

 CANADA

CANADIAN TAX FOUNDATION

A. A. Payne, « Policy Forum: The First-Time Donor Credit—Sound Policy or Short-Term Fix? », *Revue fiscale canadienne*, vol. 61, no 4, 2013, p. 1091-1102.

Le super crédit
pour premier
don de
bienfaisance :
une nouvelle
mesure à
parfaire.

This article considers the federal government's announcement of a "super tax credit" for first-time reporting of tax-receipted gifts to charities. The perspective the author takes in this article is to

consider whether the super tax credit is a sufficient remedy for the issue that the government is seeking to address. The government noted in the 2013 federal budget that "there is a need to foster and promote a culture of giving, and that tax incentives can play a role both in increasing the number of new donors and [in] encouraging existing donors to give more." The government's response was to amend the charitable donation provisions of the Income Tax Act to include a new, temporary "first-time donor credit" (FTDC) to encourage new donors to give to charity. Who these new donors are and how a temporary measure resolves the perceived problem is less clear. Having reflected on the available research and on the various submissions presented to the Standing Committee on Finance, the author has

come to the opinion that the FTDC represents a band-aid approach that only partially addresses the bigger issue referred to in the budget—namely, the promotion of a stronger culture of giving by Canadians.

CANADIAN TAX FOUNDATION

Brian J. Arnold, « The Process for Making Tax Policy: An International Comparison », *Revue fiscale canadienne*, vol. 1, no 4, 2013, p. 989-1009.

On June 20, 2013, the Canadian Tax Foundation (CTF) sponsored a one-day invitational round table in Ottawa to discuss the tax policy process in Canada and other selected countries. The round table was

attended by senior Canadian tax practitioners (many of whom have previous experience with the federal Department of Finance), government officials from Canada and other countries, and representatives from the corporate sector, think tanks, and the Organisation for Economic Co-operation and Development (OECD). Larry Chapman, the CTF's executive director and chief executive officer, and I chaired the discussions. The round table focused almost exclusively on the process for developing tax policy, rather than the tax legislative process. Generally, the process for developing Canadian

Résumé d'une
table ronde sur
le processus
d'établissement
des politiques
fiscales au
Canada et dans
d'autres pays.

tax policy can be considered to include all of the activities carried out by the Department of Finance and others before the announcement of a legislative change and the introduction of a bill in the House of Commons. Although the tax policy process is widely acknowledged to be important, it has not received much attention in Canada in recent years. Accordingly, the fundamental purposes of the round table were to give government officials and tax professionals a better understanding of the process for making tax policy, both in Canada and in other countries, and to initiate a conversation on the tax policy process among members of the Canadian tax community. In order to facilitate an assessment of the Canadian tax policy process, government officials and private-sector tax experts from selected countries—Australia, New Zealand, the United Kingdom, and the United States—prepared brief papers describing the most important aspects of their tax policy processes. With the exception of the United States, these countries were selected because they have parliamentary systems and legislative processes similar to Canada's and they have all recently made significant changes to their tax policy processes. In addition, the Department of Finance prepared a paper on the Canadian tax policy process. All of these papers are reproduced following this summary.

INSTITUT ÉCONOMIQUE DE MONTRÉAL

J.-F. Minardi et F. Pouliot, *Les effets pervers des taxes sur le tabac, l'alcool et le jeu*, 22 janvier 2014, 4 pages.

Les taxes sur les produits jugés nocifs sont inefficaces, voire nuisibles.

Ce que l'on appelle les « taxes puritaines » (ou « sin taxes » en anglais) sont des taxes qui sont prélevées sur un certain nombre de produits que les gouvernements jugent nuisibles comme l'alcool, le tabac, les jeux de hasard et certains aliments riches en sucre ou en gras. Ces taxes sont déjà présentes dans nos vies depuis longtemps et risquent de le devenir davantage en période de difficultés budgétaires, dans la mesure où elles permettent aux gouvernements d'augmenter

leurs revenus tout en affirmant défendre la vertu. L'expérience montre cependant qu'elles atteignent rarement leurs objectifs contradictoires. De plus, elles ont parfois des conséquences néfastes pour certains groupes vulnérables de la société.

