

The Role of Household Capital Gains Taxation And
Its Influence On The Aggregate Personal
Income Tax Rate

by
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I. Introduction:

Much has been written about the sharp rise in stock market equity values over the past ten or so years. Since 1987, the Toronto Stock Exchange (TSE) index has risen about substantially, until it reached its peak in April, 1998. Canadians have been taking advantage of the equities boom: by 1997 61 percent of all household financial wealth were in stock-driven assets [Little(1998)].

One result of the sharp rise in equity values has been the ongoing decline in the personal savings rate. From a high of 18.8% in 1992, savings as a percentage of personal disposable income has fallen steadily, to a low of 1.3% during 1997. Amazingly, during the second quarter of 1998 Canada's household sector *dissaved* nearly \$3 1/2 billion -- a -.7 savings rate! This is the first time since the great depression that household savings fell below zero.

Our research [see Myatt and Murrell(1998)] suggests that nearly all of that decline in household savings can be attributed to the standard wealth effect. The total household net worth ratio -- total financial and real assets minus liabilities as a proportion of personal disposable income -- rose from 3.8 in 1980-83 to about 4.6 in 1992-95. Households target an optimal wealth level: any growth in capital gains consequently reduces savings on a dollar-for-dollar basis. Financial market phenomena, in this case, clearly affect real behaviour.

In this paper we wish to explore -- in a very preliminary fashion -- another case where the most recent growth in capital gains can influence real behaviour. We pose the following: National Accounts personal income (before taxes) excludes capital gains. But pre-tax personal income, as measured for income tax purposes, includes capital gains. Therefore the "effective tax rate", since it is measured as total

personal income taxes paid as a percentage of before-tax personal income, may rise purely as a result of the stock market boom.

Added to this, in 1995 the Liberal federal government ended the \$100,000 lifetime capital gains deduction. We wish to calculate -- in a very rudimentary, back-of-the-envelope fashion -- how this policy, and the original Mulroney government reduction in capital gains taxation, influenced the effective personal income tax rate. Consequently, there are two factors at work which influence capital gains taxation: the sharp breaks in policy change between the Mulroney and Chretien administrations, and the overall rise in capital gains income. It is the role of these two forces which we examine.

The next section of this paper briefly examines the long, secular rise in personal income taxation. The paper's third section measures the annual percentage point rise, comparing the rise in the federal personal income tax rate to the corresponding rise in the provinces' aggregate rate, and contrasting the income tax rates as reported by the National Accounts and Revenue Canada. Section four of the paper undertakes a simple, back-of-the-envelope calculation to show the effect of discretionary changes in the taxation of capital gains and the rise in capital gains income. We do this at the aggregate level and for six constituent income classes. The final section concludes.

II. The Rise in the Effective Personal Income Tax Rate

It is well known that households have paid continually higher income taxes, as a percentage of before-tax personal incomes. Table 1 illustrates the rise in the effective personal income tax rate: the National Accounts effective rate (National Accounts income taxes paid

divided by National Accounts Personal Income) and the Revenue Canada effective rate (total personal income taxes paid divided by gross "total" income). The table shows that (1) both provincial and federal taxes have risen, and that the rise has taken place during both the Mulroney (Progressive Conservative) and Chretien (Liberal) governments.

We note from the start that the Revenue Canada tax rate is lower than the official National Accounts rate¹. First, Quebec's provincial government revenues are not included in Revenue Canada's information base, since that province collects its own income tax [Revenue Canada (1997, p. 266)]. Since that province levies high income taxes, Revenue Canada's effective tax rate is lower on that account. Furthermore, the inclusion of realized capital gains income in the Revenue Canada base provides a second reason for that source's lower rate.

To describe the steady rise in personal income briefly, we can point to a number of government decisions to influence the effective personal income tax rate. In this brief discussion, we summarize tax policies into three time periods: (1) the period from 1962 to 1984, (2) the Progressive Conservative government under Prime Minister Brian Mulroney (from 1985 to 1993), and (3) the current Liberal government under Prime Minister Jean Chretien, from 1993 to the present.

