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Budget Proposal

I am writing in response to your invitation to Canadians to provide input to the pre-budget consultation hearings.

I have a suggestion the government may want to incorporate into the next Budget which should stimulate the economy as a whole, but would also mean the government may have to reduce its spending to meet its plan of balancing the budget.

My understanding is the Government of Canada's "Poverty Line" is about \$20,000.00 pre-tax (depending on which definition of poverty threshold) for an individual. Therefore, let us use the \$20,000.00 figure as the correct number, your number crunchers may have a more exact number. This \$20,000.00 amount is just under \$10.00 per hour for an individual that works 2080 hours per year, (40 hours per week for 52 weeks per year).

I suggest that the Government of Canada increase the "Federal Basic Personal Exemption" to \$20,000.00 for all tax payers, from the \$10,500.00 (approximate for 2011) and eliminate the age exemption for those aged 65 and older which is income tested anyway.

The Canadian Government does not have to change the way or amounts charged for CPP on this income. Although it would be nice if the government would increase the bottom tax bracket ceiling to equal the Maximum Pensionable Earnings.

I believe this would stimulate the economy immediately as it would be like a \$1,425.00 raise to all tax payers, except seniors, if the age exemption is deleted) whom would then spend most (two thirds or more) on the basics or on some "Luxury" items. I do not know the multiplier used when a dollar is put through the economy but expect the 5% GST and income tax on personal and business income from the new jobs and increased business will replace the 28 billion earlier loss to the government coffers. The Government may also want to raise the third and fourth tax bracket percentages to 27% and 31% respectively. The government may have to cut some people (early retirement / hiring freeze) or programs (gun registry) to get to the balanced budget as scheduled.

Regards
Bruce MacDuff CFP