
Federal and Manitoba Individual income tax return
Step 1 - Identification

Divorced noncustodial parent paying child support to unemployed custodial parent after abolition of ss 56(P)(b) and 60(b).

T1 GENERAL 1995

Title: Mr.
 First name: Henry
 Last name: Green
 C/O: Alexandra M. Lamont
 Addr.: 21-785 Dorchester Avenue
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0J6

Your SIN: 639-118-397
 DD MM YY
 Your date of birth: 07/08/69
 DD MM YY
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995: Manitoba
 Province or territory of self-employment in 1995: N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) _____
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	50,000	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	Gross 160 Net 126		
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128		
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	Gross 162 Net 135		
Professional income	Gross 164 Net 137		
Commission income	Gross 166 Net 139		
Farming income	Gross 168 Net 141		
Fishing income	Gross 170 Net 143		
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.	147		
TOTAL INCOME	180	50,000	00

605				600			
-----	--	--	--	-----	--	--	--

Step 4 - Taxable income

Henry Green

SIN: 639-118-397

2

Enter your total income from line 150. 200

50,000 | 00

Pension adjustment amount	206		
Registered pension plan contributions	207		
Registered retirement savings plan contributions (attach receipts)	208		
Annual union, professional, or like dues (box 44 on all T4 slips)	212		
Child care expenses (attach a completed Form T778)	214		
Attendant care expenses	215		
Business investment loss			
Gross 228		Allowable 217	
Moving expenses	218		
Alimony or maintenance paid	220		
Carrying charges and interest expenses (attach Schedule 4)	221		
Exploration and development expenses (attach Schedule 4)	224		
Other employment expenses	229		
Other deductions			
Specify:	232		

	Add lines 207 to 224, 229 and 232.	233=	<NIL>	
Line 200 minus line 233.			NET INCOME BEFORE ADJUSTMENTS	234

<NIL>
50,000 00

Social benefits repayment	235			
Subtract line 235 from line 234.			NET INCOME	236
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237			
	Add lines 236 and 237.	239		

50,000 00
50,000 00

Employee home relocation loan deduction (from all T4 slips)	248		
Stock option and shares deductions (from all T4 slips)	249		
Other payments deduction	250		
Limited partnership losses of other years	251		
Non-capital losses of other years	252		
Net capital losses of other years (1972 to 1994)	253		
Capital gains deduction	254		
Northern residents deductions (attach a completed Form T2222)	255		
Additional deductions	256		

	Add lines 248 through 256.	257=	<NIL>	
Subtract line 257 from line 239.			TAXABLE INCOME	260

<NIL>
50,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount				
(maximum claim \$5,380.00)		▶ 303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	850	50 •
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment Insurance premiums from box 18 on all T4 slips		312	1,271	40 •
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)				
		330		
Subtract 3% of line 236 (max. \$1,614)			1,500	00
Subtotal				
Subtract medical expenses adjustment				
		331		
Allowable portion of medical expenses				
		▶ 332		
Add lines 300 through 326 and line 332		335	8,577	90

		338	1,458	24
Charitable donations (from the calculation below)		349		
Total non-refundable tax credits.		350	1,458	24

Charitable donations

Total charitable donations (attach receipts)				(i)
Calculate 20% of the amount on line 236			10,000	00 (ii)
Enter the lesser of (i) or (ii)		340		
Cultural, ecological, and government gifts				
		342		
Total donations		344		
Line 344, maximum \$200				
		345		
Line 344 minus line 345			▶ at 17% =	346
			▶ at 29% =	348
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.				
				349

Step 6 - Refund or Balance owing

Henry Green

SIN: 639-118-397 ⁴

		FEDERAL TAX	406	8,878	36
Total federal political contributions (receipts)	400				
Federal political contribution tax credit		410			
Investment tax credit (attach a completed Form T2038 (IND.))		412			
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit 414				
	Add lines 410, 412 and 414.	416	<NIL>	<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 406)		417		8,878	36
Federal individual surtax		419		266	35
	Add lines 417 and 419. NET FEDERAL TAX	420		9,144	71
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8		421			
Social benefits repayment (enter the amount from line 235)		422			
Provincial tax	Manitoba	428		6,016	75
	Add lines 420 through 428. TOTAL PAYABLE	435		15,161	46

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	480				
Refund of investment tax credit (attach Form T2038 (IND.))	484				
Part XII.2 trust tax credit (box 38 on all T3 slips)	486				
Employee and partner GST rebate (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits	MB	479			
	TOTAL CREDITS	482			
	Subtract line 482 from line 435.			15,161	46

REFUND 484 _____

BALANCE OWING 485 15,161 46
 AMOUNT ENCLOSED 486 _____

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	<input type="checkbox"/> Child Tax Benefit (CTB)	

deposited into the same account

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 05/03/97 Telephone (204) 475-2692

490 Person or firm paid to prepare this return.
 Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	630								
	684								

Revenue Canada
Federal and Manitoba
Individual income tax return
Step 1 - Identification

Divorced, employed custodial parent receiving child support payments after the abolition of ss. 56(1)(b) and 60(6).

