



Comparing the LIFT Credit to a Minimum Wage Increase

Technical Presentation



Financial
Accountability
Office of Ontario

April 2019

Overview and Background

Report Outline

- LIFT credit was announced in 2018 Fall Economic Statement.
- Subsequent legislation cancelled the planned minimum wage increase from \$14/hour to \$15/hour.

This report:

1. Estimates the budget impact of introducing the LIFT credit and cancelling the minimum wage increase.
2. Reviews how the LIFT credit will affect Ontarians.
3. Compares the benefits provided to Ontarians by the LIFT credit to an increase in the minimum wage to \$15/hour.

1. Budget Impact

Budget Impact

Estimated impact on the Province's budget balance from introducing the LIFT credit and cancelling the minimum wage increase, \$ millions

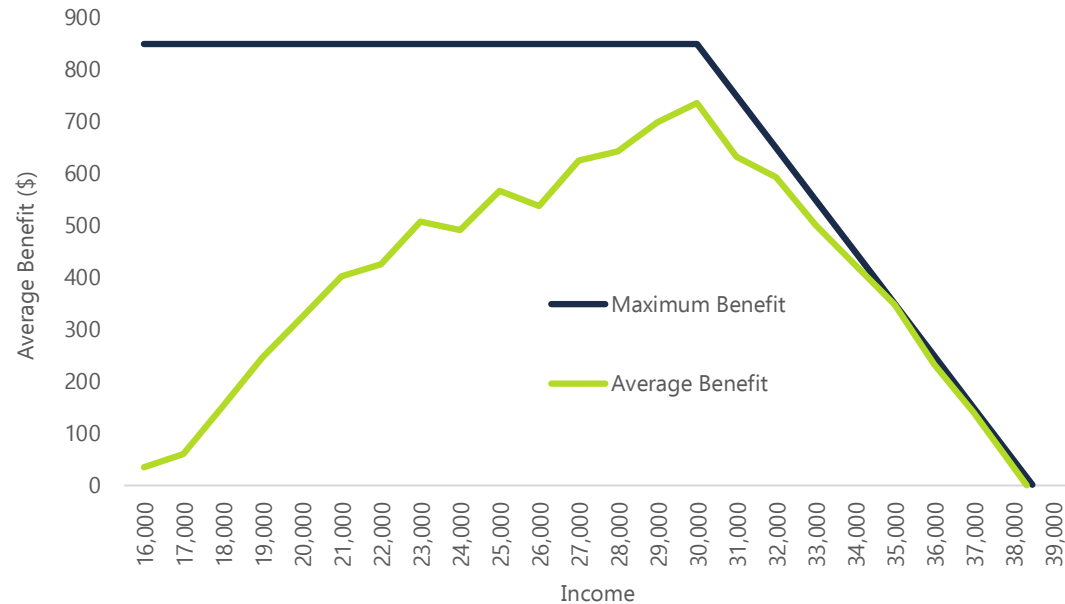
\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	Total
LIFT credit	(104)	(413)	(393)	(373)	(353)	(1,636)
Cancelling the minimum wage increase	(18)	(59)	(60)	(61)	(63)	(261)
Impact to budget balance	(122)	(472)	(453)	(434)	(416)	(1,897)

Source: FAO analysis of Statistics Canada's Labour Force Survey (January-December 2018) and Social Policy Simulation Database and Model.

- Budget balance to worsen by a total of \$1.9 billion from 2018-19 to 2022-23
- Budget impact consists of the cost of the LIFT credit and lost tax revenue from the cancelled minimum wage increase
- Cost of LIFT is projected to decline as the credit is not indexed to inflation

