



The Alberta Disadvantage: Gender, Taxation, and Income Inequality

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Summary of Key Information

The Economic Status of Women in Alberta

- Women's equality reached its highest level in Alberta in 1993, and has deteriorated rapidly since
- At present, gender income gaps in Alberta are the largest in Canada, and Alberta women have still not regained the level of income equality they attained in 1993
- Women's income ratios in the rest of Canada have risen well above Alberta's high 1993 levels

- Women's average total income in Alberta is just 58% of men's
- Gender income gaps are larger in Calgary than in Edmonton
- Women's full-time, full-year earnings are dramatically lower than in other provinces, at only 63% of men's (compared to 80% in Saskatchewan, 75% in Québec, 74% in Ontario)

- Women in Alberta continue to be disproportionately responsible for large amounts of unpaid work as compared to men in Alberta and women in other provinces
- Women in Alberta performed an average of 35 hours/week of unpaid work, compared to 17.1 hours for men in Alberta
- In Alberta, full-time substitute care will cost roughly 25% of an average woman's earnings
- In 2012, Alberta spent the third smallest amount on regulated childcare of any province or territory
- Women make up 2/3 of all part-time work in Alberta
- Women in Alberta had the largest share of part-time work in 1976 and still had the largest share in 2013

Tax Policy Impacts

- The shift in Canadian taxation policy to "tax cuts for growth" in the 1990s coincided with a rapid deterioration in sex equality in Canada
- From 1995-1998, Canada ranked first in the world in both human development and gender-related development, but beginning in 1999 Canada's sex-equality rankings began to fall dramatically:
 - From 1st to 23rd by 2014 in the UN sex equality rankings
 - To as low as 31st in the World Economic Forum global gender gaps rankings

- Changes in the combined federal/provincial tax systems between the late 1980s and 2000, there was a “flattening” of the graduated rate structure
- Compared to the pre-flattening period prior to 1988, by 2000 low-income Albertans were paying a combined federal-provincial PIT rate of 17.36% more (26% vs. 8.64%)
- Compared to the pre-flattening period prior to 1988, by 2000 Albertans paying the top marginal tax rates saw a reduction in combined federal-provincial PIT rate of 9.96% (39% vs. 48.96%)

Revenue Effects of Alberta’s ‘Tax Advantage’ Regime

- If changes to the personal income tax (PIT) structure in Alberta had not been made in 2000, the Alberta government would have had **\$4.6 billion** more in revenue in 2009 than it actually had
- The Alberta government also lost an additional **\$1.1 billion** in revenue as a result of cutting corporate income taxes from 15.5% to 10%
- Had the more progressive and diversified tax provisions that were in effect in 1999 been continued, in 2009 the Alberta government would have had **\$5.7 billion** in additional revenue
- The introduction of the 10% single-rate tax raised the tax rates payable on low incomes from the implicit 1999 provincial rate of 7.48% to 10%
- The introduction of the 10% single-rate tax lowered the tax rates payable on middle to high incomes from the implicit 1999 provincial rate of 11.44% and 12.76% down to 10%

Distribution of Detaxation Benefits

- Of the \$3.2 billion in revenue lost due to these PIT rate cuts (2009), 72% of the cut went to the wealthiest 30% of taxpayers and nearly half that reduction went to the wealthiest 10%
- Overall, 54.1% of the PIT tax cuts went to the wealthiest 30% while just 6.9% went to the 30% of Albertans with the lowest incomes
- Of the \$4.6 billion in PIT cuts, 71% of the foregone revenues went to men and just 29% to women
- Men in all but one income decile received larger shares of detaxation benefits than women

Personal Income Tax Alternatives

- Alberta could address the current revenue and equity issues by adding additional rates at the top (which would increase revenues) and/or at the bottom (which would improve equity, but result in less net revenue)
- The graduated tax structures explored in the report would generate additional revenues as follows:
 - 10/13/15% \$1.44 billion
 - 10/13/15/16% \$1.60 billion
 - 8/10/13/15% \$0.77 billion
 - 9/10/13/15% \$1.11 billion
 - 9/10/13/15/16% \$1.27 billion
- From a gender perspective, adding new higher rates will improve gender income equality:
 - 86.2% of all new revenues under the 10/13/15% option would be paid by men
 - 86.6% of all new revenues under the 10/13/15/16% option would be paid by men

