

FILING INCOME TAXES AND ACCESSING FOOD BANKS

Are Ontarians with low-income getting the benefits they are entitled to?

2011 Research Paper presented by:



As the government of Ontario commits to review its social assistance programs, there is an increasing push to look at an income security system that pays more benefits outside of social assistance. Such a system would help improve circumstances for all low income families, and help prevent people from falling into the poverty trap. This system would, at least in part, be delivered through the income tax system.

Presently, there are already new provincial tax credits which could provide people with payments even when there is no taxable income. This includes people who are receiving social assistance. These credits are not only available to households with children, but also to single person households.

The likelihood of people getting money that they are entitled to is dependent on them filing their tax returns. Using results from the 2006 Who's Hungry Survey of people accessing food banks, we explore the extent to which people experiencing poverty file their income taxes. We also see who might be missing out on possible benefits, both now and in the future.

Introduction

Lack of income is the biggest barrier for most people accessing food banks in regards to meeting their nutritional needs. The median monthly income of a food bank client household is \$1,000. This level of income can be mostly attributed to the large portion of clients who get their main source of income from social assistance. Currently, 69 percent of food bank clients' main source of income comes from one of Ontario's two income support programs: Ontario Works or Ontario Disability Support Program. The present social assistance system was designed as a program of last resort, at a time when the labour market was characterized by full time employment with benefits. At present, part-time and casual work has become more the norm and the income security system in Ontario is reliant on social assistance to sustain people who don't qualify for Employment Insurance or other programs. As a result of the recent recession, more people are requiring social assistance to sustain them, and are more likely to need a food bank to supplement their dietary needs.

Delivering benefits through the tax system is one way to provide additional income support to people receiving social assistance, as well as those who are not but are also receiving low levels of income. The extra money people may be entitled to can help them meet their basic needs such as food. Delivering benefits in this method can also provide income security outside social assistance that can be built upon. Tax delivered benefits such as the federal Child Tax Benefit or the provincial Ontario Child Benefits have shown great results in reducing the need for social assistance among parents, even in periods of economic downturns such as the most recent recession. Social assistance case loads across Ontario saw a decline in families with children accessing food banks after these benefits came into effect. These benefits are paid to all low income people whether they are working or not, hence also reduce the barriers to employment that are present within the social assistance system.

In order to receive benefits using the income tax system, one must file their income tax returns. Because of misinformation about who is entitled to tax benefits some people are missing out on money that they are entitled to even though they desperately need it, and may miss out on future benefits as well. The provincial government is currently attempting to reach out to those who might be missing out on these benefits. However, there is little research in Canada about the extent to which people experiencing poverty regularly file their taxes, and where gaps exist in terms of certain demographic groups who do not file tax returns.

This report uses data from the 2006 Who's Hungry Survey to provide some initial insight as to who does not file tax returns, and what needs to be done to address this. Daily Bread Food Bank's annual survey takes place from mid-February to mid-April in approximately 50 food banks across the GTA. In 2006 1,750 food bank clients were interviewed by 250 trained volunteers using a 67 question survey. The 2006 Who's Hungry Survey was the most recent year that respondents were asked if they had filed their income taxes.