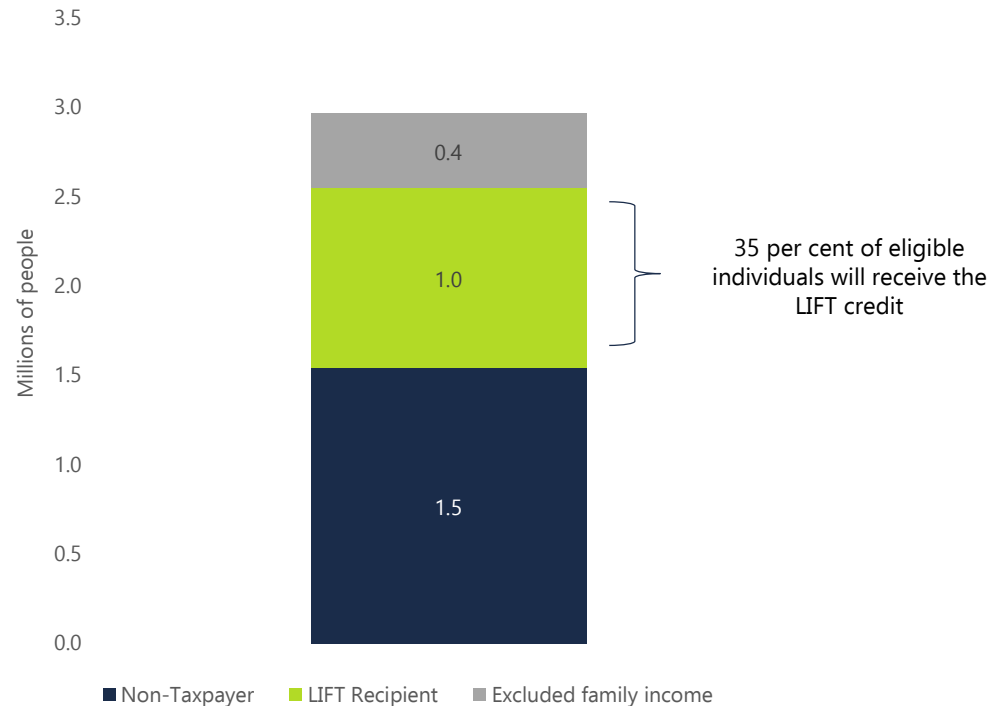
2. Impact of LIFT Credit on Individuals and Families

LIFT Credit Structure



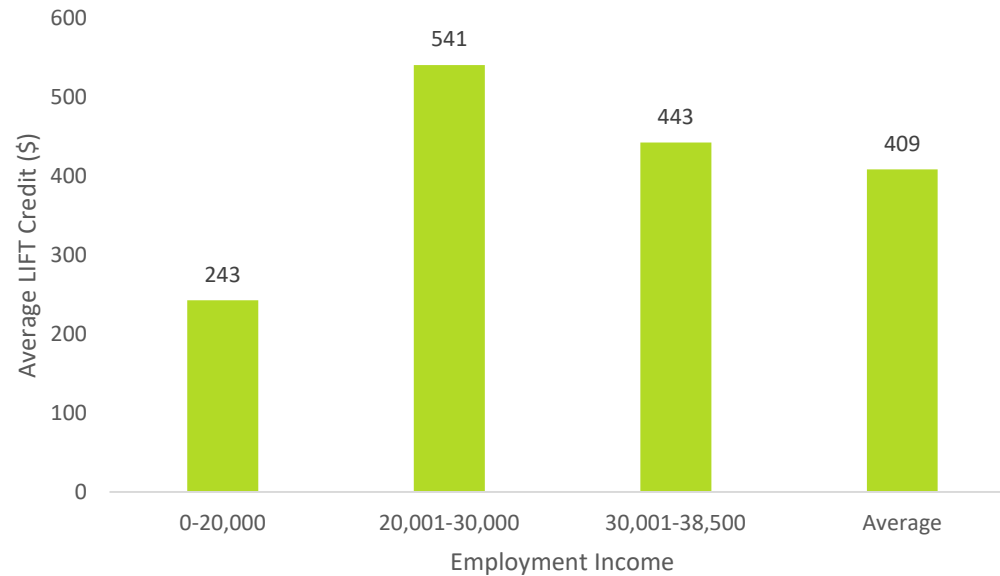
- Individuals earning less than \$30,000 can receive a LIFT credit of up to \$850
- Credit is reduced for individuals with incomes over \$30,000 and is phased out at \$38,500