T1 GENERAL 1995

Title: Ms.
 First name: Diane
 Last name: Dobson
 C/O: Alexandra M. Lamont
 Addr.: 47 Harvard Avenue
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0J6

Your SIN: 800-000-002 7
 DD MM YY
 Your date of birth: 04/05/64
 DD MM YY
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995:
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) 2
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	25,000	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment Insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	Gross 160 Net 128		
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128		
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	Gross 162 Net 136		
Professional income	Gross 164 Net 137		
Commission income	Gross 166 Net 139		
Farming income	Gross 168 Net 141		
Fishing income	Gross 170 Net 143		
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.	147		
TOTAL INCOME	180	25,000	00

605				600			
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Step 4 - Taxable income

Enter your total income from line 150. **200** 25,000 | 00

Pension adjustment amount	206		
Registered pension plan contributions	207		
Registered retirement savings plan contributions (attach receipts)	208		
Annual union, professional, or like dues (box 44 on all T4 slips)	212		
Child care expenses (attach a completed Form T778)	214	10,000	00
Attendant care expenses	215		
Business investment loss			
Gross 228		Allowable	217
Moving expenses	219		
Alimony or maintenance paid	220		
Carrying charges and interest expenses (attach Schedule 4)	221		
Exploration and development expenses (attach Schedule 4)	224		
Other employment expenses	229		
Other deductions			
Specify:	232		
Add lines 207 to 224, 229 and 232.	233=	10,000	00
Line 200 minus line 233.			10,000 00
		NET INCOME BEFORE ADJUSTMENTS	234
			15,000 00

Social benefits repayment	235		
Subtract line 235 from line 234.		NET INCOME	236
			15,000 00
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237		
Add lines 236 and 237.	239		15,000 00

Employee home relocation loan deduction (from all T4 slips)	248		
Stock option and shares deductions (from all T4 slips)	249		
Other payments deduction	250		
Limited partnership losses of other years	251		
Non-capital losses of other years	252		
Net capital losses of other years (1972 to 1994)	253		
Capital gains deduction	254		
Northern residents deductions (attach a completed Form T2222)	255		
Additional deductions	256		
Add lines 248 through 256.	257=	<NIL>	
Subtract line 257 from line 239.		TAXABLE INCOME	260
			15,000 00

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount				
(maximum claim \$5,380.00)		▶ 303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305	5,380	00
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		306		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	583	20
Contributions payable on self-employment and other earnings (attach a completed Schedule 6)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312	750	00
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		326		
Medical expenses (attach receipts)		330		
Subtract 3% of line 236 (max. \$1,614)			450	00
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		▶ 332		
Add lines 300 through 326 and line 332		335	13,169	20
Multiply the amount on line 335 by 17% =				
		338	2,238	76
Charitable donations (from the calculation below)		349		
		Total non-refundable tax credits.	350	2,238 76

Charitable donations

Total charitable donations (attach receipts)				
Calculate 20% of the amount on line 236			3,000	00
Enter the lesser of (i) or (ii)	340			
Cultural, ecological, and government gifts	342			
Total donations	344			
Line 344, maximum \$200	345			
Line 344 minus line 345			▶ at 17% =	346
			▶ at 29% =	348
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.				

Step 6 - Refund or Balance owing

Diane Dobson

SIN: 800-000-002

		FEDERAL TAX	406	311	24
Total federal political contributions (receipts)	409				
Federal political contribution tax credit		410			
Investment tax credit (attach a completed Form T2038 (IND.))		412			
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit 414				
	Add lines 410, 412 and 414.	416	<NIL>	<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 406)		417		311	24
Federal individual surtax		419		9	34
	Add lines 417 and 419. NET FEDERAL TAX	420		320	58
Canada Pension Plan contr. payable on self-employment and other earnings Schedule 8		421			
Social benefits repayment (enter the amount from line 235)		422			
Provincial tax	Manitoba	428			
	Add lines 420 through 428. TOTAL PAYABLE	436		320	58

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	450				
Refund of investment tax credit (attach Form T2038 (IND.))	454				
Part XII.2 trust tax credit (box 38 on all T3 slips)	456				
Employee and partner GST rebate (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits	MB	479	255 00		
	TOTAL CREDITS	482	255 00	255	00
	Subtract line 482 from line 435.			65	58

