



The Alliance to End Homelessness

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Canada's Tax System Can be Used to Reduce Homelessness

The Alliance to End Homelessness in Ottawa
Submission to the
House of Commons Standing Committee on Finance
Pre-Budget Consultations
Fall 2007

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Changing Canada's Tax System to Reduce Homelessness

The Alliance to End Homelessness in Ottawa Submission to the
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EXECUTIVE SUMMARY

Homeless people include people who are receiving social assistance, people who are actively employed in the work force, and people who are living on pensions. In Ottawa in 2006, 9,010 people were homeless and stayed in an emergency shelter at some point. As well, there were 9,143 households at risk of losing their housing who were helped through a combination of federal, provincial and municipal funding. On their behalf, The Alliance to End Homelessness, a coalition of 73 Ottawa health, social service, and housing agencies in place for twelve years, is committed to working collaboratively to end homelessness by gaining and promoting a better understanding of homelessness and advocating for strategies to end it. The Alliance to End Homelessness partners work in collaboration with each other and in collaboration with the municipal, provincial, and federal governments.

The Alliance to End Homelessness recommends tax system criteria that recognize the urgent need to end homelessness and debilitating poverty and to strengthen Canada's economic growth with measures that narrow the income gap with tax changes for those with low income that will increase their economic participation through spending and/or employment. The Alliance to End Homelessness proposes that the next federal budget include a tax credit that will target a specific group, namely low income people who are working, on modest pensions or social assistance.

Homeless people cannot afford permanent and safe housing. One of the more complex and enduring causes of homelessness in Ottawa and elsewhere is that individuals, families, and seniors who are homeless or who are at risk of becoming homeless cannot afford to live in existing permanent and safe housing given the rates set for income benefits and the levels of minimum or low wages. The impact of low income is complex and enduring because it is often the result of limited training and education opportunities, acute and chronic physical and mental illness, addictions, dysfunctional intergenerational family life, family violence, limited opportunities for work, single family parenting, the demands of caring for children and limited job mobility. Through changes to the income tax system, the Parliament of Canada can reduce homelessness.

An income tax credit for low income individuals, families, and seniors that is based on the annual Statistics Canada low income cut-offs (LICOs)¹, is the only tax measure that will put money in the hands of people who will use it exclusively for housing and other necessities of life. Since low-income individuals, families, and seniors spend an above average amount of their income on the necessities of food, shelter, and clothing, it is reasonable to assume that almost the full value of the low income tax credit would be spent on housing and other necessities of life, and would support local businesses and employment in rural and urban communities across Canada. We also ask that changes to the federal tax system be structured to ensure that benefits directed to people on social assistance are not clawed back by the provincial governments (e.g. child tax benefits in Ontario, GST credits).

Homelessness affects the income tax system because it undermines the prosperity, productivity, and stability of residents, businesses, and communities. The Alliance to End Homelessness believes that a national Housing Program in a federal Department of Housing and a minimum five year funding term for the Homelessness Partnering Strategy would give Canada the national leadership needed to end homelessness. As well, the tax payer base can be improved through federal rates and policies affecting those on low incomes.

Recommendations from The Alliance to End Homelessness

- 1. Amend the Income Tax to provide a low income tax credit to individuals, families, and seniors that would be based on the low income cut-offs of Statistic Canada.**
- 2. Establish a national Housing Program through a new federal Department of Housing to directly and significantly increasing affordable housing and supportive and supported housing to strengthen the base of individuals from which federal revenues are derived while helping to end homelessness.**
- 3. Establish a minimum five year funding term for the Homelessness Partnering Strategy with an evaluation as part of the fifth year.**
- 4. Structure the federal tax system to ensure that people on social assistance do not have benefits clawed back by provincial governments (e.g. child tax benefits in Ontario, GST credits).**
- 5. Improve the base of tax payers through federal rates and policies affecting low incomes: re-establish a Federal Minimum Wage rate at \$10.00, increase rates and access to Employment Insurance (EI), invest in training, and increase Old Age Security (OAS) and the Guaranteed Income Support (GIS) programs.**