People Coming to Food Banks and Tax Filing

Results from the 2006 *Who's Hungry Survey*

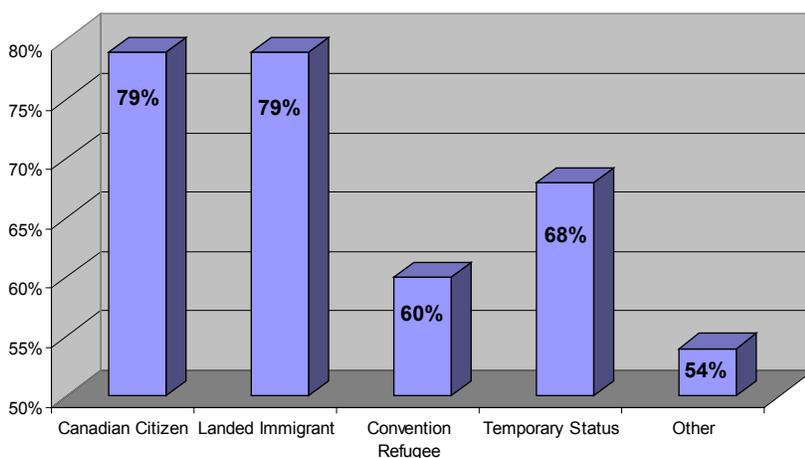
Previous *Who's Hungry Surveys* have consistently shown that approximately three-quarters of people coming to food banks filed their income tax returns in the previous year.¹ In 2006, 78 percent of respondents to the *Who's Hungry Survey* who had lived in Canada for more than a year had filed their income tax returns for the previous year. This is good news in that most food bank clients would be likely to receive benefits if they were delivered through the income tax system. It is still important to highlight those who did not file their income taxes and explore possible reasons.

Newcomer groups

The 2006 survey discovered that respondents who were not Canadian citizens or landed immigrants were significantly less likely to have filed their income taxes.² This includes the 40 percent of respondents who were convention refugees and the over 30 percent of those with temporary status. These reasons may include inability to earn income due to citizenship status, lack of accurate knowledge of the system, or other common barriers faced by newcomers that would affect their ability to access services including financial ones.

One of those key barriers is likely a lack of language skills, with those respondents declaring that they don't speak English well being less likely to have filed tax returns the previous year. Close to 80 percent of respondents who had a good or fair command of speaking English had filed their tax returns as opposed to 65 percent of those who did not have a good command of the language.

Percentage who filed tax return in previous year



¹ This percentage excludes respondents who have not been living in Canada for more than a year.

² Chi square analyses were conducted for the results in this report, with significance at the .05 level.

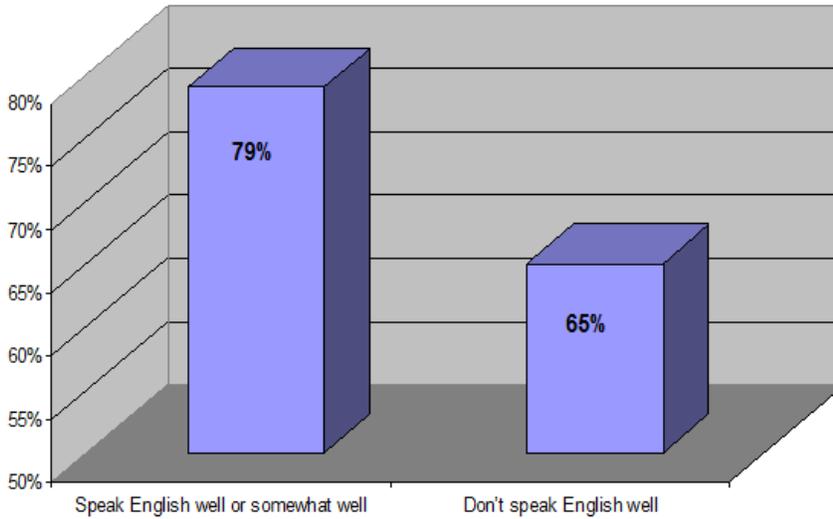
78%

Percentage of food bank clients in 2006 who filed their income taxes for the previous year.

65%

Percentage of those who did not have a good command of English who filed their taxes, versus 80% of those who have a good or fair command of English.

Percentage who filed a tax return in previous year



Single person households and main source of income

When exploring the availability of tax credits for different types of households, single person households who are not working have the least amount of pre-retirement tax credits available to them. As the chart below illustrates, a single person on Ontario Disability Support program has only 6 percent of their income coming from tax credits, and a single person on Ontario Works has 11 percent of their income coming from tax credits. This is compared to other household types with children which get at least 27 percent of their income from tax credits, and as high as 51 percent in the case of a single parent with two children. The high rate of tax credits for single parents is not surprising due to the child tax benefits available to them.

