

INDEXATION OF SASKATCHEWAN'S PERSONAL INCOME TAX SYSTEM

Indexation for the 2010 Taxation Year

The Minister of Finance announced today an indexation factor of 0.6 per cent to be applied to the Saskatchewan personal income tax system for the 2010 taxation year. This factor fully indexes the 2010 Saskatchewan personal income tax system to the national inflation rate.

The dollar amounts that are subject to indexation and the adjustments that occurred on January 1, 2010 are described in the following table:

<i>Indexation Adjustments At 0.6%</i> <i>Effective January 1, 2010</i>		
	2009	2010
Income Tax Brackets:		
Second bracket	\$40,113	\$40,354
Third bracket	\$114,610	\$115,297
Tax Credit Amounts:		
Basic personal	\$13,269	\$13,348
Spousal/Equivalent	\$13,269	\$13,348
Senior supplement	\$1,146	\$1,153
Dependent child	\$4,915	\$4,944
Age	\$4,340	\$4,365
Disability	\$8,395	\$8,445
Disability supplement	\$8,395	\$8,445
Infirm dependant	\$8,395	\$8,445
Caregiver	\$8,395	\$8,445
Medical expense threshold	\$2,011	\$2,024

Impact of Indexation

Indexation protects taxpayers from “bracket creep,” or automatic increases in tax caused by inflation. Indexation preserves the real value of the personal tax credits and the income tax brackets, since these also rise with inflation. Indexation therefore provides the most benefit to taxpayers who are on fixed incomes, such as pensioners.

Previous Years

Since 2004, the Saskatchewan income tax system has been fully indexed to the national rate of inflation.

Saskatchewan Indexation Factors	
Tax Year	Indexation Factor
2004	3.3%
2005	1.7%
2006	2.2%
2007	2.2%
2008	1.9%
2009	2.5%
2010	0.6%

DISTRIBUTION OF TAX CUTS

The following table presents the combined income tax reductions and income tax benefit announcements since 2008 for illustrative Saskatchewan families.

Distribution of Tax and Benefit Improvements					
	2008 Income Tax Reduction¹	2009 Active Families Benefit²	2009 Indexation Savings³	2010 Indexation Savings³	Total Annual Savings
Families with two children:					
Couple at \$50,000	\$1,547	\$300	\$98	\$24	\$1,969
Couple at \$75,000	\$1,320	\$300	\$120	\$30	\$1,770
Individual:					
Single Person at \$25,000	\$548	\$0	\$35	\$9	\$592

Notes:

1. Income tax reduction attributable to: October 21, 2008 announcement for the 2008 taxation year which increased the basic and spousal personal tax credit amounts generally by \$4,000 each and the Saskatchewan dependent child amount by \$2,000 per child. Reduction also includes Low-Income Tax Credit savings from the October 21, 2008 announcement which renamed the tax credit and enhanced benefits retroactive for 2008.
2. Active Families Benefit effective January 1, 2009 provides an annual refundable tax benefit of up to \$150 per child to assist families with the costs associated with their children participating in cultural, recreational and sports activities.
3. Column for 2009 indexation indicates savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2009. Column for 2010 indexation indicates savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2010.