1. The Policy Period from 1962 to 1984

Generally speaking, the slow, steady rise in the effective

¹ Note that the actual effective tax rates, in level terms, are not shown in the table.

personal income tax rate during the period between 1962 and 1975 can be explained by two factors: the non-indexation of taxes and the steady growth in real incomes. With no indexation in the tax system, the tax elasticity -- the percent change in revenue raised as a ratio to the percent change in taxable incomes -- is about 1.8. As well, the rise in real incomes will increase the proportion of taxpayers in higher income brackets. This latter feature guarantees a tax elasticity greater than one. As well, in 1969 the federal government imposed a special surtax of 3% for taxable liable in excess of \$200, and imposed a special Social Development Tax of 2%, up to \$120 per taxpayer.

Looking at changes in statutory tax rates, we cannot look to increases in provincial tax rates cause of the rise in household tax burdens. In the 1960s, the federal government -- to encourage more provincial funding for the growing health, education, and welfare sectors -- increased provincial abatements by allowing more tax "room" in the income tax fields. The provincial abatement grew by 2 percentage points in 1965 (from 19% to 21%), and by a further 2 percentage points in 1966 (from 22% to 24%)². This allowed provincial governments to raise their respective tax rates from 21% in 1965 to 24% in 1966, and to 28% in 1967 and to 33% in 1969³.

² The discussion in this section draws heavily from various issues of the Canadian Tax Foundation's The National Finances, Provincial and Municipal Finances, and Finances of the Nation.

³ These tax rates are for Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Alberta, and British Columbia. Note that Manitoba and Saskatchewan that were 5 percentage points higher during this period. Note also that Quebec has had its own separate personal income tax system, and is not part of the 1962 Tax Collection Agreements.

During the 1970s the federal government undertook tax-relief policies that lowered the effective household tax rate. Using the National Accounts tax rate definition (the lower rate), the effective tax rate declined from 14.1 percent in 1971 to 12.9 percent in 1984 -- a 1.2 percentage point fall. In 1974, personal exemptions (and other exemptions) were indexed for inflation. The indexation continues through the 1970s and early 1980s, often at high rates. The federal October Budget Statement of 1977 enacted income tax reductions -- at a minimum of \$300 -- for low and middle income workers. The November 16, 1978 Budget increased the employment expense deduction from \$250 to \$500.

During the 1970s, provincial governments also reduced personal income taxes in various ways. We can concentrate on the larger provinces to explain the major part of tax reductions at this level of jurisdiction. In 1973 Quebec raised personal exemptions, and did this again in 1978. In 1971 as well Ontario undertook a temporary tax cut to stimulate their economy during that mild recession (the tax cut was terminated in 1973). This province also raised their personal tax credit from 1% to 2% of personal exemptions, to assisted low income individuals. And in 1975 Alberta slashed its personal income tax rate from 26% to 26%.

2. *The Brian Mulroney Government, 1984 to 1993*

In 1985, the new Progressive Conservative government under Prime Minister Mulroney undertook concerted effort to raise household income taxes, as part of its plan to combat rising federal deficits. Primarily because of this effort, the effective personal income tax rate

(as measured by the National Accounts) rose by over 2 percentage points, from 13.3 in 1984 to 15.4% in 1993, the last year of that party's administration (see Table 1).

With the 1985 budget, the new Progressive Conservative government largely "de-indexed" the personal income tax system. Indexation would only begin for inflation rates greater than 3 percent, and if the inflation rate was greater than 3 percent, only the difference between 3 percent and the actual inflation rate would count in any cost-of-living tax adjustments. The 1986 federal budget, tabled on February 26, introduced a 3% surtax on personal income taxes, to take effect on July 1 of that year. From that budget the gross-up and tax credit on Canadian dividends was reduced from 1/2 to 1/3.

On June 18, 1987 the federal government announced its plans for major personal income tax reform⁴. The Progressive Conservative government's intention was to broaden the tax base, reduce the number to tax brackets, and to reduce the marginal tax rate at high levels of taxable income. As such the number of tax brackets were reduced from ten to three, and exemptions were replaced by credits, with a number of deductions eliminated. The government reduced certain capital cost allowances for business, and lowered the dividend tax credit (The Federal

⁴ The October 22, 1986 federal Throne Speech had outline guidelines for tax reform. Surprisingly, the speech

"...made it clear that the reform process will not be used to impose an increase in the level of taxation. (The Minister) indicated that if increases are required as part of the overall fiscal policy, they will be kept separate from tax reform" [The Federal Finances (1986-87), 4].

But clearly federal tax revenues rose dramatically after 1984, as expressed in effective tax rate terms.

Finances, 1988-89).

