Jane Robertson request re: Tax issues for single seniors.

1. Letter to ACER CART from Jane Robertson

To - Roger Regimbal, Executive Director, ACER-CART

From - Jane Robertson, Senior Citizen

Subject - Need for Change to Tax Strategies for Single Elderly Citizens who are Non-Home Owners

I want to advocate for fairer tax strategies for elderly, single pensioners who do not own their own home. I am looking for a national organization that will support this issue and lobby the federal government for change.

Three reasons why the current tax system is unfair are as follows:

1. Upon death, single, elderly people who are not home owners will lose a huge portion of their financial resources (often 50%) to taxation, whereas elderly homeowners will lose nothing when their homes are sold before or after they die. The proceeds of the sale will be exempt from taxes.

2. Elderly people with a partner are able to split their income, thereby reducing the taxes for each partner. This often makes both people entitled to OAS. Single elderly people, however, often have to declare a much higher income because they are unable to split it with a partner and are subject to increasing rental costs. This often means they are ineligible for OAS.

3. A single person needs two-thirds of the income of a couple yet the tax system fails to take this into consideration. Fixed costs for housing (rental), car, insurance, hydro, internet, phone, heating etc. are the same, whether the household consists of one person or two.

It's long overdue that the inequity of this tax situation be brought to the attention of the federal government. I am attaching a letter that I recently sent to the Minister of Finance outlining how the tax situation affects me directly.

I would like to have an organization such as yours take up the banner when it comes to this issue. Do you think ACER-CART would be interested? Please let me know.

Sincerely,

Jane Robertson (416-481-2542)

1. Jane wrote the Prime Minister. The Minister of Finance replied

Date: July 22, 2020 at 8:02 AM

Dear Ms. Robertson:

Thank you for your correspondence of June 20, 2020, which was referred by the Office of the Prime Minister, the Right Honourable Justin Trudeau, regarding the taxation of single individuals, particularly single seniors.  I appreciate hearing the comments and suggestions of Canadians with respect to the tax system and have carefully noted your concerns in this regard.

Our Government is committed to helping all Canadians get ahead, and that means building a tax system that supports the middle class and those working hard to join it.  That is why, as the first action of our second mandate, we moved forward with a proposal to put more money back into the pockets of Canadians by increasing the amount of money they can earn before paying federal income tax, known as the Basic Personal Amount, to $15,000 by 2023.  Once fully implemented, this change will help nearly 20 million Canadians save hundreds of dollars a year in taxes with single individuals saving close to $300 in taxes every year.  It would also mean that nearly 1.1 million more Canadians would no longer pay federal income tax.  To ensure that this tax relief goes to the people who need it most, our Government would phase out the benefits for the wealthiest Canadians.

This measure builds on the success of key initiatives introduced during our first mandate, including the middle-class tax cut announced in 2015 that is benefitting over nine million Canadians.  Single individuals who benefit from that measure are seeing an average tax reduction of $330 every year.

Furthermore, our Government understands that, after a lifetime of hard work, Canadians have earned a secure and dignified retirement.  While seniors who are single do not benefit from pension income splitting, as you note in your correspondence, single seniors may benefit from the tax relief provided by a number of targeted tax measures, in particular the Age Credit and Pension Income Credit.  When combined with the Basic Personal Amount, these measures allow a single senior to have at least $22,866 in taxable income before paying federal income tax in 2020.

Regarding the taxation of Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs), savings in these accounts benefit from a deferral of tax.  Contributions to these plans are deducted from income, and investment income is not taxed as it is earned in the plan.  Therefore, it is appropriate that withdrawals from RRSPs and RRIFs be included in income for tax purposes.  This treatment is consistent with the principle that RRSP and RRIF income contributes to an individual’s resources and should be taken into account for tax purposes.

Department of Finance Canada officials and I are continually reviewing tax matters.  We recognize the need to ensure that the tax system is fair, effective and supports the middle class and those working hard to join it.

Thank you for taking the time to share your views.

Yours sincerely,

The Honourable Bill Morneau, P.C., M.P.

Minister of Finance

1. Jane replied to the Minister of Finance

Minister Bill Morneau-

Thank you for your letter, sent today in response to my letter to you on June 1.

Before I comment on the contents of your letter, I would like to remind you that I sent you my original letter during the first week of June. It was sent via Canada Post to both your Ottawa office and your Rosedale office. I had no response until I forwarded a copy to the PM's office three weeks later, and that prompted a reply from your office saying you would be in touch. And now you have been. Thanks. Perhaps my original letters should have been sent by e-mail, not Canada Post.

As to the content of your letter, here are my comments:

1. You state that through the measures currently in place or scheduled to come into effect (increase in Basic Personal Amount, middle-class tax cut, Age Credit and Pension Income Credit), single seniors will not have to pay tax until their income surpasses $22,866. That $22,866 just about covers my annual rent payments for a reasonably priced apartment in Toronto. And the fact that I live alone means that only $22,866 is tax-free in my household, not $45,732 as would be the case with couples.