REFUND 484 _____

BALANCE OWING 485 65 58
 AMOUNT ENCLOSED 486 _____

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	<input type="checkbox"/> Child Tax Benefit (CTB)	

deposited into the same account

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 08/07/97 Telephone (204) 475-8266

490 Person or firm paid to prepare this return.

Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	630									
	684									

RC-95-117

Revenue Canada
Federal and Manitoba
Individual income tax return
Step 1 - Identification

Divorced non custodial parent paying child support to income-earning custodial parent
T1 GENERAL 1995
after abolition of ss. 56(1)(b) and s. 60(b)

Title: Mr
 First name: David
 Last name: Deanery
 C/O: Alexandra M. Lamont
 Addr.: 21-785 Dorchester Avenue
 City: Winnipeg
 Prov.: Manitoba
 Postal code: R3M 0P5

Your SIN: 500-000-005
 DD MM YY
 Your date of birth: 03/04/56
 Your language of correspondence:
 English French
 If this return is for a deceased person, enter the date of death: DD MM YY
 On December 31, 1995, you were:
 1 Married 2 Common-law
 3 Widowed 4 Divorced
 5 Separated 6 Single
 Spouse's SIN: _____
 First name of your spouse: _____
 Check this box if your spouse was self-employed in 1995: 1

Province or territory of residence on December 31, 1995
Manitoba
 Province or territory of self-employment in 1995:
N/A
 If you became or ceased to be a resident of Canada in 1995, give date of:
 entry: DD MM departure: DD MM

Step 2 - Goods and services tax (GST) credit

Are you applying for the goods and services tax credit? Yes 1 No 2
 If yes, enter the number of children under age 19 on December 31, 1995 (if applicable) _____
 If yes, enter your spouse's net income from line 236 of your spouse's return (if applicable) _____

Step 3 - Total income

Employment income (box 14 on all T4 slips)	101	25,000	00
Commissions (box 42 on all T4 slips)	102		
Other employment income	104		
Old Age Security pension (box 18 on the T4A(OAS) slip)	113		
Canada or Quebec Pension Plan benefits (box 20 on the T4A(P) slip)	114		
Disability benefits included on line 114	152		
Other pensions or superannuation	115		
Unemployment insurance benefits (box 14 on the T4U slip)	119		
Taxable amount of dividends from taxable Canadian corporations	120		
Interest and other investment income (attach Schedule 4)	121		
Net partnership income: limited or non-active partners only	122		
Rental income	Gross 160	Net 126	
Taxable capital gains (attach a completed Schedule 3)	127		
Alimony or maintenance income	128		
Registered retirement savings plan income (from all T4RSP slips)	129		
Other income:	130		
Business income	Gross 162	Net 135	
Professional income	Gross 164	Net 137	
Commission income	Gross 166	Net 139	
Farming income	Gross 168	Net 141	
Fishing income	Gross 170	Net 143	
Workers' Compensation payments	144		
Social assistance payments	145		
Net federal supplements	146		
Add lines 144, 145 and 146.		147	
TOTAL INCOME	150	25,000	00

605				600			
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Step 4 - Taxable income

David Deanery

SIN: 500-000-005
2

Enter your total income from line 150. 200 25,000 | 00

Pension adjustment amount	206		
Registered pension plan contributions	207		
Registered retirement savings plan contributions (attach receipts)	208		
Annual union, professional, or life dues (box 44 on all T4 slips)	212		
Child care expenses (attach a completed Form T778)	214		
Attendant care expenses	216		
Business investment loss			
Gross 228		Allowable 217	
Moving expenses	219		
Alimony or maintenance paid	220		
Carrying charges and interest expenses (attach Schedule 4)	221		
Exploration and development expenses (attach Schedule 4)	224		
Other employment expenses	229		
Other deductions			
Specify:	232		
	Add lines 207 to 224, 229 and 232.	233=	<NIL>
Line 200 minus line 233.		NET INCOME BEFORE ADJUSTMENTS	234 <u>25,000 00</u>

Social benefits repayment	235		
Subtract line 235 from line 234.		NET INCOME	236 <u>25,000 00</u>
Accumulated forward-averaging amount withdrawal (attach a completed Form T581)	237		
	Add lines 236 and 237.	239	<u>25,000 00</u>

Employee home relocation loan deduction (from all T4 slips)	248		
Stock option and shares deductions (from all T4 slips)	249		
Other payments deduction	250		
Limited partnership losses of other years	251		
Non-capital losses of other years	252		
Net capital losses of other years (1972 to 1994)	253		
Capital gains deduction	254		
Northern residents deductions (attach a completed Form T2222)	256		
Additional deductions	258		
	Add lines 248 through 256.	257=	<NIL>
Subtract line 257 from line 239.		TAXABLE INCOME	260 <u>25,000 00</u>

Before you mail your return, make sure you have attached here all required information slips, completed schedules, receipts and corresponding statements.