In the April 27 budget of the following year the personal income tax surtax was increased from 3% to 4%, and to 5% for 1990 onwards. The federal government also imposed an additional surtax on federal taxes payable in excess of \$15,000 (at a rate of 1 1/2% in 1989 and 3% in 1990 onwards). The federal budgets of 1990 and 1991 announced no new tax changes, and the 1992 budget (on February 25), announced that the personal income surtax would be lowered from 5% to 4% on July 1, 1992, and by a further one percentage point in 1993.

In contrast to the many and varied tax increases, the Mulroney government did undertake one noteworthy tax decrease: in 1985 the tax structure was changed to permit a lifetime exemption of \$500,000 in realized capital gains [Hyman and Strick (1995), p. 421]. In 1988 -- as a result of the controversy over this measure, and as a means of recouping additional tax revenue -- the government reduced the lifetime exemption to \$100,000.

3. The Jean Chretien Government, 1993 to the present

The new Liberal government, as part of their February 22, 1994 budget, removed the \$100,000 lifetime capital gains deduction. They stated:

"...Capital gains accruing after budget night will no longer qualify for the \$100,000 capital gains exemption. Qualifying gains accrued until budget night will be eligible for exemption, provided that an election is filed with the 1994 tax return [Minister of Finance Paul Martin (1994), p. 42].

As well they have announced other numerous (but minor) tax

increases. More importantly, "tax bracket creep", and the effects of inflation on lowering the real value of nominally-defined tax credits and deductions, continued to push the aggregate personal income tax rate higher.

III. Calculating Average Percentage Point Rises in the Effective Personal Income Tax Rate

In this section, we show the percentage rise in the effective personal income tax rates in different ways. We do this by separating out the periods of the Mulroney administration to that of the Chretien administration, and the federal government to that of the provincial governments taken as a group. We again emphasize that the data for Quebec's provincial income tax is not included in the Revenue Canada data base.

As stated above, Table 1 shows the total percentage point rise in total personal income tax rates for the Mulroney and Chretien administration, for the federal government and the nine provinces taken as a group, and for the two data sources. We calculate the tax increases for the Mulroney period, as percentage point increases from 1993 minus 1984. For the Chretien administration, we calculate corresponding percentage point increases for two time intervals: from 1993 to 1996 and from 1993 to 1997. We calculate two time spans since the Revenue Canada data is only available to 1996. The National Accounts data of course are available through 1997.

In Table 1, we note that the rise in the effective personal

income tax rate is higher for the federal government than it is for the provincial governments taken as a group, including Quebec (using the National Accounts statistics) or excluding Quebec (using the Revenue Canada statistics). We also note state that differences exist as to the federal government tax rate increases: the National Accounts data shows higher percentage point rises than is the case for the Revenue Canada data. This suggests one clue to the role of capital gains: if capital gains has grown faster than total personal income, then personal income as measured by Revenue Canada (which includes capital gains in the tax base) would grow faster than National Accounts personal income, and thus the effective personal income tax rates as measured by Revenue Canada would grow more slowly. We note in passing that this important difference appears more pronounced during the Chretien years, indicating that realized capital gain growth rates were higher in this period.

Table 2 shows the percentage point rises for the same breakdowns as in Table 1, with the data in annual percentage point increase terms⁵. Several observations can be made from this table. First, the rise in personal income taxes has been higher during the Chretien period than in the Mulroney period. In the Chretien period, the relatively higher tax rate increases occurred in both the federal government and provincial government spheres. We also note -- comparing the provincial governments' tax rate increases only -- that the increases are higher in the Chretien period than in the Mulroney period, using the National accounts data source. But the reverse is true using the Revenue

⁵ This entails dividing the data for the Mulroney administration by nine, and the data for the Chretien administration by four and three respectively.

Canada data source. We can cautiously speculate that these results show the slowdowns in tax increases from the Harris Ontario government, and the rise in income taxes collected by the Quebec government as part of its deficit-fighting stance. We also note, using the National Accounts data, that the same disparity that takes place in the federal side, also flows into the provincial side, given that the nine non-Quebec provinces use the same tax base. Federal tax increases through changes in the federal tax base create analogous provincial tax increases through the sharing of the same base.

To summarize this section, we state that the growth in the National Accounts federal personal income tax rate was higher than the corresponding growth rate as measured by Revenue Canada. We interpret this to mean that capital gains may have had a role in explaining this difference.