- Adding new low rates of 8% or 9% would provide more tax reductions for those who need it the most: women and men with the lowest incomes

Corporate Income Tax Alternatives

- Between 2001 and 2007, both the general and small business corporate income tax rates were reduced, from 15.5% to 10% and from 6% to 3%, respectively
- Since 2001 these CIT cuts had cost Alberta an estimated **\$28.75 billion** in lost revenues by the end of 2015, and the foregone revenue in 2014 alone is approximately **\$3.23 billion**
- Dividend tax credits cost an additional **\$1 billion** in annual revenue, and other corporate benefits such as charitable donation tax benefits and scientific research credits added another **\$1.24 billion** in foregone revenues
- Given the ownership structure of corporations in Alberta, roughly 66% of the after-tax benefits of CIT cuts will benefit men

Sales, Services, and Commodity Tax Alternatives

- Alberta already has an array of sales, commodity, and consumption taxes which generated \$8.55 billion, or 34% of total tax revenues in 2014/15
- The introduction of a 2.5% HST in Alberta would raise additional revenues similar to the introduction of a graduated income tax structure of 10/13/15/16% but it would be far less equitable, impacting after-tax incomes at all income levels (the graduated income tax option would leave the bottom 50% of taxpayers with unchanged taxes)
- Women would bear 34.7% of new revenues from a new 2.5% HST, but only 13.5% of the additional revenue from a 10/13/15/16% graduated income tax structure

Recommendations

Enforce Women's Rights to Genuine Economic Equality

1. Enforce the Alberta Human Rights Act guarantees of nondiscrimination in employment and pay with proactive compliance programs and financial as well as administrative support for those bringing complaints.
2. Enact proactive pay equity legislation and empower a Pay Equity Commission to establish active compliance programs with concrete goals, milestones, and penalties.
3. Create enough subsidized and registered childcare and eldercare programs to ensure that any worker with income less than the median can obtain costless care resources on flexible work schedules.
4. Enact living wage laws to secure the right to a post-tax living wage for those working a total of 35 hours or more per week, regardless of the composition or form of employment.

Restore Stability to Provincial Revenues

5. Reinstate graduated personal and corporate income tax rates to pre-2000 levels. This would produce at least \$3.2 billion in new revenues from each of these two revenue tools, for a total of \$6.4 billion in new revenues.

Alternatively, the province can generate more modest additional revenues of \$1.6 billion per year by adding three new personal income tax rates – 13%, 15%, and 16% – and obtain more modest additional corporate income tax revenues at the rate of approximately \$1 billion in corporate income tax revenues from each percentage point increase in the current 10% rate.

6. Obtain additional corporate income tax revenues of up to \$2.2 billion by eliminating the provincial corporate dividend tax credit, corporate charitable donation credits, and R&D tax credits.

Make Provincial Taxation More Equitable

7. Enact new low PIT rates of at least 8% or 9% to increase the within-tax system redistribution of post-tax incomes.
8. Reject enactment of new sales taxes or provincial consumption taxes such as the HST in Alberta.

Alternatively, if consumption taxes are enacted, provide substantial refundable sales or consumption tax credits to minimize the regressive impact of this form of tax, and ensure that they are accompanied by wealth taxes in order to fairly tax all incomes at the same rates.

Enact Effective Low-income Fiscal Policies

9. Repeal the transferability of the large dependent spouse/partner tax exemption credit and all other transferable exemption credits.
10. Individualize the Alberta Family Employment benefit program to give each adult equal benefits without regard to marital status or family composition, and pro rata shares of child-related benefits under that program.
11. Guarantee costless care resources for all adults eligible for the Alberta Family Employment benefit program in order to eliminate gender bias in access to those benefits.
12. Enact refundable low-income credits that insulate those with low incomes from being taxed into poverty by the combined effects of EI, CPP, federal, and provincial taxes, including existing commodity taxes.

Reinstate Contributions to Alberta's Heritage Fund

13. Accumulate all resource revenues in the Heritage Fund to “inoculate” the provincial government's budget from the volatilities of market-driven resource revenues.
14. Place a statutory maximum annual limit on amounts of investment incomes that can be withdrawn from the Heritage Fund for budgetary purposes.

