



The Right Honourable Justin Trudeau
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

May 14, 2020

Dear Mr. Prime Minister,

I write to you today respecting low income seniors who work, many of whom have lost their jobs due to COVID19.

As you may be aware, there are an estimated two million Guaranteed Income Supplement (GIS) recipients in Canada of which 230,000 (11%) are earners. Of those, it is estimated that 247,000 (12%) have taxable income and 53,000 (3%) have earnings and taxable earnings. A significant number of the 230,000 with earnings will qualify for the Canada Emergency Response Benefit (CERB) through job loss or personal circumstances.

The problem that these low income seniors face is they stand to lose at least 50% of their CERB (or 75% if they are in the GIS supplement zone from \$4,600 to \$8,400 in income) through GIS clawbacks when they report taxable 2020 CERB income on their tax returns in 2021. Accordingly, GIS policy should be changed to fully or partially exempt the CERB. The \$200 extra in GIS announced on May 12, 2020 is less than one twentieth of what some poor seniors will lose from their CERB.

Ministers Duclos and Schulte and their officials will know, GIS exempts the first \$5000 in net earnings (increased from \$3,500 in 2020) but the income replacement program, CERB, is both taxable and non-exempt as working income for GIS purposes. This is the case as the CERB will attract a T4A tax slip as indicated on the Canada Revenue Agency (CRA) website.

These workers are among the poorest seniors who for the most part, work in service based industries. They serve coffee and greet customers in stores. They are advisors in hardware stores and garden shops.

Single seniors receive GIS if their income (other than Old Age Security – OAS - and refundable credits) is less than \$18,800 a year. Senior couples receive GIS if their income is less than \$24,600 a year.

Some seniors – especially those living in subsidized housing – will see rent hikes of 30% based on the CERB. These rental increases are mandated by CMHC. The overall result for some will result in **marginal effective tax rates of over 100%** based on the combination of the GIS clawback, the GIS supplement clawback, income taxes paid, provincial clawbacks based on GIS, and rental increases.

The stated purpose of the CERB is to assist people to weather the COVID19 crisis where sickness or job loss negatively affects family income and resources.

Although your government contemplates income tax being paid on CERB, it is not known whether policymakers considered multiple clawbacks of the CERB. Clearly, very high clawbacks blunt the intended effect of the CERB in the medium to longer term. It is also unclear that policymakers understood that some seniors would have their incomes clawed back.

It is patently unfair that those with the lowest incomes, the highest COVID19 risk and the least resources would eventually take home the lowest share of the CERB. In essence, the federal government is 'welfareizing' the CERB by not exempting income replacement programs from clawbacks while exempting significant earnings.

In contrast, refundable credits are exempt under provincial and territorial welfare programs and even though the CERB has been implemented under Income Tax legislation, its pedigree is a taxable and income replacement form of income.

Finally On April 16, 2020, a spokesperson for Minister Carla Qualtrough said: "Our government believes the CERB needs to be considered exempt by provinces and territories in the same way as the Canada Child Benefit to ensure vulnerable Canadians do not fall behind."

To date, jurisdictions representing over 2/3 of Canada's population including the Yukon, the NWT, BC, Alberta, Manitoba, and Ontario have fully or partially exempted the CERB in calculations of benefits under their social assistance programs.

If your government does not fully or partially exempt programs like the GIS, you are in effect saying "**Do as we say, not as we do**". This is patently unacceptable.

In closing, I am asking that your government to either exempt the CERB in the calculation of the GIS or extend the GIS earnings exemption of \$5,000 and a maximum of a 50% clawback to the CERB for low income seniors receiving the GIS.

Sincerely



John Stapleton
Principal
Open Policy Ontario

cc

The Honourable Carla Qualtrough
The Honourable Deb Schulte
The Honourable Ahmed Hussen
The Honourable Jean-Yves Duclos
The Honourable William Morneau