Changing Canada's Tax System to Reduce Homelessness

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A. *The Alliance to End Homelessness in Ottawa*

Homeless individuals include people who are receiving social assistance, people who are actively employed in the work force, and people who are living on pensions. The Alliance to End Homelessness is a coalition of 73 Ottawa health, social service and housing agencies that has been in place for twelve years. The partners in The Alliance to End Homelessness are committed to working collaboratively to end homelessness by gaining and promoting a better understanding of homelessness and advocating for strategies to end it. Our partners continue to work in collaboration with each other and in collaboration with municipal, provincial, and federal governments, but despite our efforts the number of people experiencing homelessness in Ottawa is increasing.

In Ottawa in 2006, 9,010 people were homeless and stayed in an emergency shelter at some point. As well, there were 9,143 households at risk of losing their housing who were helped through a combination of federal, provincial and municipal funding. For data and information on homelessness in Ottawa, please see the Appendix on page 5.

B. *The Tax System the Country Needs for a Prosperous Future: Main Themes for the Consideration of the House of Commons Standing Committee on Finance*

- *Criteria for changes to taxes, fees, and other charges and whether they should be broadly based or targeted*

The Alliance to End Homelessness recommends tax system criteria that recognize the urgent need to end homelessness and debilitating poverty and to strengthen Canada's economic growth with measures that narrow the income gap with tax changes for those with low income that will increase their economic participation through spending and/or employment. Fair tax responsibilities of individuals and businesses would thus be determined according to their ability to pay taxes without contributing to the extreme personal hardship of homelessness. Those benefiting the most from Canada's economy, whether business or individuals, are able contribute more to enhancing equity in our society.

The Alliance to End Homelessness is proposing a tax credit for the next budget that will target a specific group, namely low income people who are working, on modest pensions or social assistance. The details of our tax credit proposal and a number of other recommendations are outlined below.

- *Corporate taxation, fees, and other charges*

We very much support the idea of the Committee discussing corporate taxation, fees, and other levies in its 2007 pre-budget consultations. Our only comment with respect to this important issue is that changes should be guided by clearly articulated principles of equity, social justice, and economic growth when considering the level of levies, the corporate share of federal revenues, the impact of federal levies on international competitiveness, and the provision of public goods. Furthermore, any changes in the corporate tax structure should be evaluated on an ongoing basis in terms of those three principles.

- *Personal taxes, fees, and other charges*

RECOMMENDATION 1: Amend the Income Tax to provide a low income tax credit to individuals, families, and seniors that would be based on the low income cut-offs of Statistic Canada.

Homeless people cannot afford permanent and safe housing.

An income tax credit for low income individuals, families, and seniors that would be based on the annual Statistics Canada low income cut-offs (LICOs)¹ is the only tax measure that will put money in the hands of people who will use it exclusively for housing and other necessities of life.

One of the more complex and enduring causes of homelessness in Ottawa and elsewhere is that individuals, families, and seniors who are homeless or at risk of becoming homeless cannot afford to live in existing permanent and safe housing given the rates set for income benefits and minimum or low wages.

Low income is a complex and enduring cause of homelessness because it is a situation that is often the result of limited training and education opportunities, acute and chronic physical and mental illness, addictions, dysfunctional intergenerational family life, family violence, limited opportunities for work, single family parenting, the demands of caring for children, and limited job mobility. Through changes to the income tax system, the Parliament of Canada can reduce homelessness.

The income effects of reductions to the GST rate and to income tax rates, and of increases in the personal income tax credit, have been to provide disproportionately higher benefits to middle and upper income individuals and families relative to the benefits provided to lower income individuals, families, and seniors. For example, it is estimated that only 8.5% of the value of a reduction of the 2004 GST rate by 1%, at a cost of approximately \$5 billion, went to individuals with low incomes below the pre-tax LICO cut-off when they represent 15.6% of the population.

