

Cost Estimate of Election Campaign Proposal

Publication date: 2019-09-16

Short title: Children's Arts Tax Credit

Description: Reintroducing the Children's Arts Tax Credit with the same conditions as in the 2015 taxation year, except credit would be refundable. The new benefit would take effect on January 1, 2020. This proposal interacts with another proposal that would decrease progressively the federal income tax rate of the first bracket from 15% to 13.75% starting in 2021.

Operating line(s): Operating and capital expenses

Data sources:	<u>Variable</u>	<u>Source</u>
	Federal income taxes	SPSD/M, Statistics Canada
	Federal income transfers	SPSD/M, Statistics Canada
	Population growth	PBO economic model

Estimation and projection method: The cost of reintroducing the children's arts tax credit was calculated by simulating the net changes in total federal income taxes and transfers using Statistics Canada's SPSPD/M.¹ The simulated cost was adjusted to incorporate benefits for disabled children. Beyond 2025, the decrease in federal personal income taxes was projected using PBO's population growth rate and trend growth in the average claim from SPSPD/M. A behavioural impact was not incorporated in the cost estimate.

Uncertainty assessment: The estimate has low uncertainty. The uncertainty arises due to the absence of a behavioural response.

¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSPD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

Cost of proposed measure

\$ millions	2019– 2020	2020– 2021	2021– 2022	2022– 2023	2023– 2024	2024– 2025	2025– 2026	2026– 2027	2027– 2028	2028– 2029
Cost of the Children’s Arts Tax Credit	14	57	58	60	61	63	64	66	67	69
Interaction effects	0	-1	-2	-4	-5	-5	-5	-7	-8	-9
Total cost	14	56	56	56	56	58	59	59	59	60

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost