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RESEARCH BRIEF

# Caregiver Tax Credit Uptake in Canada between 1998-2015: An Analysis of the Longitudinal Administrative Databank

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## CONTEXT

- Family and friend caregivers continue to provide most of the care Canadians receive at home.
- There are several tax credits related to caregiving in Canada. One is the Caregiver Amount, and another is the Family Caregiver Amount (FCA).
- To date, little research has been directed at federal-level tax supports.

## Research Objectives

The following research objectives address this issue:

1. We examine the uptake of these caregiving tax credits to determine if they are being fully utilized by the broad spectrum of people who provide caregiving as an essential (and in many cases complex and arduous) daily activity.
2. We analyze tax data to compare the profile of tax filers taking advantage of these credits to the characteristics of caregivers as presented in academic research.
3. We offer recommendations to increase the awareness and utilization of these credits to provide financial assistance to caregivers.

## What is the importance of this research?

Family and friend caregivers continue to provide the vast majority of the care Canadians receive at home. In 2012, approximately 3 in 10, or 8.1 million Canadians provided care to a family member or friend with a long-term health condition or aging-related need (Turcotte, 2013). Most of this care is provided to aging parents, followed by a parent-in-law or another family member (excluding spouses, children, and grandparents), a close friend or neighbor, a grandparent, a spouse, or a child (Turcotte, 2013).

Although caregiving can be rewarding, it often results in poor caregiver health (Sherwood et al., 2005), increased use of health services, and most importantly to this study, financial impacts (Donner et al., 2015; Adelman et al., 2014; Bastawrous, 2013). Turcotte (2013) determined that all types of Canadian caregivers would have liked more governmental financial assistance than they received.

To date, little research has been directed at federal-level tax supports, which are a form of financial aid for those Canadians who undertake a caregiving role for any number of dependents. Given the high prevalence of caregivers and care-recipients in Canada, our objective is to explore the uptake of these supports in the hope that our findings may inform tax policy in a way that better supports caregivers moving forward. This is especially important considering the expected increase in older dependents following the baby-boomer demographic shift and population aging (Statistics Canada, 2018).

## How was the study done?

**Data:** Statistics Canada's Longitudinal Administrative Databank (LAD) is a subset of the T1 Family File (T1FF). The T1FF is a yearly cross-sectional file of all tax filers and their families. The LAD is a random, 20% sample of the T1FF.

**Variables:** The tax records of the Caregiver Amount recipients were drawn from the LAD for the period of 1998 to 2015. Six measures were examined: geographic region, income, gender, population density, age, and immigrant status.

**Analysis:** The 'uptake ratio' of the Caregiver Amount by way of graphs was conducted using Stata 17.

**Comparison**: The results were compared to the profile of Canadian caregivers from analysis done on the 2012 General Social Survey (GSS) on Caregiving and Care Receiving.

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## What did the researchers find?

Over the 17-year study period there was a steady growth in Canadian tax filers claiming the Caregiver Amount – almost a tripling between 1998 and 2015. While residents of British Columbia and Ontario were well above the national average, those in Quebec, Western Canada and the North were well below. A widening income gap was apparent, with tax filers in the highest income percentiles (90th and 99th or top 10% or 1%) being far more likely to claim the credit. A sizeable gender gap was also visible with men having a higher uptake then women. Tax filers in the largest cities (CMAs with a population of 500,000 or more) were far more likely to claim the Caregiver Amount and there was a rapid increase over the study period of filers in the 45 to 64 age group. Finally, there was a significant and increasing uptake among immigrants compared to the 'Canadian-born'.

Several of these findings are incongruent from those of the 2012 GSS. First is that fewer lower income tax filers are claiming the Caregiver Amount. Second, these tax filers are more likely to be men. Third, immigrants are more likely to obtain this credit.

It appears that married, working-age, immigrant males living in large urban areas, particularly in Ontario and British Columbia, have the highest rates of uptake of the Caregiver Amount. While those who did receive it are fully deserving, these findings are unexpected and suggest that policy makers did not entirely reach the target population when this tax credit was devised. Ideally, it should be more accessible to informal caregivers who are most burdened by the financial impacts of caregiving, particularly those from lower income groups.

Given the overall low rates of claims and the distribution of these tax credits, we suggest that federal-level tax supports for caregivers can be improved through promotion and awareness to further aid those caregivers in need.

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It is revealing that the calculation for the tax credit amount is based solely upon the dependent's net income and does not consider that of the caregiver, allowing for higher income earners to claim these credits more than those financially worse off.

## Key Message

We propose that caregiver-related tax policy would benefit from a campaign of better awareness among persons who are providing care to a family member or friend. Those of lower socio-economic status would benefit from such a campaign given that credits are claimed mostly by higher income tax filers.

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