The Alliance to End Homeless is recommending that Parliament establish at a cost of \$5 billion an income tax credit for low income individuals, families, and seniors. Low income individuals would be identified by using the after tax low income cut-offs (LICOs) produced by Statistics Canada. The principal advantage of a low income tax credit over other tax measures such as the planned reduction in the GST rate, a reduction in income tax rates, and the like, is that the full value of the cost of the income tax credit would, in the hands of low income people, contribute to the prosperity and productivity of residents and businesses in communities across Canada.

According to Statistics Canada, the average family, which includes individuals and seniors, spends 43% of its after tax income on food, shelter and clothing. The LICOs are levels of income in which individuals, families, and seniors spend 20 percentage points more than the average family on food, shelter, and clothing. Families and individuals within the range of the LICOs are therefore spending at least 63% of their after tax income on food, shelter, and clothing.

The LICOs are an effective means of identifying individuals, families and seniors who are experiencing a low income gap and who would qualify for the low income tax credit. The LICOs are Statistics Canada's most established and widely recognized approach to estimating low income cut-offs. The LICOs include seven family sizes and five community sizes.

For example, in 2006, a family of five living in a rural area with an income of \$20,000 would be in a low income cut-off category of \$24,746 and would therefore have a low income gap of \$4,746 or 19%. A low income tax credit would close all or part of this gap.

Since low-income individuals, families, and seniors spend an above average amount of their income on the necessities of food, shelter, and clothing, it is reasonable to assume that almost the full value of the low income tax credit would be spent on housing and other necessities of life, and would support local businesses and employment in rural and urban communities across Canada.

In addition to improving the quality of life for those people on low incomes and contributing to the economic prosperity of residents, businesses, and communities, a LICOs based income tax credit would allow many people to be less dependent on shelters, social services, and housing subsidies. Over time, these resources would become more readily available to secure and support permanent and safe housing for homeless people whose needs go beyond low income and include acute and chronic medical, psychological, and social challenges.

C. *Strengthening the Base of Individuals from Which Federal Revenues are Derived While Helping to Eliminate Homelessness*

RECOMMENDATION 2: Establish a national Housing Program through a new federal Department of Housing that would include direct and significant increases in affordable housing and supportive and supported housing to strengthen the base of individuals from which federal revenues are derived while helping to end homelessness.

Homelessness adversely affects the income tax system because it undermines the prosperity, productivity, and stability of individuals, businesses, and communities. The Alliance to End Homelessness believes that establishing a national Housing Program in a new federal Department of Housing that would include responsibility for directly and significantly increasing affordable housing and supportive and supported housing would strengthen the base of individuals from which federal revenues are derived as well as the general economy and tax system.

At the present time in Canada, efforts to reduce homelessness are addressed federally by the Housing and Homelessness Branch at Human Resources and Social Development Canada and on a fragmented, province by province and community by community level. The status and importance inherent in a federal Department of Housing would not only increase affordable housing but also provide much needed leadership and direction. As a federal forum for discussion and education it can add to the understanding of the housing needs of Canadians, particularly Canadians who have the misfortune to be homeless.

RECOMMENDATION 3: Establish a minimum five year funding term for the Homelessness Partnering Strategy with an evaluation as part of the fifth year.

Strengthening federal efforts in The Homelessness Partnering Strategy by establishing a minimum five year funding term will support communities in effectively planning and allocating resources. A five year term will provide the stability needed to lessen the impact of homelessness on the prosperity, productivity, and stability of individuals, businesses, and communities and in turn strengthen the tax system. In our experience, this funding is making an important difference in the efforts of Canada's urban and rural communities to assist people who do become homeless and to help other people stay housed and able to participate in the economy. We recommend, as well, that an evaluation be done as part of the fifth year to avoid funding gaps should the funding still be needed.

RECOMMENDATION 4: Structure the federal tax system to ensure that people on social assistance do not have benefits clawed back by provincial governments (e.g. child tax benefits in Ontario, GST credits).