FRASER INSTITUTE

P. Cross, *Corporate Incomes Taxes - Who Pays?*, 30 janvier 2014, 5 pages.

Whenever governments are strapped for cash, eyes quickly turn to corporate income taxes as an expedient and presumed painless way to help balance their books. The erroneous thinking behind

L'impôt des sociétés devrait être réduit, puisqu'en bout de ligne il est payé par des individus.

raising corporate income taxes, however, is that corporations and not people bear their burden. Economic theory and common sense both argue that corporate taxes are actually paid by consumers, workers, and/or investors. Politically, however, it has proved impossible to convince large parts of the public of the futility of shifting the tax burden to corporations. Given the difficult optics of abolishing the corporate income tax, the next best alternative is to lower the rate as much as possible. There are several reasons that governments should reduce their reliance on corporate income taxes. First, every percentage-point increase in corporate tax rates leads to a significant erosion of the tax base. Another reason to keep corporate income taxes as low as possible is to minimize the distorting impact they have on economic behaviour, a rationale that applies to all taxes. Ultimately, the major stumbling block to lowering or eliminating corporate income taxes comes down to the public's perception of equity. The concern for "fair" treatment is misplaced; corporate income taxes are ultimately paid by people.

CANADIAN CENTRE FOR POLICY ALTERNATIVES

D. Macdonald, *Income splitting in Canada, Inequality by Design*, 28 janvier 2014, 26 pages.

Fractionnement des revenus entre conjoints: une mesure coûteuse qui bénéficierait aux plus riches.

This study examines the cost and the distributional impact of three income splitting scenarios: pension income splitting; income splitting for families with children under 18, as the Conservatives have

pledged; and income splitting for all families. The study finds that the impact of income splitting in all scenarios is very unequal and the lost revenue for Canadian governments would be substantial.



ÉTATS-UNIS

CENTER ON BUDGET AND POLICY PRIORITIES

C. Huang, C. Marr et N. Frenzt, *Timing Gimmicks Pose Threat to Fiscally Responsible Tax Reform*, 13 janvier 2014, 7 pages.

Il faut s'assurer que les réformes fiscales génèrent des revenus à long terme, et non seulement les 10 premières années.

A key goal of tax reform should be to generate new revenue as part of a balanced deficit-reduction package that replaces sequestration and reduces long-term deficits. Policymakers must resist using timing shifts that accelerate revenue

from subsequent decades into the first ten years, as well as one-time revenue raising measures, to help meet their fiscal target for the initial decade — especially if such tax changes are coupled with rate reductions and other policies that have permanent costs. Such a combination would erode savings over time and could result in swelling

long-run deficits. The temptation to use timing gimmicks is particularly serious in corporate tax reform, because many corporate tax subsidies are structured in such a way that scaling them back would generate much larger savings in the first ten years than over the long run. As a result, a tax reform package that paired such cuts in corporate tax subsidies with permanent corporate rate cuts, which grow more costly over time, might shrink deficits initially but expand them significantly thereafter. To illustrate the risk that timing gimmicks pose to fiscally responsible tax reform, this paper briefly discusses three prominent corporate tax reform options: ending accelerated depreciation, ending “last-in, first-out” accounting (LIFO), and adopting a territorial tax system.

TAX POLICY CENTER

B.N. Harris, C.E. Steuerle et A. Eng, « *New Perspectives on Homeownership Tax Incentives* », *Tax Notes*, 23 décembre 2013, p. 1315-1332.