LIFT Benefits One-Third of Eligible Ontarians



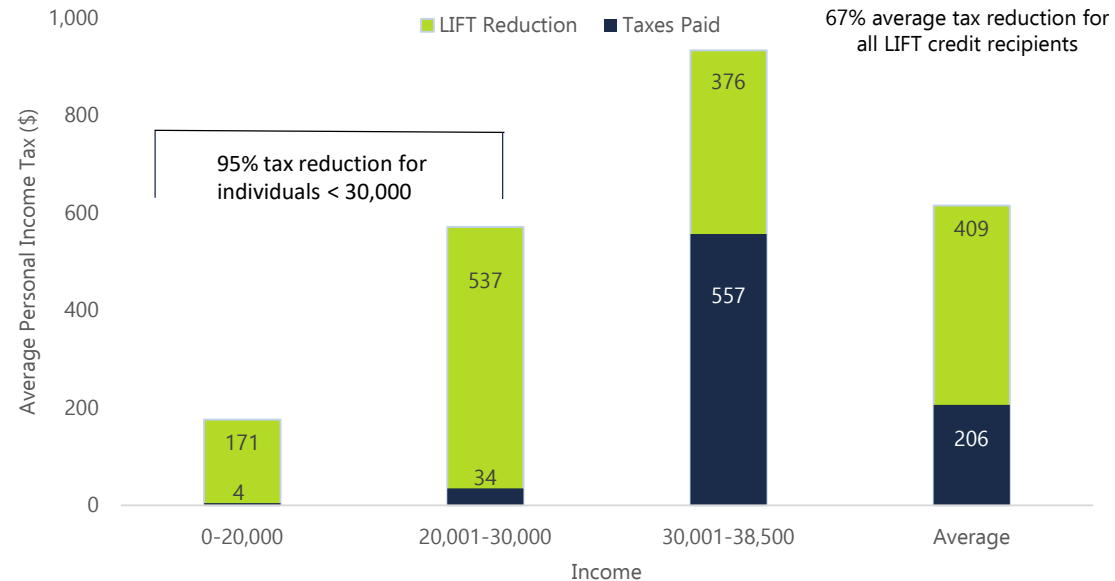
- 2.9 million employed Ontarians with incomes under \$38,500 are eligible for the LIFT credit
- 1.0 million Ontarians will receive a LIFT credit

Average LIFT Credit of \$409 in 2019



- Average LIFT credit of \$409 per recipient in 2019
- Highest benefits to individuals earning approximately full time minimum wage income
- 19,000 LIFT recipients will receive maximum benefit of \$850

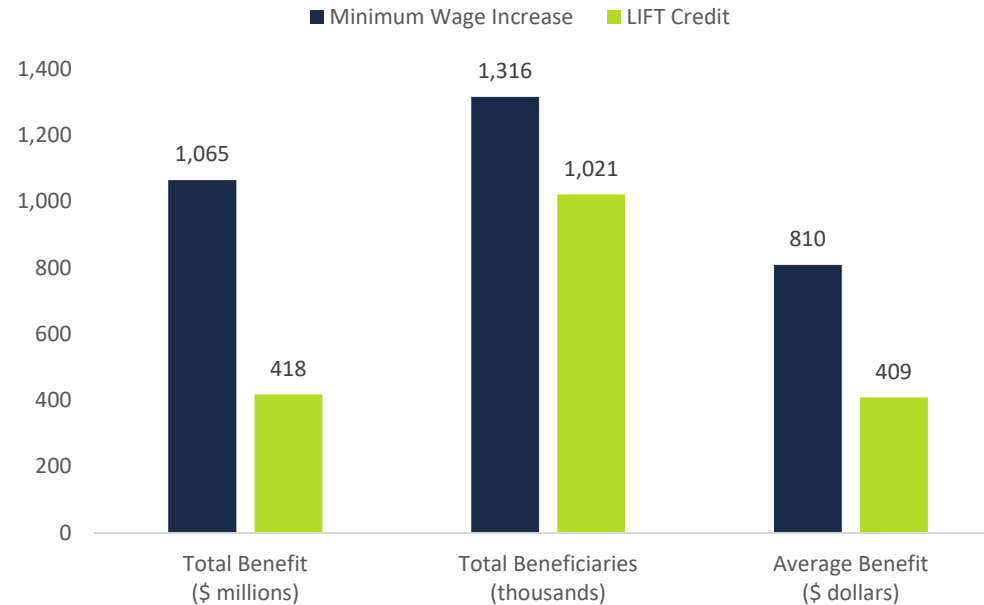
LIFT Provides Significant Tax Relief



- 95% Ontario personal income tax reduction for LIFT recipients with incomes under \$30,000
- 90% of Ontarians with incomes under \$30,000 will pay no Ontario personal income tax

