

Why Aren't More Canadians Utilizing the Disability Tax Credit? What is the policy problem? New Policy School Report

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Calgary – The Disability Tax Credit (DTC) is important financial support for thousands of Canadians with a disability or caregivers of persons with a disability. Yet only around 40 per cent of working-aged adults with qualifying disabilities are utilizing it. Low uptake is a concern not only because people are missing out on the credit itself but also because eligibility to the DTC – which is not automatic – is a gateway to other important benefits such as the Child Disability Benefit and Registered Disability Savings Plans (RDSP).

Today, The School of Public Policy with authors Stephanie Dunn and Jennifer Zwicker, released a report that provides an overview and update about utilization of the DTC across Canada and offers some practical policy solutions to increase the performance of the tax for those who need it.

According to co-author, Jennifer Zwicker, “Awareness and a burdensome application process are likely key contributing factors to why the take-up is low. There is also a lack of clarity around eligibility rules, which have been criticized for being open to interpretation, failing to accurately reflect the practicalities of living with a disability and requiring people with impairments in mental functions to meet a higher bar than for those with physical impairments. The design of the DTC may also be limiting utilization of disability benefits such as RDSPs that require DTC eligibility as a prerequisite. As a non-refundable tax credit, only half of all claimants (including caregivers) actually receive value from the DTC (provides no monetary value to those without taxable income). Using the DTC in its current form, as a gateway to other federal and provincial disability benefits is poor policy design.”

A policy overhaul of the DTC, and broader disability policy in Canada, is long overdue. This will require effort and the will to make the necessary changes to improve existing policies. Boosting awareness of the DTC, gaining a better understanding of the target population (particularly children with disabilities) and monitoring data on the DTC's usage and reach, would go a long way towards improving uptake. Creation of a clear and transparent review and appeals process to replace the current and often inconsistent one would further knock down barriers to access. Improving the disability assessment process for the DTC and for other key disability benefits is also essential. More broadly, it is time for Canada to consider new coordinated policy measures that guarantee improved access, independence, portability and support for individuals with disability – particularly those living in low income.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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