



## BACKGROUNDER

### INDEXATION OF SASKATCHEWAN'S PERSONAL INCOME TAX SYSTEM

- An indexation factor of 2.5 per cent will be applied to the Saskatchewan personal income tax system for the 2009 taxation year.
- This factor fully indexes the 2009 Saskatchewan personal income tax system to the national inflation rate.
- 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.

The dollar amounts that are subject to indexation and the adjustments that occurred on January 1, 2009 are described in the following table:

| <b>Indexation Adjustments At 2.5%<br/>Effective January 1, 2009</b> |             |             |
|---|-------------|-------------|
|   | <b>2008</b> | <b>2009</b> |
| <b>Income Tax Brackets:</b>   |             |             |
| Second bracket  | \$39,135    | \$40,113    |
| Third bracket   | \$111,814   | \$114,610   |
| <b>Tax Credit Amounts:</b>  |             |             |
| Basic personal  | \$12,945    | \$13,269    |
| Spousal/Equivalent  | \$12,945    | \$13,269    |
| Senior supplement   | \$1,118     | \$1,146     |
| Dependent child   | \$4,795     | \$4,915     |
| Age   | \$4,235     | \$4,340     |
| Disability  | \$8,190     | \$8,395     |
| Disability supplement   | \$8,190     | \$8,395     |
| Infirm dependant  | \$8,190     | \$8,395     |
| Caregiver   | \$8,190     | \$8,395     |
| Medical expense threshold   | \$1,962     | \$2,011     |

**Impacts – Pensioners on Fixed Income**

The following table illustrates the reduction in provincial income tax payable for pensioners on fixed incomes, as a result of the 2.5 per cent indexation factor.

| <b>Impact of 2.5% Indexation Factor on Income Taxes Payable<br/>For a Single Pensioner on a Fixed Income</b> |                                       |                                       |                    |
|--|---------------------------------------|---------------------------------------|--------------------|
| Income   | 2008 Provincial<br>Income Tax Payable | 2009 Provincial<br>Income Tax Payable | Indexation Savings |
| \$20,000   | \$77                                  | \$27                                  | \$50               |
| \$25,000   | \$627                                 | \$577                                 | \$50               |
| \$35,000   | \$1,785                               | \$1,721                               | \$64               |
| \$50,000   | \$3,899                               | \$3,817                               | \$82               |

**Impacts – Increases Income Thresholds (earn more, before paying tax)**

The indexation of the Saskatchewan personal income tax system also increases the income levels at which Saskatchewan income tax begins to be paid. The following table presents the income thresholds at which income tax begins to be paid, for the 2009 taxation year.

| <b>Interprovincial Comparison – 2009 Tax Year<br/>Income Levels Where Income Tax Begins<sup>1</sup></b> |                  |                  |                       |                              |                            |
|---|------------------|------------------|-----------------------|------------------------------|----------------------------|
|   | Single<br>Person | Single<br>Senior | Single<br>Parent (+2) | Single-Income<br>Family (+2) | Dual-Income<br>Family (+2) |
| Can   | \$11,760         | \$17,515         | \$30,275              | \$27,060                     | \$29,435                   |
| BC  | \$17,750         | \$20,200         | \$30,430              | \$22,640                     | \$29,590                   |
| AB  | \$17,795         | \$22,750         | \$38,990              | \$35,775                     | \$37,905                   |
| <b>SK</b>   | <b>\$14,040</b>  | <b>\$19,760</b>  | <b>\$36,740</b>       | <b>\$38,800</b>              | <b>\$42,220</b>            |
| MB  | \$9,790          | \$15,590         | \$25,660              | \$25,175                     | \$29,185                   |
| ON  | \$12,970         | \$17,840         | \$37,690              | \$34,475                     | \$40,455                   |
| QC  | \$13,410         | \$11,695         | \$29,375              | \$24,640                     | \$37,315                   |
| NB  | \$14,920         | \$17,850         | \$27,215              | \$24,075                     | \$27,220                   |
| NS  | \$12,035         | \$15,895         | \$24,325              | \$22,440                     | \$25,570                   |
| PEI   | \$10,815         | \$15,020         | \$23,150              | \$21,425                     | \$24,565                   |
| NF  | \$13,515         | \$14,790         | \$19,155              | \$16,090                     | \$19,200                   |

<sup>1</sup> Includes the impact of CPP and EI deductions. Assumes eligible families claim \$3,000 in child care expenses. Does not consider provincial refundable low income tax credits provided outside the income tax system.