Tax credits as a percent of total annual income for households on social assistance

Ontario 2010

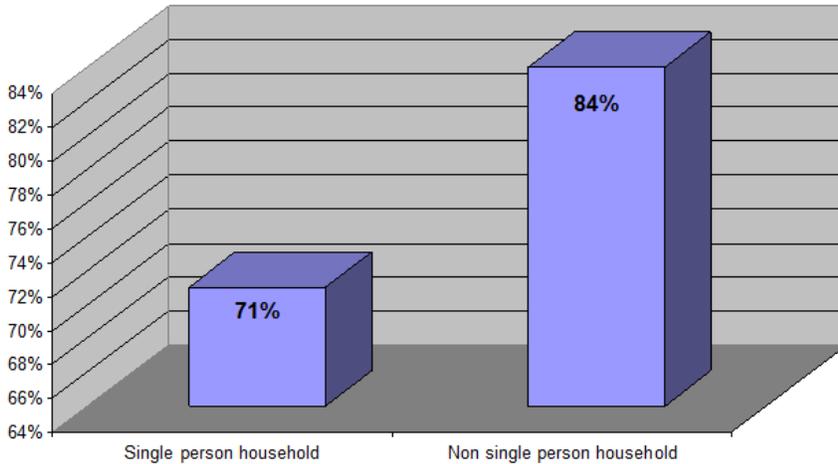
Household	Social Assistance	Federal Tax Credits	Ontario Tax Credits	Total Tax Credits	Total Income	Tax Credits % of Total Income
Ontario Works						
Single adult	\$7,020	\$248	\$595	\$ 858	\$7,878	11%
Lone parent - one child	\$10,956	\$5,242	\$2,153	\$7,395	\$18,351	40%
Lone parent - two children	\$11,532	\$8,549	\$3,303	\$11,852	\$23,384	51%
Two adult - one child	\$12,696	\$5,242	\$2,203	\$7,445	\$20,141	37%
Ontario Disability Support Program						
Single adult	\$12,504	\$248	\$595	\$858	\$13,362	6%
Lone parent - one child	\$17,400	\$5,242	\$2,153	\$7,395	\$24,795	30%
Lone parent - two children	\$18,144	\$8,549	\$3,303	\$11,852	\$29,996	40%
Two adult - one child	\$19,752	\$5,242	\$2,203	\$7,445	\$27,197	27%

11%

Percentage of income coming from tax credits of a single person household receiving Ontario Works. A lone parent household with two children who receive Ontario Works get **51%** of their income from tax credits.

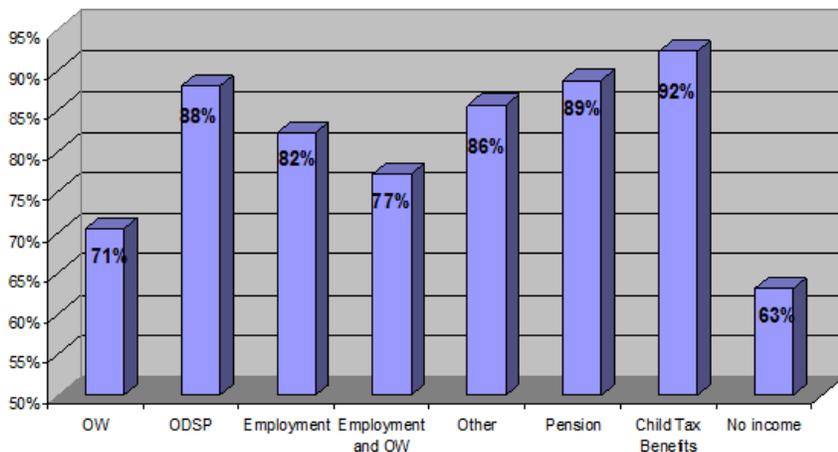
Lower levels of available tax credits seem to affect the likelihood of a person filing taxes. Single person households are less likely to have filed taxes than other household groups. 71 percent of single person households filed taxes the previous year compared to 84 percent of those who are not single.

