The Carry-Forward Provisions of Canada’s Tuition and Education Tax Credits:
Why we need a pay-it-forward system, not a carry-forward system

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A stable and democratic society is impossible without widespread acceptance of some common set of values and without a minimum degree of literacy and knowledge on the part of most citizens. Education contributes to both. In consequence, the gain from the education of a child accrues not only to the child or to his parents but to other members of the society; the education of my child contributes to other people's welfare by promoting a stable and democratic society.¹

1 Costs & Benefits: The impact of education is widespread

If there is one thing that policy analysts generally agree on, it is that an education is an overall benefit to Canadian society. This claim seems to be so axiomatic that it is routinely stated without chapter or verse.² Although stating such a sweeping claim without fear of scrutiny flies in the face of strong critical work, when one takes a brief look at the numerous studies done it is easy to see why these assumptions are so easily and so often taken for granted.³ As more research is done, new benefits, both financial and social, are also being uncovered. For example,

¹ Milton Friedman, “The Role of Government in Education” in Economics and the Public Interest, Robert A. Solo ed (New Jersey: Rutgers University Press, 1955). [Friedman] (For the purpose of clarity: Opening this discussion with the ideas of Milton Friedman is not paradoxical. Friedman might even have supported ‘free education.’ This will be elaborated on later in the article.).
² The venerable Carter Commission in 1966 simply states this outcome as if it were common knowledge and the same claims are made by the federal department of finance in 2006 to justify public investments in post-secondary education. See: Royal Commission on Taxation, Report of the Royal Commission on Taxation: The use of the tax system to achieve economic and social objectives, vol 2 (Ottawa: Queen’s Printer and Controller of Stationery, 1966) at 6. [Carter, vol 2]; Department of Finance, Investing In Post-Secondary Education: The Impact Of The Income Tax System (Ottawa: Dept. of Fin., 2006) at 62, online: http://www.fin.gc.ca/taxexp-depfisc/2006/taxexp_5-eng.asp#Investing, [Finance, PSE, 2006].
³ W. Craig Riddell, “The Social Benefits of Education: New Evidence on an Old Question” (Paper delivered at the conference "Taking Public Universities Seriously", University of Toronto, 3-4 December 2004), online: http://www.utoronto.ca/president/04conference/downloads/Riddell.pdf, [Riddell]. (Riddell succinctly summarizes the most recent research done in this area and considers both the market-related benefits – like boosting the national economy, increasing individual wage-levels and increasing the combined productivity of co-workers – as well as the non-market benefits of an education including: intergenerational benefits, i.e. the effect of a parent’s education on their children; healthier Canadians; efficiencies in consumer choices and labour market searches, i.e. adaptability to labour market fluctuations and better financial planning; increases in charitable giving and volunteerism; increased social cohesion and reduced social inequalities; reduced reliance on welfare programs; reduced criminal activity; and greater civic involvement, not just in terms of the individual’s activity towards the political processes of the state, i.e. voting, or running for office, but also in terms of the individual’s own self-awareness of community issues, refining their own political views and even changing their social circles based on their awareness of their peers’ political views.).
a very recent study found that the mere experience of pursuing a post-secondary education – meaning the intellectual stimulation, the opportunity to develop new and different peer networks, and an increase in self-confidence and determination to succeed – can benefit people who are recovering from serious substance abuse. This benefit creates other financial and social benefits that are permanent in the sense that they will continue to be a benefit. That is to say, unlike other forms of capital investments (war-machines for instance), the human capital generated by a general post-secondary education does not succumb to obsolescence, although it may require routine maintenance.

Putting that social benefit of education into context, a ground-breaking 2006 study estimated that in 2002 the financial costs of substance abuse in Canada were $39.8 billion (or $1,267 per capita) with the largest attributable cost being “productivity losses” at $24.3 billion. These are also permanent costs in the sense that substance abuse is a permanent social problem that is directly connected to several other costs like organized criminal activity, increased spending on policing, criminalizing addicts, and further marginalizing addicts if or when they are poor. Unfortunately, there doesn’t seem to be any studies measuring the impact that education as a social benefit on substance abuse might have on the costs of substance abuse, but needless to say that the benefit is

