

BACKGROUND

INDEXATION OF SASKATCHEWAN'S PERSONAL INCOME TAX SYSTEM

Indexation for the 2014 Taxation Year

The Minister of Finance announced today an indexation factor of 0.9 per cent to be applied to the Saskatchewan personal income tax system for the 2014 taxation year. This factor fully indexes the 2014 Saskatchewan personal income tax system to the national inflation rate.

The dollar amounts that are subject to indexation and the adjustments that will occur on January 1, 2014 are described in the following table:

<i>Indexation Adjustments At 0.9% Effective January 1, 2014</i>		
	2013	2014
Income Tax Brackets:		
Second bracket	\$42,906	\$43,292
Third bracket	\$122,589	\$123,692
Tax Credit Amounts:		
Basic personal	\$15,241	\$15,378
Spousal/Equivalent	\$15,241	\$15,378
Senior supplement	\$1,226	\$1,237
Dependent child	\$5,782	\$5,834
Age	\$4,643	\$4,684
Disability	\$8,979	\$9,060
Disability supplement	\$8,979	\$9,060
Infirm dependant	\$8,979	\$9,060
Caregiver	\$8,979	\$9,060
Medical expense threshold	\$2,152	\$2,171

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%
2011	1.4%
2012	2.8%
2013	2.0%
2014	0.9%

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 Savings and Benefit Improvements			
	2008 thru 2013 Income Tax Reductions¹	2014 Indexation Savings²	Total Annual Savings
Families with two children:			
Couple at \$50,000	\$2,722	\$53	\$2,775
Couple at \$75,000	\$2,493	\$49	\$2,542
Individuals:			
Single Person at 25,000	\$839	\$17	\$856

Notes:

- 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; as well as the 2011-12 Budget which increased the basic and spousal personal tax credit amounts generally by \$1,000 each and the Saskatchewan dependent child amount by \$500 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. Reduction also includes indexation savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2009, 2010, 2011, 2012 and 2013. Reduction also includes the Active Families Benefit effective January 1, 2009 which 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.
- Column for 2014 indexation indicates savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2014, as well as the indexation of the Saskatchewan Low-Income Tax Credit benefits and family income thresholds.