This report presents three tax reforms designed to promote homeownership through a channel other than the deductibility of mortgage interest. These reforms include a first-time homebuyer tax credit, a

refundable tax credit for property taxes paid, and an annual flat amount tax credit for homeowners—all paid for by limiting current tax expenditures for housing. Although far from perfect, these reforms would provide a more efficient and equitable allocation of housing subsidies. Our simulations show that relative to existing incentives, each policy would raise home prices and make the tax code more progressive.

Encouragement à la propriété : trois options pour remplacer la déductibilité des intérêts hypothécaires.

TAX POLICY CENTER

E. Toder, *Corporate Income Tax Reform: Dreaming On*, 28 janvier 2014, 12 pages.

Plaidoyer pour une réforme en profondeur de l'impôt des corporations: deux idées audacieuses.

Both political parties are calling for corporate tax reform without agreement on specifics. Proposals to broaden the corporate tax base to pay for lower rates or to eliminate taxes on corporate repatri-

ations while trying to prevent income shifting do not address the main problems of taxing multinational corporations in a global economy. This article discusses the need for more fundamental structural reforms and offers up two ideas - securing international agreement on better rules to allocate profits of multinationals among taxing jurisdictions or, alternatively, replacing the U.S. corporate tax with full taxation of dividends and accrued capital gains of U.S. shareholders.

TAX POLICY CENTER

E. Maag, *Child-Related Benefits in the Federal Income Tax*, 27 janvier 2014, 8 pages.

Étude sur les avantages fiscaux accordés aux familles avec enfants.

The federal income tax system provides substantial benefits to families with children. In 2013, the Tax Policy Center estimates that five major child-

related tax benefits – the earned income tax credit (EITC), the child tax credit, the child and dependent care tax credit, the dependent exemption, and head of household filing status – will reduce taxes and provide credits totaling \$171 billion (roughly \$3,400 per family) for families with children. Nearly all families benefit, but low- and middle-income families tend to benefit most. This paper highlights who benefits from each major provision and how much benefit is received.

SOCIAL SCIENCE RESEARCH NETWORK

J. Alm, J. A. Soled, « *The Internal Revenue Code and Automobiles: A Case Study of Taxpayer Noncompliance* », *Florida Tax Review*, vol. 14, no 10, 2013, p. 19-458.

Over the last decade, the tax gap — the difference between what taxpayers owe in taxes and what they actually pay — has remained significantly large. A contributory factor to the tax gap's size is the fact that many taxpayers mischaracterize the tax treatment of their automobile expenses and the receipt of other employer-provided fringe benefits. This analysis explores the reasons for this phenomenon and then proposes reforms that will make taxpayers more compliant, helping to reduce the tax gap's size. Although these reforms admittedly would not solve all of the nation's tax noncompliance woes, they would help preserve the income tax base and minimize economic distortions.

Comment augmenter la conformité des contribuables relativement aux dépenses d'automobile.

NATIONAL TAX JOURNAL

E. J. Toder, J. Rosenberg et A. Eng, « *Evaluating broad-based approaches for limiting tax expenditures* », *National tax journal*, vol. 66, no 4, décembre 2013, p. 807-832.

This paper examines various ways of designing across-the-board limits on the use of tax expenditures to replace or supplement limitations already in the income tax. We simulate the effects on the distribution of tax burdens among income groups and on incentives to engage in the subsidized activities of alternatives that impose the same

Analyse de divers moyens de réduire l'utilisation des dépenses fiscales par les contribuables.

overall increase in tax burden. This paper evaluates six options to achieve across-the-board reductions to a group of major exclusions and deductions in the income tax: (1) limiting their tax benefit to a maximum percentage of income; (2) imposing a fixed dollar cap; (3) reducing them by a fixed-percentage amount; (4) limiting their tax saving to a maximum percentage of their dollar value; (5) replacing preferences with fixed rate refund-able credits; and (6) including them in the base of the existing Alternative Minimum Tax (AMT). We discuss issues of design, implementation, and administration, and simulate the revenue, distributional, and incentive effects of the various options.