Step 5 - Non-refundable tax credits

Basic personal amount	Claim \$6,456.00	300	6,456	00
Age amount (if you were born in 1930 or earlier)		301		
Spousal amount				
Complete the following calculation:				
Base amount				
Subtract your spouse's net income				
Spousal amount (maximum claim \$5,380.00)		303		
Equivalent-to-spouse amount (attach a completed Schedule 5)		305		
Amounts for infirm dependants age 18 or older (attach a completed Schedule 6)		308		
Canada or Quebec Pension Plan contributions				
Contributions through employment from box 16 and box 17 on all T4 slips (maximum \$850.50)		308	583	20
Contributions payable on self-employment and other earnings (attach a completed Schedule 8)		310		
Unemployment insurance premiums from box 18 on all T4 slips		312	750	00
Pension income amount (maximum \$1,000)		314		
Disability amount (claim \$4,233)		316		
Disability amount transferred from a dependant other than spouse		318		
Tuition fees		320		
Education amount		322		
Tuition fees and education amount transferred from a child		324		
Amounts transferred from your spouse (attach Schedule 2)		328		
Medical expenses (attach receipts)		330		
Subtract 3% of line 236 (max. \$1,614)			750	00
Subtotal				
Subtract medical expenses adjustment		331		
Allowable portion of medical expenses		332		
Add lines 300 through 326 and line 332		335	7,789	20
	Multiply the amount on line 335 by 17% =	338	1,324	16
Charitable donations (from the calculation below)		349		
	Total non-refundable tax credits.	350	1,324	16

Charitable donations

Total charitable donations (attach receipts)				(i)
Calculate 20% of the amount on line 236			5,000	00
Enter the lesser of (i) or (ii)	340			(ii)
Cultural, ecological, and government gifts	342			
Total donations	344			
Line 344, maximum \$200	345			
Line 344 minus line 345				
	at 17% =	346		
	at 29% =	348		
Allowable portion of charitable donations (add lines 346 and 348)				
Enter this amount on line 349 above.	349			

Step 6 - Refund or Balance owing

David Deaney

SIN: 500-000-005

		FEDERAL TAX	408	2,925	84
Total federal political contributions (receipts)	408				
Federal political contribution tax credit		410			
Investment tax credit (attach a completed Form T2038 (IND.))		412			
Labour-sponsored funds tax credit	Net cost 413				
	Allowable credit 414				
	Add lines 410, 412 and 414.	416	<NIL>	<NIL>	
Federal tax before federal individual surtax (subtract line 416 from line 408)		417		2,925	84
Federal individual surtax		419		87	78
	Add lines 417 and 419. NET FEDERAL TAX	420		3,013	62
Canada Pension Plan contr. payable on self-employment and other earnings, Schedule 8		421			
Social benefits repayment (enter the amount from line 235)		422			
Provincial tax	Manitoba	428		2,021	44
	Add lines 420 through 428. TOTAL PAYABLE	438		5,035	06

Total income tax deducted (from all information slips)	437				
Canada Pension Plan overpayment	448				
Unemployment Insurance overpayment	460				
Refund of investment tax credit (attach Form T2038 (IND.))	464				
Part XII.2 trust tax credit (box 38 on all T3 slips)	488				
Employee and partner GST rebate (attach Form GST-370)	457				
Tax paid by instalments	476				
Forward-averaging tax credit (from Form T581)	478				
Credits	MB	479			
	TOTAL CREDITS	482			
		Subtract line 482 from line 435.		5,035	06

REFUND 484 _____ BALANCE OWING 485 5,035 06
 AMOUNT ENCLOSED 486 _____

DIRECT DEPOSIT REQUEST

Branch number	Institution number	Account number
702	703	704
701	<input type="checkbox"/> Child Tax Benefit (CTB) deposited into the same account	

Attach a cheque or money order payable to the Receiver General. Your payment is due no later than April 30, 1996.

I certify that the information given on this return and in any documents attached is correct, complete and fully discloses all my income.

Sign here _____ Date 05/03/97 Telephone (204) 475-2692

490 Person or firm paid to prepare this return.
 Name _____
 Addr. _____
 Prov. _____ Postal code _____ Tel. _____

Do not use this area	638									
	684									