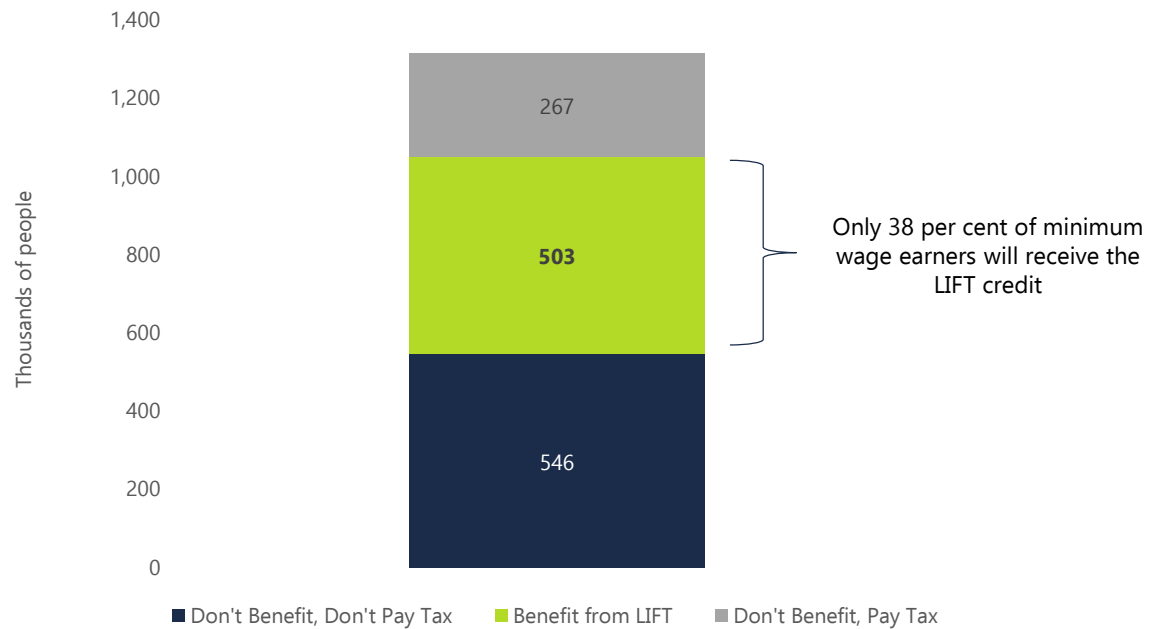
3. LIFT Credit vs Minimum Wage Increase

LIFT provides less benefits

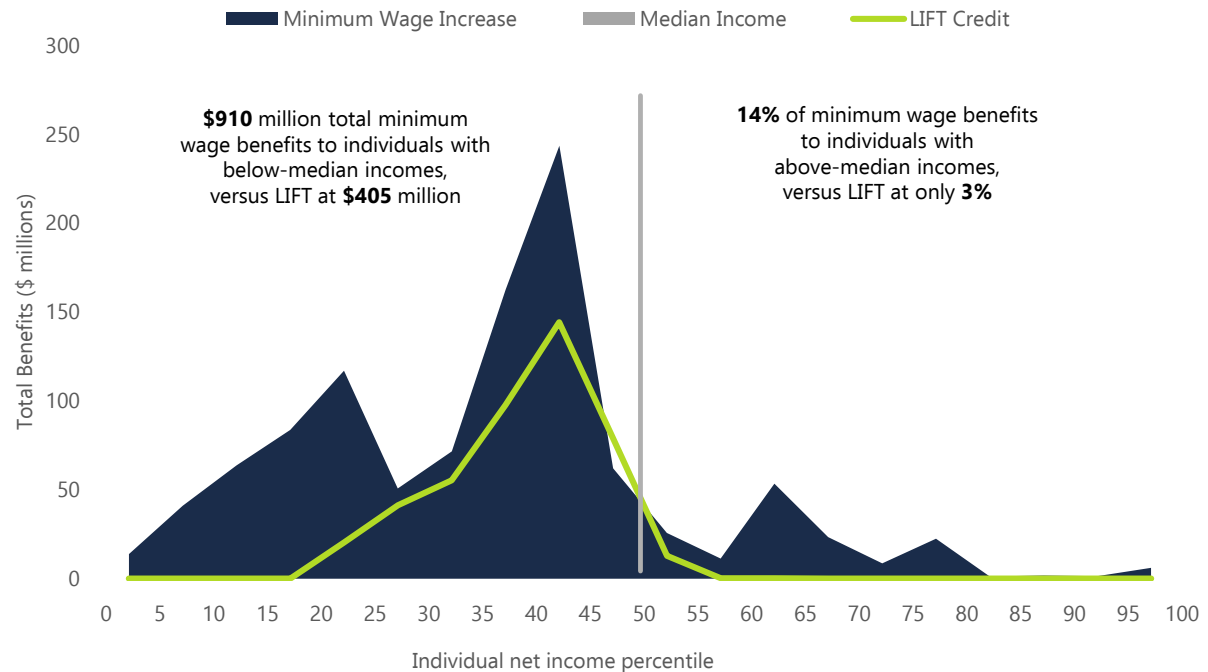


- LIFT credit: 1.0 million individuals receive an average benefit of \$409
- \$1 minimum wage increase: 1.3 million individuals receive an average benefit of \$810