NATIONAL TAX JOURNAL

G. A. Plesko et E. Toder, « *Changes in the Organization of Business Activity and Implications for Tax Reform* », *National Tax Journal*, vol. 66, no 4, décembre 2013, p. 855-870.

L'impact des différentes formes juridiques des entreprises sur les réformes fiscales.

We review the changing economic significance of various business entity types since the Tax Reform Act of 1986 (TRA86) and the implications of these changes for the design of tax policy. In particu-

lar, we focus on the increased role of pass-through entities and the declining significance of the taxable corporate form. Our analysis suggests that significant reductions in the corporate tax rate, absent changes in the personal tax rate, will likely reverse the organizational form incentives that have existed since TRA86. Further, if the loss in revenue from a rate reduction is offset by a broadening of the tax base, most business entities, comprising most business income, are likely to face an overall increase in their tax burden.

NATIONAL TAX JOURNAL

G. Auten, G. Gee et N. Turner, « *New Perspectives on Income Mobility and In-*

equality », *National Tax Journal*, vol. 66, no 4, décembre 2013, p. 893-912.

Studies of income distribution generally show an increasing share of income going to the top 1 percent of the income distribution in the United States for the past several

Étude sur la mobilité des individus dans les quintiles de revenus au cours de leur vie.

decades. However, such studies tell only part of the story. Because they use annual cross-section data, these studies are unable to consider the composition of high-income groups over time. Are individuals in the top 1 percent in one year the same individuals that are still in the top 1 percent 10 years later? Or is the composition of this group changing because of new entrants? How much do the relative income positions of individuals change from their 30s to their 50s? How much mobility is achieved by children from low-income households? This paper addresses these questions by using panels and cross-sections of income tax returns and administrative tax records. We examine long-term mobility over the life cycle, intergenerational mobility, and persistence at the top of the income distribution. Its main findings can be summarized as follows. Half of those age 35–40 in the bottom quintile of their cohort moved to higher quintiles 20 years later; over 60 percent moved up relative to the full population. About 70 percent of dependents from low-income households were themselves in higher quintiles 20 years later. Younger generations gradually replaced those that dominated the top percentile in 1987. The results show the importance of life cycle effects and the changing composition of top income groups.

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INTERNATIONAL

OCDE

International tax dialogue, A. Carter ed., *Key Issues and Debates in VAT, SME Taxation and the Tax Treatment of the Financial Sector*, 2 décembre 2013, 217 pages.

**Problèmes de
politique fiscale
concernant la
TVA, les PME et
le secteur
financier.**

The report provides an overview of the main issues raised by VAT, SMEs and the taxation of the financial sector, and that tax practitioners should be aware of in their

day to day work. Each chapter provides a detailed analysis of the challenges revenue administrations and policy makers face in designing and administering these taxes, and possible solutions that can be adapted and related to the specific situation of different countries.

OCDE

Les recettes fiscales continuent de croître dans la zone de l'OCDE, 17 décembre 2013, 1 page.

**Les statistiques
des recettes
publiques
publiées par
l'OCDE sont
disponibles pour
2012.**

Les recettes fiscales poursuivent leur rebond depuis le creux enregistré dans presque tous les pays en 2008 et 2009, au plus fort de la crise économique mondiale, selon les dernières Statistiques des recettes publiques

que l'OCDE publie chaque année. Le ratio moyen recettes fiscales-PIB dans les pays de l'OCDE s'est établi à 34.6 % en 2012, contre 34.1 % en 2011 et 33.8 % en 2010. Le rapport des recettes fiscales au PIB a augmenté dans 21 des 30 pays pour lesquels des données sont disponibles pour 2012, et il a diminué dans 9 pays seulement. Le nombre de pays où le ratio est en hausse et de ceux où il est en baisse est resté inchangé par rapport à 2011, ce qui indique une tendance continue à l'accroissement des recettes.

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