IV. A Back-of-the Envelope Calculation of the Effect of Capital Gains on Effective Personal Income Tax Rates

In this section, we wish to undertake a very simple calculation of the effect of capital gains on the effective personal income tax rate. We wish to compute two effects: (1) the effect of the high capital gains earnings on the effective rate, and (2) the effect of first implementing the \$500,000 lifetime capital gains deduction (as was done under the Mulroney government) and the eventual lifting of the deduction (in 1995 by the Chretien government).

One remark is necessary at the outset of this exercise. The two

effects -- the large realized capital gains increases and the explicit introduction and removal of the capital gains deduction -- are not inseparable. We emphasize that realized capital gains are only a subset of total (realized and unrealized) capital gains. We know that in the post-1987 period financial capital gains in total have been quite large. We speculate that this amount has grown in proportion of Gross Domestic Product. But the granting of the \$500,000 lifetime capital gains deduction in 1985 could work as an incentive to increase realized capital gains: a person might rationally predict that such a tax shelter would be temporary, and that person might sell assets soon after 1985 to avoid paying the capital gains tax. As such, the growth in realized capital gains income as reported in the Revenue Canada statistics might be a result of the post-1985 capital gains deduction as well as from growth in overall capital gains⁶. This caveat should be borne in mind in interpreting the arbitrary calculations which follow.

1. All Income Groups

Table 3 shows an elementary calculation showing the effect of growing realized capital gains and the imposition of a capital gains deduction from personal (pre-tax) income. Line 1 of the table shows actual personal income, using the Revenue Canada tax base. (We note in passing that we use the Revenue Canada tax base only throughout this exercise). Lines 2 through 7 inclusive show the effect of growing

⁶ In a future paper, the authors intend to measure total (realized plus unrealized) capital gains, using data from Statistics Canada's Wealth and Financial Flows division. By comparing the two magnitudes -- realized versus total capital gains -- inferences could be possibly drawn as to the effect of capital gains deduction on the selling of assets.

(realized) capital gains income. Line 2 shows "normalized" personal income assuming that capital gains would grow at the same rate as total personal income. We start the normalized growth rate from 1984 onwards (such that in 1984 the personal income numbers and taxes paid are the same throughout). The smaller numbers in 1993 and 1996 show that capital gains did grow faster from 1984 onwards.

Line 3 shows actual taxes paid, and line 4 shows the effective personal income tax rate. Line 5 shows the normalized income taxes paid given that taxes paid shrink with lower capital gains income in 1993 and 1996. To calculate line 5 we apply the marginal federal tax rate to each of ten income classes published in Revenue Canada's Tax Statistics on Individuals (the 1995 edition), using statistics on how much realized capital income was earned by each income class. We then use the average provincial tax rate, for each income class, to calculate provincial income taxes paid, and sum provincial income taxes and federal income taxes paid to arrive at hypothetical "income taxes paid" given average capital gains growth. This is "normalized income taxes paid", line 5 in the table. We then, for line 6, compute a normalized "effective tax rate", which is line 5 divided by line 2, times 100.

Subtracting the actual effective tax rate from the normalized effective tax rate, line 6 from line 4, yields the change in the tax rates given high capital gains growth. As can be seen from line 6 in Table 6, the effective tax rate grew by .2 percent during the Mulroney administration (from 1984 to 1993), and grew by .1 percent during the first years of the Chretien government (from 1993 to 1995).

In line 8 of the table, we show income taxes paid assuming that

there was no lifetime capital gains deduction during either the Mulroney or Chretien administrations. To calculate this line, we again apply the federal marginal tax rates, for each of the ten income classes, to the capital gains deduction for those ten classes, and then apply the average provincial tax rate to the increased federal tax paid. Line 8 shows the obvious result that hypothetical taxes paid are higher, given the hypothetical removal of the lifetime capital gains deduction. Line 9 shows the hypothetical effective income tax rate, given the removal of the deduction. Line 10 shows the change in the effective rate -- line 6 minus line 4. We note that the granting of the lifetime capital gains deduction reduced the effective rate by 1 half-percentage point during the Mulroney years, and reduced the rate by .4 percent during the Chretien years. Note that under the Chretien government, the deduction still applies. There is a lifetime capital gains allowance granted to farmers and small business corporations.