Some provincial governments view federal benefits such as the child tax benefit and the GST credit as an opportunity to reduce provincial social assistance benefits to individuals and families. We are asking that the Government of Canada structure tax credits for low income people in such a way that they do not result in a corresponding reduction to social assistance benefits to people receiving provincial social assistance benefits.

RECOMMENDATION 5: Improve the base of tax payers through federal rates and policies affecting low incomes by re-establishing a Federal Minimum Wage rate at \$10.00, increasing rates and access to Employment Insurance (EI), investing in training, and increasing Old Age Security (OAS) and the Guaranteed Income Support (GIS) programs.

Changes to a number of federal policies will contribute to enhanced income and housing security while improving ability to pay taxes. Re-establishing a federal minimum wage rate for workers in federal jurisdiction industries and setting it at \$10.00, reversing the use of provincial minimum wage rates, will help those with low incomes. Increasing the rates and access to Employment Insurance (EI) and investing in training to promote economic growth and maintain a productive tax paying work force will immediately ease the economic situation for those who face the risk of losing their housing because they are between jobs, working part-time, temporary workers or new entrants to the workforce. Increasing rates of Old Age Security (OAS) and the Guaranteed Income Support (GIS) programs will help seniors remain in their own homes and avoid the risks of becoming homeless.

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APPENDIX

Understanding homelessness

People are homeless when they are living on the street, staying overnight in temporary shelters, staying in places not meant for human habitation or moving continuously among temporary housing arrangements provided by strangers, friends or family (often called "couch surfing"). People are homeless for many reasons including fleeing abuse, losing a job, or having an income too low to stay in permanent and safe housing.

The Alliance to End Homelessness is tracking the number of individuals who had to stay in an emergency shelter to indicate the seriousness and scope of the crisis in Ottawa. This data is from the *Third Report Card on Ending Homelessness in Ottawa (Jan-Dec 2006)*².

HOMELESS PEOPLE IN EMERGENCY SHELTERS IN OTTAWA			
	2004	2005	2006
# of individuals who had to stay in an emergency shelter	8,664	8,853	9,010
Single men	4,845	4,905	5,007
Single women	1,221	1,267	1,451
Youth	509	543	607
Families (<i>children & adults</i>)	631 <i>(1,092 children + 997 adults)</i>	668 <i>(1,035 children + 1,103 adults)</i>	615 <i>(1,163 children + 782 adults)</i>
LENGTH OF EMERGENCY SHELTER STAY			
Average length of individual's stay in a shelter (days)	38	36.1	33.7
Single men	40	39.1	38.4
Single women	31	31.9	28.1
Youth	23	17.4	16.2
Families (<i>children & adults</i>)	45	36.7	30.9
# of times shelter beds were used	323,612	310,299	323,625

- The number of different individuals using emergency shelters in Ottawa increased by 1.8% to 9,010.
- Between 2004 and 2006, the number of people using shelters rose by 4%.
- The number of single women using shelters increased by 14.5% in 2006.
- The number of youth using shelters increased by 11.8% in 2006.
- The number of children using shelters increased by 12.4% in 2006, even though the number of families decreased by 7.9%.
- Shorter stays in the shelter system suggest that supports offered by community agencies are assisting people to move into housing faster.
- As well as those people who had to stay in an emergency shelter in 2006, **9,143 households at risk of losing their housing were helped in Ottawa through a combination of federal, provincial and municipal funding.**

SOURCE – the federal *Homeless Individuals and Families Information System (HIFIS)*, gathered in the City of Ottawa.

REFERENCES

1. Income Research Paper Series, Low Income Cut-offs for 2006 and Low Income Measures for 2005, Income Statistics Division, Statistics Canada, catalogue no. 75F002MIE-No. 004, May 2007.
2. Third Report Card on Ending Homelessness in Ottawa (Jan-Dec 2006), The Alliance to End Homelessness. Download free at www.endhomelessnessottawa.ca.