

PRE-BUDGET 2019



WRITTEN SUBMISSION

FOR CONSULTATION IN
ADVANCED OF BUDGET 2019



RECOMMENDATION



Recommendation

That the government eliminate the Tuition Tax Credit and reallocate the estimated \$1.5 billion to upfront grants to be administered through the Canada Student Grant Program.



UNDERGRADUATES OF CANADIAN RESEARCH-INTENSIVE UNIVERSITIES

Undergraduates of Canadian Research-Intensive Universities (UCRU) is an informal coalition of student associations whose mandate is to advocate to the federal government of Canada for an affordable, inclusive and high-calibre undergraduate university education with opportunities for increased access to undergraduate research. Our coalition began in 2015 to advocate on issues that disproportionately and uniquely affect undergraduates from Canada's U15 universities – which is what sets our strategic advocacy priorities apart from other student advocacy organizations at the federal level.

Our Mission: Advocate to the federal government of Canada for an affordable, inclusive and high-calibre undergraduate university education with opportunities for research through a coalition of student associations from U15 universities.

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CANADA FEDERAL STUDENT LOANS PROGRAM

RECOMMENDATION: THAT THE GOVERNMENT ELIMINATE THE TUITION TAX CREDIT AND REALLOCATE THE ESTIMATED \$1.5 BILLION TO UPFRONT GRANTS TO BE ADMINISTERED THROUGH THE CANADA STUDENT GRANT PROGRAM



Post-secondary education rates are associated with economic growth, competitiveness, and social development - all of which are vital to Canadian society. In order to provide equal access, the Government of Canada provides financial aid to qualifying students. One form of aid is the Tuition Tax Credit; in 2013-2014, the Government of Canada allocated \$1.8 billion towards the tax credit. However, this funding is not the best way to provide for those most in need. By reinvesting the tax credit into upfront grants, the Government of Canada has the opportunity to revolutionize post-secondary education throughout the country.

BY 2013-14, THE STOCK OF UNUSED TUITION, EDUCATION AND TEXTBOOK TAX CREDITS IS ESTIMATED TO EXCEED \$27 BILLION

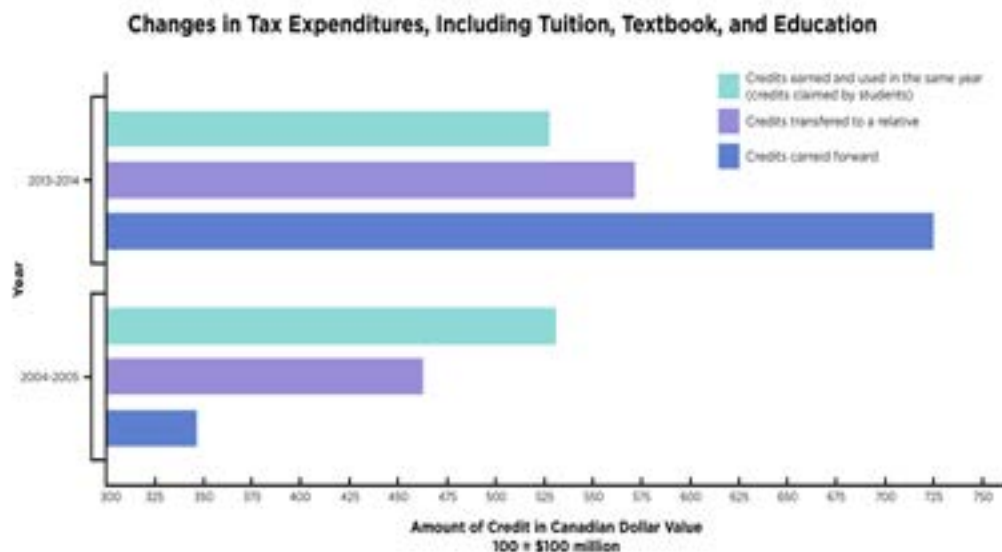



CANADA FEDERAL STUDENT LOANS PROGRAM CONTINUED...



In 2013-2014, less than a third (\$527 million) of the \$1.8 billion invested into the Tuition Tax Credit was claimed. In other words, less than a third of the Credit goes to students each year (Figure 1). The other two-thirds were claimed by parents, spouses, or went to accumulated credits from previous years. The stock of the unused tax credits exceeded an estimate of \$27 billion, resulting in a foregone tax revenue of \$4.2 billion. The Parliamentary Budget Officer's report of Federal Spending on Postsecondary Education noted that the Tuition Tax Credit provides disproportionate advantages to higher-income students.¹ The objective of the Credit is to provide relief to students by acknowledging the high costs of enrolling in qualifying postsecondary education institutions.² However, this objective could be met more effectively by providing upfront grants to students who most require financial assistance, who currently do not receive the credit.

In 2016, Ontario eliminated the tuition and education tax credits and reinvested this funding into the Ontario Student Grant.³ As noted, “grants are more effective than tax credits at targeting financial support to students with the greatest needs and providing support upfront”, and the reformed Ontario Student Assistance Program (OSAP) allowed more students to receive more grant money, particularly focusing on the students with the with the greatest financial need. Grants provide upfront relief to students paying tuition, rather than retroactive support in the spring following tuition payments. Students require direct upfront aid in the form of grants at peak of times of the academic year, particularly at the beginning of academic





terms when tuition payments and other expenses are due. Especially for lower-income students, to whom tax credits are quite inaccessible, upfront grants are the most efficient and effective form of financial aid. The changes to the OSAP have been very effective, and as undergraduate students at renowned Canadian universities, we recommend that the Government of Canada follow suit.

The report from the Budgetary Officer notes that the reallocation of the Federal Tax expenditures would make post-secondary education more affordable for Canadians. The reallocation of \$1.5 billion from the Tuition Tax Credit to upfront grants within the existing Canada Federal Student Loans Program would allow for more students to receive more money and in a timely manner best suited to student needs. The reinvestment of these funds would be a reinvestment in Canadian youth and in the Canadian economy, allowing more students to access and thrive within and beyond the Canadian postsecondary sector. A population with increased access to higher education and with the financial support to be able to excel within this environment, will enhance Canada's competitiveness through advancements in research, innovation, and business. As the final budget of the 42nd Parliament of Canada, Parliament can demonstrate a strong focus on youth and building the Canadian Economy, by reallocating the money for the tuition tax credit into upfront grants.

¹ Jean-Denis Frechette et al. "Federal Spending on Postsecondary Education," Office of the Parliamentary Budget Officer, 5 May 2016, http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2016/PSE/PSE_EN.pdf.

² Department of Finance Canada, "Report on Federal Tax Expenditures: Concepts, Estimates and Evaluations," Government of Canada, 2017, <https://www.fin.gc.ca/taxexp-depfisc/2017/taxexp-depfisc17-eng.pdf>.

³ Ibid.



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