2. Dissagregated Income Groups

In Table 4 we replicate the exact same exercise as shown in Table 3-- calculating changes personal income tax rates given high accrued capital gains and given the capital gains deduction -- for six constituent tax-filer income groups. We define income groups using a \$20,000-wide income interval: \$1-\$20,000, \$20,000-\$40,000, and so on. In Table 4, we report three results for each income class: (1) the effective tax rate (as in line 4 of Table 3), (2) the change in the effective tax rate given high capital gains growth (as line 7 in Table 3), and (3) the change in the tax rate given capital gains deductions (as in line 10 of

Table 3). As in Table 3, we report results for the 1984, 1993, 1995 benchmark years.

Using Table 4, we make the following remarks. First, to state the obvious, looking down each column it is seen that the effective tax rates rise with pre-tax income, reflecting the progressivity of the tax system. Second, and most surprisingly, the effective tax rates decline over time for the two lowest income groups, and holds steady for the \$40,000-\$60,000 income class. These declines may reflect the introduction of the Child Tax Credit plus other reforms. For the \$60,000-\$80,000 income class, the effective tax rate rises gradually over time. For the highest tax-filer groups, the tax rate increases more sharply. For these latter groups, perhaps the (deficit fighting) surtaxes -- imposed by both federal and provincial governments -- account for much of these tax increases.

Line 1 -- listed under each income group -- shows the increase in the effective tax rate given a higher-than-normal growth in accrued capital gains. As noted above, the higher-than-normal growth could arise both from strong equity markets and from taxpayers purposely selling assets to take advantage of the \$500,000 capital gains deduction (as offered by the Progressive Conservative Mulroney government from 1985 to 1991). As can be seen from the table, strong capital gains growth did not substantially change the effective tax rates for the three lowest tax-filer groups. For the \$60,000-\$80,000 and the \$80,000-\$100,000 groups, the rates rose by about 1/3 percentage point during each time interval. But for the highest \$100,000-and-over group, the effective rate grew by slightly under 2 percentage points from this effect alone. Interestingly,

from 1993 to 1995, the growth in accrued capital gains had no effect in aggregate tax rates, except for the highest (\$100,000+) group.

Line 2, likewise listed for each income group, shows the reduction in actual rates, given the capital gains deduction. As stated above, for all taxpayers, the reduction in the tax rate remained roughly constant over the twelve-year period: the granting of a lifetime capital gains deduction was counter-balanced by the elimination of the \$1000 interest income deduction. But the constancy (over time) does not hold for individual income classes. For the lowest three income groups, the effect of the lifetime capital gains deduction only reduced their respective tax rates by .1 to .3 percentage points in 1993. The highest income classes, in contrast, saw their capital gains deductions increase. For the higher tax-filer group, the \$100,000-and-over group, their effective tax rate was reduced by 5 percentage points in 1993. Indeed, in 1995, when the lifetime capital gains deduction was limited to farm and small businesses, this highest income class still enjoyed a 2 percentage point reduction in their tax rate.

V. Conclusions

This short paper reports three findings:

- accrued capital gains grew quite rapidly during the 1980s and early 1990s, due to strong equity markets and due, perhaps, to investors purposely selling their assets to take advantage of the Progressive Conservative lifetime capital gains exemption. This strong increase in

capital gains raised effective tax rates, particularly for the \$100,000+ taxpayer group;

- the granting of the lifetime capital gains deduction, set at \$500,000 in 1985 and \$100,000 in 1991, lowered the effective tax rates from what they would have been if such a deduction had not been granted. The reduction was most strongly apparent in the highest tax-filer groups; and

- while the lifetime capital gains exemption is regressive in nature, its adoption did not prevent the overall personal income tax system from becoming more progressive. Over the 12-year period personal taxes have become more progressive. It is just that the capital gains exemption has worked in the opposite direction.

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Table 1

(TOTAL) PERCENTAGE POINT RISE IN
THE EFFECTIVE PERSONAL INCOME TAX RATE*

	<u>National Accounts</u>			<u>Revenue Canada</u>		
	total	fed.	prov.	total	fed.	prov.
Mulroney ¹	2.08	1.59	.49	2.05	1.22	.83
Chretien ²						
four years	1.95	1.13	.83	n/a	n/a	n/a
three years	1.29	.68	.62	.76	.52	.23

* the "effective personal income tax rate" is defined as: (1) using the National Accounts definition -- taxes paid by households divided by personal income, and (2) using the Revenue Canada definition -- taxes due, divided by "total income" of taxpayers

¹ the Mulroney government governed from 1984 to 1993, so the tax rate changes are calculated for those years, a nine-year time interval.