Beyond that I have food, hydro, phone, car expenses (including insurance), clothing, dental work and myriad other costs such as an occasional vacation which are necessary to make life livable. In order to finance such essentials, I need an additional whack of money, all of which I pay taxes on (without the benefit of income splitting because I have no partner).

2. As for the taxes imposed on RRSP and RRIF money, since the money in these funds often represents the bulk of a senior's wealth, especially if that senior has no property, some adjustment should be made for the single non-property-owning seniors. How about making the first $500,000 of RRIF savings tax-free upon death? Such a move wouldn't match the estate gain upon death coming to senior couples in their million-dollar homes, but it would be a start towards fairness. As it stands now, the single most unfair component in the tax situation is the lack of taxes upon death for home-owning seniors. Renters with savings are penalized while home owners are not.

Two more comments:

1. Despite all the figures and arguments pro and con that can be made for the tax situation as it is or should be, all you have to do is look at the bottom rung of society to see the truth. **Single people make up 90% of the homeless population.**Lonely and destitute, their condition says it all when it comes to financial survival. Somehow couples manage much better.

2. I hope you have noted the statements made by Senator Yuen Pau Woo when he advocates a basic income for all. His recommendation is $18,000 - $19,000 yearly for a single person, and $24,000 for a couple. His figures prove that there is no way a single individual can live on half the income of a couple, yet the current tax situation ignores this fact by continuing to give the benefit of income splitting to couples and no similar compensation to single people.

On that note, I await changes to the tax system that will treat people like me more fairly. At age 82, I hope they arrive before I die.

Jane Robertson

1. Gerry responded that he would take the matter to our Oct. Executive meeting and asked a couple of questions. Quotes are from Jane’s letter to us.

To clarify a few points before that meeting.  My understanding is as follows.  Please correct me if I am wrong.

1. “Upon death, single, elderly people who are not home owners will lose a huge portion of their financial resources (often 50%) to taxation, whereas elderly homeowners will lose nothing when their homes are sold before or after they die. The proceeds of the sale will be exempt from taxes.” This is true when the first spouse dies, but the same rules apply to the surviving spouse when he or she passes as for a single person.

2. “Elderly people with a partner are able to split their income, thereby reducing the taxes for each partner. This often makes both people entitled to OAS. Single elderly people, however, often have to declare a much higher income because they are unable to split it with a partner and are subject to increasing rental costs. This often means they are ineligible for OAS.”  True that seniors can split their pension income.  But all Canadian citizens are entitled to OAS when they turn 65.  There isn't a means test to receive OAS.

3. “A single person needs two-thirds of the income of a couple yet the tax system fails to take this into consideration. Fixed costs for housing (rental), car, insurance, hydro, internet, phone, heating etc. are the same, whether the household consists of one person or two.”  While I don't know about the two-thirds part, I agree that housing costs, car costs are pretty close to the same for a single person as for a couple. Do you have data to support this?

Gerry Tiede

Sept. 25th email received from Jane.

Following up on our previous e-mails concerning the tax issue for non home-owning seniors, I am adding a few more thoughts. I have had  trouble finding statistics despite doing library research, contacting Statistics Canada, and trying to contact Senator Yuen Pau Woo's office in Ottawa. Delays (four attempts with Senator Woo's office) and insufficient information all around seem to be the result.

However, I'll outline what I did find out and hope that it's sufficient to support your approach to the Executive Committee in October.

1. Sale of Home - I consulted my accountant over this to make sure my assumptions were correct. Once a senior's home is sold, before or after death, all that money is tax free. This applies to couples and single people. If the money is invested and appreciates, then taxes must be paid on the amount of appreciation, but not on the original amount invested since it came from the sale of the home. In other words, if a home is sold for $1 million no tax is owed. If the $1 million is invested and earns $50,000 (for example), then taxes must be paid on the $50,000 but not the $1 million.

2. OAS - I'll use my own case here. While it's true that OAS goes to everyone over 65, those of us who have an income above $128,149 in 2020 have it all clawed back. Hence, the OAS appears as an item on my income tax form, but I personally do not receive a cent of it.

3. Cost of Living for Singles vs Couples - This is the issue for which it's hardest to find statistics. When Senator Woo put together his report advocating a Guaranteed Basic Income for all, he advocated $17 - 18,000 annually for single people and $24,000 for couples. His office said those numbers were based on the Guaranteed Basic Income figures used in Ontario's experiment with such a plan in 2017 - 2018. Apparently the figures used by the Ontario government at that time were $16,989 for a single person and $24,027 for a couple.

I hope this additional info helps our case. If it's useful for you to have a copy of Senator Woo's report with the numbers I've mentioned, I can send it to you if you wish.

Perhaps we could have a phone conversation on Monday just to make sure you have all the information you need for the Executive Committee. I will call you at 778-839-9557 that day and hope I can reach you. Once again, I very much appreciate your organization's involvement with this issue.

Jane Robertson (416-481-2542)

1. Is this an issue that we should pursue