Percentage who filed tax return in previous year



However, contrary to the issues faced by newcomers, for single people the issue is not language skills, but rather their main source of income. More single people receive their main source of income from Ontario Works than non-singles. When comparing the percentage of people who file taxes according to the main source of income they receive, people receiving Ontario Works are the second least likely to have filed their income tax returns, with those who have received no income being the least likely. If Ontario Works is the main source of income, there may be less incentive to file taxes perhaps due to a lack of awareness of benefits available for single people. This lack of awareness doesn't seem to carry over to single persons receiving Ontario Disability Support Program, who are much more likely to have filed their tax returns even though, according to the survey results, they receive even less of their total income from tax credits that single people on Ontario Works do.

Percentage who filed tax return in previous year

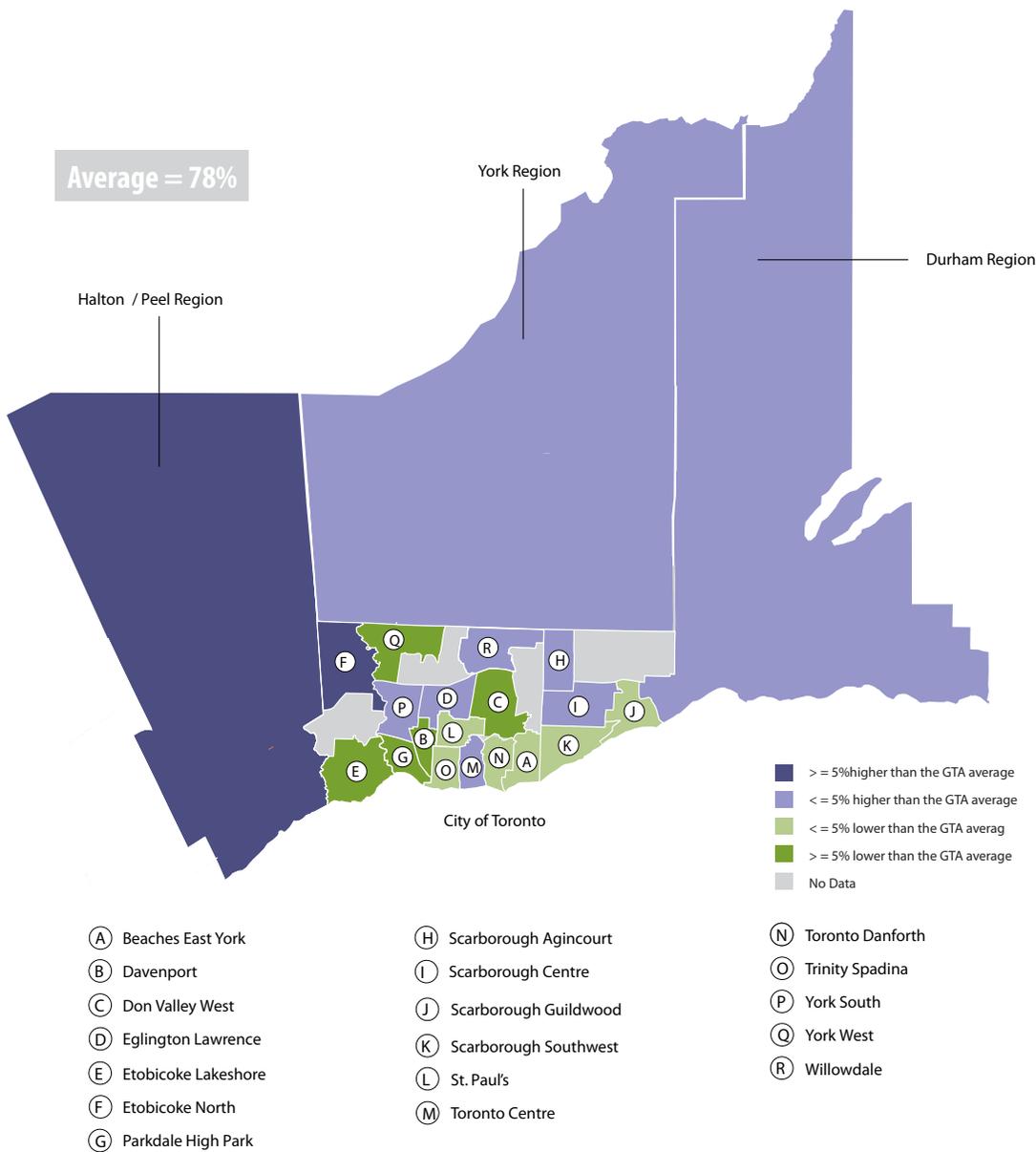


71%
 Percentage of a single person households that filed taxes versus **84%** of non-single person households.

Not surprisingly, people receiving Pensions or Child Tax Benefits as their main source of income are most likely to have filed their taxes, as these benefits are delivered solely through the income tax system.

Where in the GTA is more outreach needed?

Percentage of respondents using food banks who file taxes, per Federal Electoral District or Region as compared to the average



In the 2006 Who's Hungry survey, we did not record postal codes of the respondents, so geographic analysis was done based on the location of the food banks where the interviews took place. Daily Bread member agency food banks operate using a geographic boundary system, where access to food at a particular food bank is typically dependent on the recipient living in the area.

There are exceptions to this, with some member agencies serving persons from any part of the city, given their circumstances. Therefore geographic analysis done here is presented as exploratory with the caveat that not all respondents necessarily live in the district where they received food. Results here focus on those districts that were greater than 5 percent under the GTA average for percentage of tax filers.

The districts of Parkdale, High Park, Etobicoke Lakeshore, Davenport, York West and Don Valley West had 5 percent lower than the GTA average rate of food bank clients who filed income tax.

