

Changes to Tax Credits and Program Eligibility Background

The 2015-16 Budget carefully manages expenditures, including tax expenditures which result from tax credits and programs.

Changes to the tax credits related to the Graduate Retention Program and the Research and Development Tax Credit and eligibility changes to the Active Families Benefit, the Seniors' Drug Plan and Saskatchewan Employment Supplement are being made to meet Government's overall priority of fiscal responsibility, to ensure the ongoing sustainability of the credits and programs and alignment with objectives in the *Plan for Growth*.

Graduate Retention Program

The Graduate Retention Program (GRP) provides personal income tax credits to rebate up to \$20,000 in tuition fees to post-secondary graduates.

The tuition rebate is based on actual tuition fees paid, subject to a maximum for each type of program of study (\$3,000 for certificates, \$6,400 for diplomas, \$15,000 for three-year degrees and \$20,000 for four-year degrees).

The tuition rebate is paid out over a seven-year instalment period. Graduates receive the rebate as a reduction in their income taxes otherwise payable. Where the rebate amount is greater than the amount of income taxes payable, the excess is currently paid to the graduate as an income tax refund.

Starting with the 2015 taxation year, tuition rebates must be applied against Saskatchewan income taxes otherwise payable. Any rebate that cannot be applied against taxes payable will be carried forward and added to the next year's instalment amount.

Graduates will be allowed ten years to fully utilize their tuition rebate entitlement against taxes otherwise payable.

By requiring GRP benefits to be claimed against taxes payable, benefits will now be aligned with earning income post-graduation to support the recruitment and retention of graduates into the Saskatchewan labour force.

The Program will now better support the *Growth Plan* goal of expanding Saskatchewan's labour force by 60,000 new workers by 2020. This change is expected to defer rather than

reduce program costs, and that deferral is expected to produce savings of an estimated \$33.5 million in 2015-16.

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The Research and Development (R&D) Tax Credit

The Research and Development (R&D) Tax Credit is being made fully non-refundable and the rate is being reduced from 15% to 10% of the value of qualifying R&D expenditures, effective April 1, 2015.

These changes will require companies to apply any tax credits earned against Saskatchewan corporate income taxes otherwise payable. Changes reduce program costs by \$18 million in 2015-16. These changes will maintain a sustainable level of support for innovation and research activities in the province.

These changes will reduce the cost of the program in order to continue to provide a sustainable level of taxpayer support for innovation and research activities in the province.

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The Active Families Benefit

The Active Families Benefit (AFB) provides a refundable personal income tax credit to assist families with the cost of registering children in cultural, recreational and sports activities. The tax credit rebates up to \$150 per child per year in eligible registration fees for children under the age of 18.

Starting with the 2015 taxation year, the AFB program will be subject to income-testing and benefits will now be available to families with combined net incomes below \$60,000.

By income-testing the AFB, benefits are targeted to those families most in need of support to ensure their children have the opportunity to participate in cultural, recreational and sports activities.

This change will reduce the cost of the program by \$6 million per year, ensuring that the program remains sustainable in support of the *Growth Plan* goal of a better quality of life for Saskatchewan people.

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Seniors' Drug Plan

The 2015-16 Budget sees the lowering of the income threshold for the Seniors' Drug Plan to \$65,515, aligning with the provincial income tax credit threshold for seniors as opposed to the federal threshold of \$80,255.

The change will come into effect on July 1, 2015 and result in savings of approximately \$3.0 million. The change better targets the benefit to those most in need. Under the Seniors' Drug Plan, eligible seniors 65 years and older pay a maximum of \$20 per prescription for drugs listed on the Saskatchewan Formulary.

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Saskatchewan Employment Supplement

Currently, low income families with children up to 18 years of age may receive Saskatchewan Employment Supplement benefits to help with costs associated with raising a family and transitioning from social assistance into the labour force.

A change in this budget means effective October 1, 2015 eligibility for the supplement for new applicants will be limited to families with children age 12 and under.

Families with children older than 12 who currently receive the supplement will continue to receive funding through a grand-fathering provision. Changes to the program are projected to reduce Government's cost by \$1 million in 2015-16.

The supplement is an important support to families with younger children as they incur higher costs such as child care when they go to work.

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