4 Jenepher Lennox Terrion, “The experience of post-secondary education for students in recovery from addiction to drugs or alcohol: Relationships and recovery capital” (2013) Journal of Social and Personal Relationships 30:3. (The sample size in this study was small, but the results are compelling because they undermine strong stereotypes about post-secondary education social life.).
7 For clarity, the study defined ‘social costs’ as, “costs on society that exceed the costs to the user of obtaining the substance.” In addition to productivity loss, this includes: health-care costs, law enforcement and other direct-costs. See: J. Rehm, D. Baliunas, S. Brochu, B. Fischer, W. Gnam, J. Patra, S. Popova, A. Sarnocinska-Hart & B. Taylor, The Costs of Substance Abuse in Canada: Highlights (Ottawa: Canadian Centre on Substance Abuse, 2006).
real, and the costs are significant and widespread. When summarizing the most recent available studies, Craig Riddell estimates that, “the social benefits of education may be similar in magnitude to the private benefits associated with higher lifetime earnings, which are also in the range of 7-10 percent.”

So, for those who seek empirical evidence, education, it seems, delivers a guaranteed social and financial benefit that everyone can agree exists.

Now, where policy analysts seem to disagree is in how the financial cost of a post-secondary education should be distributed between the individual student being educated and the taxpayers. The federal government’s complete answer to this question in 2010 cost the taxpayers approximately $10 billion or about 3.6% of the total expenses in that year. In comparison, household spending on post-secondary education in 2009 was 4.6%, the national publicly-funded student loan debt climbed above $15 billion in 2012, and the total privately-funded student debt reached about $8 billion. Meanwhile, the nationwide personal debt to

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8 Riddell, supra note 2 at 20.
10 This includes all federal spending on post-secondary education including $3 billion in transfer-payments to the provinces, $2.6 billion in direct-grants to institutions, $400 million in direct-grants to individuals, $1 billion through a national student loan program and $2 billion through tax expenditures in the income tax system. Numbers are approximate based on 2010 data. See: Library of Parliament, Federal Investments in Post-secondary Education and Training by Chantal Collin & Daniel Thompson, (Ottawa: Library of Parliament: Social Affairs Division, 2010) online: http://www.parl.gc.ca/Content/LOP/ResearchPublications/prb0625-e.htm#a34.
14 Ibid.
disposable income ratio climbed above 150% in 2011\textsuperscript{15} and this trend is only expected to continue.\textsuperscript{16} To further complicate things, the Canadian economy is struggling\textsuperscript{17} and the federal government’s dependency on oil is not being reciprocated by the market’s appetite for the same.\textsuperscript{18}

In sum, the financial cost of an education on the individual is growing very quickly and in turn the personal debt to finance the individual’s portion of their education is accumulating exponentially. Meanwhile the means by which those debts can be settled is becoming less certain, and ultimately the financial benefits for accumulating those costs is diminishing over time. Admittedly, these are just strong correlations, but their value for our purposes is in taking these somewhat disparate impacts on educational fiscal policy, and contextualizing our discussion around the numerous financial and social benefits and costs of an education, and how we should evaluate the axiomatic claims that serve to justify the federal government’s intervention in the post-secondary education market through the use of tax expenditures.

The broader question within which this discussion is framed is: if an education is such a definite social benefit, how should the financial cost be distributed between the student and the taxpayer? For over 40 years the federal government has justified its answer in the same way: education is a


\textsuperscript{17} Gordon Isfeld, “Canadian economy to continue struggling as companies hoard cash, RBC chief economist says” Financial Post (19 March 2013) online: http://business.financialpost.com/2013/03/19/canadian-economy-to-continue-struggling-as-companies-hoard-cash-rbc-chief-economist-says/

\textsuperscript{18} Earle Gray, “Collapse of oilsands boom will scramble Canadian economy” The Globe and Mail (13 March 2013) online: http://www.thestar.com/opinion/commentary/2013/03/13/collapse_of_oilsands_boom_will_scramble_canadian_economy.html
“classic” forward-looking investment\textsuperscript{19} where the student gets the most financial benefit, and the benefits to society at large are more nuanced. By relying on this view that education is a forward-looking investment, the government has created policy mechanisms that are actually sending us backwards. These mechanisms are not only placing the financial cost of an education almost entirely on the individual, but they are slowly extinguishing the many financial and social benefits that an education has long been assumed to deliver.

