Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By: **SINGLE SENIORS FOR TAX FAIRNESS (SSTF)**

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List of Recommendations

- **Recommendation:**

That the government revise the tax laws to give senior singles equal privileges to those granted to senior couples. (Senior singles include all those without a life partner such as life-time singles, widows, widowers, divorced and separated persons.)

Such tax revisions might include the following:

- **A non-refundable tax credit for senior singles** up to $25,000 to partially compensate for couples' benefits unavailable to singles.

- **A higher threshold for OAS clawback for singles** since a single's cost of living is two-thirds of a couple's. For example, clawbacks would start on taxable income of $110,000 instead of $81,761.

- **A higher deposit allowance into a TFSA account for all senior renters** who have never owned a home. This would help offset the tax-free benefit homeowners get when selling.

- **Upon death, the right to make a one-time transfer of RRSP/RRIF and TFSA portfolios directly into the same portfolios of a beneficiary of choice.** This transfer corresponds to the right couples have when the first partner dies.

ABOUT US

Single Seniors for Tax Fairness (SSTF) is a nation-wide movement devoted to revising the taxation system that gives extensive tax benefits to senior couples and none to senior singles.

Income splitting plus the transfer of RRSP/RRIF and TFSA portfolios (upon death) to a partner are two of the strategies that allow couples to reduce taxes. By paying less tax, couples often put themselves in a tax bracket that allows each to collect full OAS payments and the Age Credit. Meanwhile, single seniors pay tax on their total income and often endure OAS clawbacks and no Age Credit.

> <u>*Case #1*</u>
>
> *A single senior in Ontario with a pension income of $115,000 consulted her financial planner about ways to reduce her taxes and keep more of her OAS payments. His response? No way because she was single. He then applied the same pension income of $115,000 to a couple. Through income splitting, they were able to reduce their income to $57,500 each and both collect full OAS and Age Credit payments.*
>
> *But the real inequity lay in taxes. The single woman paid $21,000 more income tax than the couple.*

The couple also enjoys a double dose of the benefits funded by taxpayers. Two people have free health care, well-kept infrastructure, and other services that the government provides. With singles, only one person draws on these benefits.

"I'm tired of being shafted because I'm no longer part of a 'partnership'."

- SSTF supporter

FACTS TO CONSIDER

Fairness is a quality that most Canadians consider to be a bedrock of our society. Yet for decades, one contingent of senior Canadians has been marginalized and deprived of fair tax treatment simply because they do not have a life partner. This overload of taxes is pushing more and more of them out of the middle class and into the poverty class. Tax reform is long overdue.

The nuclear family of the 1950s with mom, dad and a couple of kids is long gone. Today's adults have a variety of lifestyle choices and the result is that more and more of them are living alone.

Single-person households are growing faster than any other type, and when it comes to seniors, according to Statistics Canada, 39% of 7 million seniors live alone. Therefore, when considering how to distribute the tax burden, it makes no sense to continue to reward couples and ignore the plight of singles.

"I feel I'm paying a single supplement for being alive. We single, non-homeowners, deserve a fairer system."

- SSTF supporter

<u>*Case #2*</u>

A doctor complains of paying so much more tax than her two brothers who register in a lower income tax bracket. Each has a hefty pension from work in a corporation and as a teacher, and when the pension is split with their spouses, is able to lower their income and qualify for full OAS and Age Credit entitlements for themselves and their spouse. Meanwhile, the single doctor, self-employed and without a pension, pays over one-third of her income in taxes. "I guess it helps to support my brothers' handouts." she says, "but I do get fed up listening to them brag about income splitting".

<u>Other Facts:</u>

1. Statistics prove that a single-person household needs two-thirds of the income of a couple to maintain the same lifestyle. Costs for accommodation, hydro, internet, car ownership, insurance, etc. are the same whether the household has one person or two.

2. The plight of the single senior is doubled if the individual is a renter instead of a homeowner. Not only are rental costs higher, but the person has no tax-free asset upon death.

3. Statistics from 2016 show that 84% of seniors declare incomes of $50,000 or less. This is a false portrait of lower and middle income taxpayers, all based on artificial numbers. While filing taxes based on these numbers, many of these people are sitting in homes worth between $500,000 and $2 - $3 million. Take away income splitting and that taxable income would spiral upward in a huge way. And the government would get its due.

4. The majority of seniors affected by these tax inequities are women. Because women live longer than men, they will ultimately be the victims of the unjust higher taxes now in place.

5. Nowhere is the struggle to exist as a single more evident than among the homeless. Many more singles than couples can be found on the street, many of them seniors.

"It's hard to become a homeowner when you're single with only one household income. Consequently we miss out on the huge tax breaks allotted to homeowners when they sell their home. It's time to give more tax breaks to renters."

