



Fast

# FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

Oct 17, 2013

## THE EDUCATION PROPERTY TAX REBATE: DO WE SENIORS REALLY NEED IT?

Published in the Winnipeg Free Press Oct 17, 2013

**T**he opposition's unproductive filibuster of the provincial 2013 budget increase in the PST has left many aspects of the budget undebated. One is its failure to provide for improvement in the Employment & Income Assistance Program (EIA – aka "welfare") in the face of a well-documented pressing need. In contrast, the budget eliminates the Education Property Tax (EPT) for all seniors in 2015 – a measure which has very little basis and two and a half times the price tag.

In elaborating this perverse contrast, it should be noted that this government has helped improve the lives of EIA recipients. It abolished the mean-spirited "snitch line" initiated by the former government. It repealed the claw back of the Federal Child Tax Credit. Budget 2013 extended a \$20 increase in RentAid to some EIA recipients.<sup>1</sup>

Nevertheless, there is widespread recognition that EIA remains a program that maintains people in most cases deeply below the poverty line. The Canadian Council on Welfare in 2011 reported that Manitoba's General Assistance allowances for the single unemployed were among the worst in the country. EIA is not indexed, and there have been only miniscule increases in the basic rate since 2000. A report by the Provincial Ombudsman in 2010 hinted at the inadequacy of rates in calling for a comprehensive and transparent review.<sup>2</sup>

For example, the EIA website indicates that a single parent with one school age child might receive \$1,169 monthly. Two adults, considered employable, with three school

aged children might receive \$2,230 a month.<sup>3</sup> The major shortfall is in the rental allowance, which, together with the basic allowance, forms the two components of the formula for calculating an applicant's total. The rental allowance for a single parent is a maximum of \$430. The Median Market Rent (MMR) for a one bedroom apartment in Winnipeg is currently \$718. Two parents with three school-aged children would qualify for \$471. The Winnipeg MMR for three bedrooms was \$1,100 in 2011.<sup>4</sup> In each example, the recipient could be paying between 43 and 61 percent of their total income just on rent.

Make Poverty History Manitoba recommends that the EIA rental allowance be raised to an indexed 75% of MMRs. This would restore the allowance only to the 1992 rent/rental allowance ratio, but it is an obvious step in the right direction. The cost of this program in would have been \$18million in 2013.

The case for rebates of the total EPT for all seniors is weak by comparison. Part of the case is that seniors receive no benefits from the public education system, but surely we depend for our continued wellbeing on the supply of literate citizen-workers produced by the system? Another is that seniors are poor. Indeed 80 percent of seniors living alone have annual incomes of less than \$40,000<sup>5</sup>, but one person households are only about one third of the total senior population. An estimated two thirds of all seniors receive income from sources other than

CCPA-MB  
309-323 Portage Ave.  
Winnipeg, MB  
R3B 2C1

phone  
(204) 927-3200

email  
ccpamb@policyalternatives.ca

website  
www.policyalternatives.ca/  
manitoba

blog  
www.policyfix.ca

twitter  
@ccpamb



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public pensions, including investment income <sup>6</sup>.

Finally it can be argued that basing this policy on age as opposed to need will tend to benefit those most who least need it. Consider three possible groups. The first group will benefit, but doesn't need the rebate. It currently pays the highest EPT per household by virtue of being the most affluent in homes with the greatest assessed value. This group will attract the lion's share of the estimated \$50 million giveaway.

A second group with an annual household income of less than \$40,000, already qualify for up to an extra \$400 Education Property Tax Credit (EPTC) above the \$700 credit accorded to all Manitoba households, for a total of \$1,100. For this group, the EPTC will defray most, sometimes all, of their EPT. A total tax rebate will yield little or no immediate additional benefit for them. Also not benefitting are the 30 percent of seniors who are renters <sup>7</sup>.

The third group will benefit from the rebate and need it. These are seniors on modest incomes but either their homes are assessed at high value, and/or they reside within a school division with a high mill rate. This would likely be by far the smallest of the three groups. Could there be other ways to assist this group – a provincially sponsored reverse mortgage plan competing with the private sector's high cost plans for instance?

One explanation for this puzzling contradiction is the currently prevailing, mindless anti-tax ideology which vetoes any and all program expenditure increases (such as improvements to EIA), while applauding any or all foregone revenues (the senior EPT rebate) regardless of the justification or lack thereof. The resulting tax cuts have also greatly intensified the trading of one need against another. In the case of the seniors EPT rebate, the education system will not be short changed but something else will. Among the something else's is the dire need of recipients of the EIA program.

Another is a revival of the old Elizabethan

distinction between the deserving and undeserving poor. On the one hand are the deserving, apple-cheeked old folks, who have worked hard and now keep smiling through the adversities of aging, including straightened circumstances. On the other is the undeserving "sturdy beggar", the addict, and whatever other pejorative labels that can be misapplied to EIA recipients. In fact the latter are the most marginalized, misunderstood and impoverished segment of the population. Priorizing their need may be unpopular, but it is the right thing to do.

*Pete Hudson is a senior citizen, a Senior Scholar at the Faculty of Social Work, University of Manitoba and a Research Associate of the CCPA/Mb.*

<sup>1</sup> RentAid is a means tested program administered by the Department of Housing and Community Development, Manitoba for which families and seniors not in receipt of EIA may qualify. Those EIA recipients who do qualify (not all do) receive a maximum of \$80 a month (includes the 2013 \$20 upgrade) far less than the \$230 maximum for non- EIA recipients.

<sup>2</sup> Manitoba (2010). Report on Manitoba's Employment and Income Assistance Program. Manitoba Ombudsman.

<sup>3</sup> Quoting rates is difficult because of the different circumstances of different applicants. Moreover, the totals include possible Federal benefits, such as the GST rebate or the Child Tax Credit. Figures also include the RentAid Program in the General Assistance Category, but it is not clear if they are included in the single parent category.

<sup>4</sup> Figures were derived from a combination of a mimeographed document prepared by Manitoba Make Poverty History, and materials from the EIA Network; a coalition of 12 organizations dedicated to advocating for improvements to the EIA program. The latter's website can be accessed via a link from the Winnipeg Social Planning Council's website. The rental allowance figures do not include Rent Aide, because not all recipients qualify.

<sup>5</sup> Personal interview, Manitoba Department of Finance. 18/09/13

<sup>6</sup> Centre on Aging (2010). Profile of Manitoba's Seniors. University of Manitoba. This profile was based on figures derived from the 2006 census. Although many of the numbers are now dated (the total population for example), the proportions cited here are not likely to have significantly changed.

<sup>7</sup> Centre on Aging. Op.cit.

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CCPA-MB  
309-323 Portage Ave.  
Winnipeg, MB  
R3B 2C1

**phone**

(204) 927-3200

**email**

ccpamb@policyalternatives.ca

**website**

www.policyalternatives.ca/  
manitoba

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