In short, the only benefit from this approach has been to reduce the taxpayer’s immediate portion of the financial cost, but the overall cost of this singular hollow benefit is being felt throughout every facet of Canadian society.

2 Roadmap: Are the carry-forward provisions sending us backwards?

A continuing challenge for federal educational fiscal policy in Canada is in reconciling society’s obligation to make post-secondary education widely accessible\textsuperscript{20} with the skyrocketing costs of an individual’s education.\textsuperscript{21} The policy mechanisms available are limited because of s. 93 of the Constitution Act, 1867\textsuperscript{22} and so one way that the federal government fund’s post-secondary education is through federal tax expenditures in the income tax system. Although there are

\textsuperscript{19} Finance, PSE, 2006, \textit{supra} note 2.

\textsuperscript{20} What is society’s obligation with regards to post-secondary education? Does it even have one? Is education an express or an implied right? Is education merely a sound economic and social policy decision? Or maybe it is purely an “investment” as is often claimed? We will engage in the various perspectives of this inquiry later in the discussion. For the purposes of this part of the discussion it must be assumed that the federal government is always going to intervene in the post-secondary education system in some way regardless of the prevailing ideological perspective of the government in power.

\textsuperscript{21} Tuition fees have been significantly outpacing inflation by a ratio of 4:1 since 1990. Tuition fees have increased an average of 4.0\% annually, compared with inflation at 1.6\%. See: Appendix A: Average Annual Increase: Tuition fees vs. Inflation (1990 – 2013); Statistics Canada, “University Tuition Fees, 2012/2013” \textit{The Daily}, (12 September 2012) online: StatCan <http://www.statcan.gc.ca/daily-quotidien/120912/dq120912a-eng.htm>. [StatCan, Tuition].

\textsuperscript{22} The Constitution Act, 1867 (UK), 30 & 31 Victoria, c 3 s 93. (This provision eliminates the possibility for imposing any kind of national regulation scheme on tuition fee increases. These are regulated by the province, and the amounts vary from 2.0\% a year in B.C. to 10.1\% in Québec. See: StatCan, Tuition, \textit{ibid.}).
several tax expenditures specific to education, this discussion examines the two main ones: the tuition fee tax credit and the education/textbook tax credit(s).23

The general consensus among analysts is that these tax credits are regressive and are not an efficient way to achieve their stated objective of making education more accessible to a broader segment of society.24 However, an examination of the literature around these specific tax expenditures reveals that any thorough analysis of the carry-forward provision associated with these credits has been largely overlooked by analysts. While most analysts believe the carry-forward provision is making small progress towards the stated objectives of the tuition and education/textbook tax credits,25 there is very little analysis that examines the potential impact that the carry-forward provision will have on the federal budget in the years to come.

For this reason, the benefit and impact of the carry-forward provision on the federal government’s post-secondary tax credit regime is the focus of this paper. From a theoretical perspective, this paper takes the position that when certain externalities are considered, like the corresponding impact of the transfer provision, the national student loan program and the potential financial and social costs of the prevailing education policy; the benefit and impact of the carry-forward provision in the federal budget is nothing more than a political sleight of hand. By shifting more of the government’s share of the individual’s education burden into future foregone taxes, the government is merely giving the illusion that it is investing in post-secondary education today, when in fact it is simply pushing its share of the financial cost to be ultimately

23 Technically, the Education and Textbook tax credits are distinct. However, because they operate the same, and because there are no specific conditions for the distinct Textbook tax credit (like buying textbooks) almost all commentators treat both credits as one credit for analytical purposes.
24 See: supra note 9.
25 Neill, 2007, ibid at 8; Usher & Duncan, ibid.
paid for by the individual students who are supposed to be the beneficiaries of this contribution. While there appears to be no such thing as a “free education,” there are better ways to ensure that society is maximizing the benefits from its investment in an individual’s education. The discussion below outlines why the carry-forward provision does not effectively counter the regressive nature of the post-secondary education tax credit regime and actually undermines the existing justifications for investing public money in post-secondary education.