² the Chretien government has been governing from 1993 to the present, and these data are calculate from 1993 to 1997, a four-year time span, and from 1993 to 1996, a three-year time span. Note that the Revenue Canada statistics only are available to 1996, so no four-year calculations could be made.

Table 2

AVERAGE PERCENTAGE POINT RISE IN
THE EFFECTIVE PERSONAL INCOME TAX RATE*

	<u>National Accounts</u>			<u>Revenue Canada</u>		
	total	fed.	prov.	total	fed.	prov.
Mulroney ¹	.231	.177	.054	.228	.136	.092
Chretien ²						
four years	.488	.283	.208	n/a	n/a	n/a
three years	.430	.227	.207	.253	.173	.076

* These data are calculate by taking the annual averages of the respective tax rate increases in Table 1 above. So the data for the Mulroney years are divided by 9; the data for the Chretien years are divided by 4 and 3 years respectively.

Table 3

EFFECTS OF STRONG CAPITAL GAINS GROWTH AND
THE LIFETIME CAPITAL GAINS DEDUCTION
ON THE EFFECTIVE PERSONAL INCOME TAX RATE*
-- ALL INCOME GROUPS

	<u>1984</u>	<u>1993</u>	<u>1995</u>
1. Actual Personal Income	283676	503386	531098
2. Normalized Personal Income	283676	494396	528979
3. actual income taxes paid	42618	85923	93806
4. actual "effective tax rate" (1. 3/1. 1)*100	15.0	17.1	17.7
5. Normalized income taxes paid	42618	83478	92856
6. Normalized "effective tax rate" assuming normal capital gains growth	15.0	16.9	17.6
7. Change in the tax rate assuming normal capital gains growth	...	-.2	-.1
8. Normalized income taxes paid without capital gains deduction	42618	88718	95777
9. Normalized "effective tax rate" assuming no capital gains deduction	15.5	17.6	18.0
10. Change in the tax rate given a capital gains deduction	-.5	-.5	-.4

*Source: Calculated from statistics in Tax Statistics on Individuals, Revenue Canada, "Table 2: All Returns by Total Income Class".

Table 4

**EFFECTS OF STRONG CAPITAL GAINS GROWTH AND
THE LIFETIME CAPITAL GAINS DEDUCTION
ON THE EFFECTIVE PERSONAL INCOME TAX RATE*
-- BY INCOME GROUPS**

	<u>1984</u>	<u>1993</u>	<u>1995</u>
\$1 - \$20,000			
actual tax rate ¹	7.0	5.1	4.9
1. Δ income tax rate ²	0.	0.	0.
2. Δ income tax rate ³	-.6	-.1	0.
\$20,000 - \$40,000			
actual tax rate ¹	15.8	14.6	14.6
1. Δ income tax rate ²	0.	-.1	0.
2. Δ income tax rate ³	-.5	-.2	0.
\$40,000 - \$60,000			
actual tax rate ¹	20.5	20.5	20.6
1. Δ income tax rate ²	0.	.1	0.
2. Δ income tax rate ³	-.4	-.3	-.1
\$60,000 - \$80,000			
actual tax rate ¹	23.3	23.6	24.1
1. Δ income tax rate ²	0.	.3	.1
2. Δ income tax rate ³	-.4	-.7	-1.2
\$80,000 - \$100,000			
actual tax rate ¹	24.9	25.3	26.5
1. Δ income tax rate ²	0.	.4	0.
2. Δ income tax rate ³	-.3	-1.9	-.3
\$100,000 and over			
actual tax rate ¹	28.6	29.7	32.5
1. Δ income tax rate ²	0.	1.9	.5
2. Δ income tax rate ³	-.2	-5.0	-1.9
total: all taxpayers			
actual tax rate ¹	15.0	17.1	17.7
1. Δ income tax rate ²	0.	.2	.1
2. Δ income tax rate ³	-.5	-.5	-.4

*Source: Calculated from statistics in Tax Statistics on Individuals, Revenue Canada, "Table 2: All Returns by Total Income Class".

¹ The "actual tax rate" is "total income taxes", divided by "total income".

² Line number 1 is the increase in the actual tax rate, given a higher-than-normal growth in accrued capital gains.

³ Line number 2 is the reduction in the actual tax rate, given the "capital gains" deduction reported.