LIFT excludes most minimum wage earners

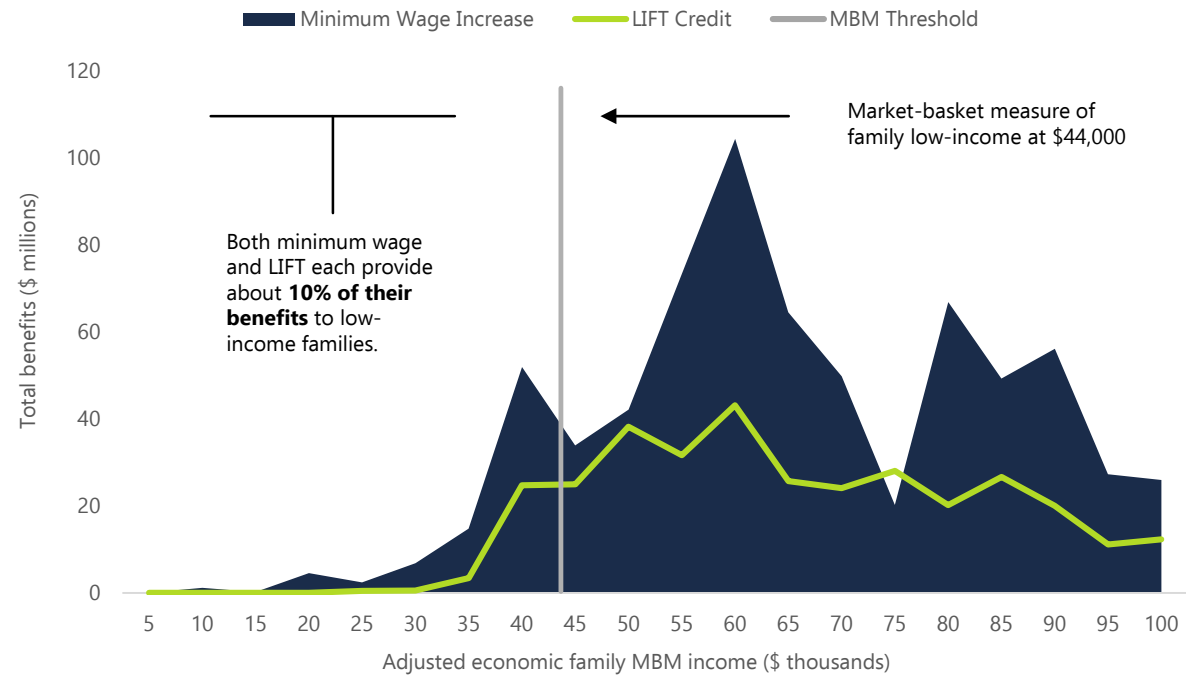


LIFT credit is better targeted



- LIFT provides relatively greater portion of its overall lower benefits to individuals with below-median incomes

Both options do not target low-income families



Thank you

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