According to the 2006 Statistics Canada Census, Parkdale High Park had a higher number of single person households living in the area compared to the rest of the City, and York West and Don Valley West had a higher percentage of newcomers to the City than other areas in Toronto.

These demographics were reflected in the Who's Hungry Survey results for agencies located in those areas, with many of the newcomers answering the survey being convention refugees or having temporary status, including refugee claimants. In our 2006 survey, newcomers were also more highly represented in districts such as Davenport and Etobicoke Lakeshore.

Given the previous information showing that single person households and those whom are not Canadian Citizens or Landed Immigrants being less likely to file taxes, it is not surprising these districts have lower percentages of income tax filers.

5%

The districts of Parkdale, High Park, Etobicoke Lakeshore, Davenport, York West and Don Valley West had 5% lower than the GTA average food bank clients who filed income tax.

Conclusion

While the vast majority of food bank clients who are eligible file their income taxes, newcomer groups and those who are not yet fluent in the English language are less likely to do so. Single person households and those who receive their main source of income from Ontario Works are also less likely to file taxes.

Possible reasons for this include barriers of access to financial services, lack of knowledge of potential benefits and lack of incentive due to this lack of knowledge. A closer examination is needed as to why certain demographic groups experiencing poverty do not file their taxes and what barriers exist to them doing so. There also needs to be an updated study of income tax filing among people living in poverty, since new benefits have become available since 2006 such as the Ontario Child Benefit and HST rebate.

More outreach of income tax services are needed to newcomer groups whom are convention refugees and have temporary status, including language specific outreach. Districts such as Parkdale High Park and Don Valley West that have higher portions of single persons and newcomers than the city average should be geographic areas specifically targeted for this outreach.

Also, more persons receiving Ontario Works as their main source of income must be made aware of income benefits available to them through the income tax system, and barriers such as cost and support to access these services must be addressed also. This includes exploring the role Ontario Works administration has in promoting tax filing.

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