- SSTF Supporter

CURRENT TAXATION APPLIED UPON DEATH

A. For Senior Couples – Transfer of Funds to Remaining Partner

Upon death, the main tax benefits once again go to senior couples and homeowners. When the first partner in a couple dies, he/she can transfer the funds in an RRSP/RRIF portfolio into the RRSP/RRIF portfolio of the remaining partner. Taxes continue to be paid, but over time, which lessens their impact.

Also, funds in the TFSA portfolio of the deceased partner can be transferred to the remaining partner's TFSA. There the funds can grow exponentially with no limit and no taxes paid.

And homeowners, of course, are the biggest winners of all. When they sell their principal residence, before or after death, the proceeds will be tax-free.

B. For Single Seniors – No Transfer of Funds

The situation for senior singles and renters is completely different. Upon death, the single senior's RRSP/RRIF portfolio will be cashed and declared as income for that year. That often pushes the income tax to 50%, payable on that year's tax return.

Funds in the single seniors' TFSA account will be allotted to the beneficiaries named in the will, but there will be no direct transfer of funds into the TFSA of those beneficiaries. Therefore the beneficiaries miss out on the tax-free growth of the funds which is allowed for the remaining partner of a couple.

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Single Seniors for Tax Fairness

Case #3

Two sisters in Nova Scotia have shared a home and all expenses for fifty years. They've also shared in the expense of bringing up a child. Now in their seventies, they want the right to transfer their RRIF portfolio to the RRIF portfolio of the remaining sister when the first one dies. But the law says no. That's only allowed if the housemate is a partner. Sisters don't count.

WAYS TO REDUCE TAXES FOR SINGLE SENIORS

1. **A non-refundable tax credit for senior singles** up to $25,000 to partially compensate for income splitting benefits given to senior couples. Income splitting often results in no OAS clawbacks plus eligibility for the Age Credit: substantial payouts often denied to singles.

2. **A higher threshold for OAS clawback for singles** since a single senior's cost of living is two-thirds of a couple's. If clawback began on a taxable income of $110,000 instead of $81,761, that would be a fairer arrangement. The Age Credit eligibility might also be raised.

3. **A higher deposit allowance into a TFSA account for all senior renters** who have never owned a home. An initial deposit of an extra $50,000, with appropriate amounts in subsequent years, would begin to compensate for the tax-free advantage homeowners get when selling.

4. **Upon death, the right to make a one-time transfer of RRSP/RRIF and TFSA portfolios** directly into the same portfolios of a beneficiary of choice. This transfer corresponds to the right couples have when the first partner dies.

Case #4

Aryun, age 57, finds himself in a precarious position when he looks ahead to retirement. After graduating from York U, he spent ten years teaching Math in India, his birthplace. While there he married an Indian woman and had a son. Returning to Toronto with his son after his marriage broke up, he took jobs on contract and did private tutouring, until, at the age of 40, he secured a tenured position teaching Math at a community college. Throughout this time he supported his mother with rent and groceries, as well as his adult son who moved back into Aryun's apartment once he was diagnosed with mental health issues. If Aryan retires at 65, he can expect a pension of $50,000 in today's dollars. His family obligations have allowed him to save almost nothing, and he envisions working well into his 70s or beyond.

FINAL THOUGHTS

Society has always marginalized singles. Nowhere is that more evident than in the speeches of politicians where families are the centrepiece and singles are ignored. When being single is then coupled with being a senior, life can be grim. And if financial worries are added to the mix through unfair tax practices, a comfortable, middle-class existence in senior years becomes impossible.

Few of us will get to the end of life without enduring the status of singlehood at some point. A partner dies or the couple splits or the right life soulmate fails to come along, and there we are...alone. Such a situation offers myriad challenges in itself, not the least of which is mental stress and loneliness. Income insecurity on top of this can be overwhelming.

That’s why we need change...now.

Case #5

Susan and Jill are lifelong friends on the west coast whose lives took different paths. Susan became a stay-at-home mother who married a high school teacher and together they owned a home. Jill never married, and was a teacher until starting a business in her early forties. She also is a lifelong renter.

Now that both women are in their eighties, their financial situations are markedly different. Susan and her husband split his pension income when he turned 65, which lowered taxes and allowed each to qualify for full OAS payments and the Age Credit. Jill, with no similar tax breaks and needing 2/3 of the income of a couple, partly because she was still paying rent, had no Age Credit and most of her OAS was clawed back.

After Susan’s husband died, she pocketed $2.3 million tax-free on the home they had paid $18,000 for in 1972. As a result, her granddaughters benefitted from huge down payments on their new homes.

At death, Jill will have no tax-free asset. Her RRIF and remaining corporate funds from her business will be declared as taxable income in the year of her death. This will push her into the 50% tax bracket and leave her estate with a pittance to pass on to her closest relatives, all of whom have clawed their way out of poverty and who will have no other inheritance.

FOR FURTHER INFORMATION, PLEASE CONSULT OUR WEBSITE:
https://www.singleseniorsfortaxfairness.com.

OR CONTACT:
Jane Robertson (Founder) or Katherine Cappellacci at **singleseniorstax@gmail.com.**