This paper is divided into six main parts. Part I provides an overview of the tuition and education/textbook tax credits and how the transfer and carry-forward provisions operate within the federal income tax system. It then analyses in depth the potential impact of the carry-forward provision. Part II summarizes the government’s justification for the existing tax credits and the carry-forward provision. Part III reviews two prominent criticisms on the existing tax credits and then provides the central critique of this article. Part IV considers some of the alternative mechanisms that have been suggested. Part V explores the broader question of why the government uses these tax expenditures as part of its objective to fund individual post-secondary education. Part VI examines this answer from a range of theoretical perspectives.
3 PART I: The tax credits and the transfer and carry-forward provision

Several analysts point out that the tax credits are too complicated.\(^{26}\) While they can be confusing to explain in theory, their basic design is a bit clearer when practically applied to a hypothetical student. Throughout this section, this hypothetical individual is a full-time law student that pays $17,369\(^{27}\) in tuition fees and is enrolled for 8 months during their first year.

3.1 Tuition, Education and Textbook Tax Credits\(^{28}\)

Both the tuition and education/textbook tax credits are non-refundable tax credits that can reduce an individual’s taxes. The value of the tuition tax credit is equal to the eligible tuition fees\(^{29}\) multiplied by the marginal tax rate. In this way, the value of the credit is always proportionate to the cost of tuition.

The value of the education/textbook tax credit is equal to the total credit amount multiplied by the marginal tax rate. The total credit amount is equal to the monthly credit amount multiplied by the number of months a student was enrolled. The monthly credit amount for full-time students is currently $465.\(^{30}\) For our law student the combined value of their tax credits would be calculated as follows:

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\(^{26}\) Christine Neill and Alex Usher both argue that the tax credits would be more effective at encouraging people to enroll if they only knew how to take advantage of them. They both point to a lack of transparency and informational barriers. See: Essaji & Neill, *supra* note 9 at 25; Usher & Duncan, *supra* note 9.

\(^{27}\) This is the 2012/2013 amount of eligible tuition fees for the J.D. program at Thompson Rivers University.

\(^{28}\) *Income Tax Act*, RSC 1985, c 1 (5th Supp) ss 118.5, 118.6(2) and (2.1).

\(^{29}\) Every year, students are issued a T2202A (11) “Tuition, Education, and Textbook Amounts Certificate” that indicates their eligible tuition fees for that tax year.

\(^{30}\) Education Tax credit = $400/mth. Textbook Tax Credit = $65/mth.
Table 3.1.1: Calculation of Tuition and Education/Textbook Tax Credits

<table>
<thead>
<tr>
<th></th>
<th>Tuition Tax Credit</th>
<th>Education/Textbook Tax Credit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Amount</td>
<td>$17,369.75</td>
<td>$465 x 8 = $3,720</td>
<td>$21,089.75</td>
</tr>
<tr>
<td>Value (Total Credit Amount x 15%)</td>
<td>$2,605.46</td>
<td>$558</td>
<td>$3,163.46</td>
</tr>
</tbody>
</table>

When the student files their income tax for the year, they will be eligible to reduce their taxes by $3,163.46. In order to get the full benefit of these tax credits in the same year, the student must have an income in that year of over $27,000. However, less than 20% of all full-time students make this amount.31

### 3.2 Unused Tax Credits and the Transfer Provision32

Since most students cannot use up their tax credits in the same year, they have the option of transferring some of their unused tax credits to a parent or a spouse. The unused tax credits equal the total credits available for that year, minus whatever tax credits the student was able to use. Credits can only be transferred to one person in a given tax year and the maximum amount of tax credits that can be transferred is equal to $5,000 less the amount that the student was able to use, if any. This means that if the student earned enough income to owe $750 in taxes, there would be no amount that the student could transfer.

31 Neill finds that 60% of full-time students make less than $10,000, and that an additional 20% can’t make full use of their tax credits. However, it is likely that percentage is much higher today post the serious 2008 economic downturn. A more recent study from 2010 by Statistics Canada finds that the majority of full-time students are employed during school, and subsequently rely on that employment to fund their school. As largely part-time employees in the service and retail industries, they were typically the first to be laid off as a result of the economic downturn. According to the most recent data, the estimated income for students is between $5,000 and $7,000. See: Neill, 2007, supra note 9 at 7. (); Statistics Canada, Employment Patterns of Postsecondary Students by Katherine Marshall (Ottawa: StatCan, 2010) online: http://www.statcan.gc.ca/pub/75-001-x/2010109/pdf/11341-eng.pdf [StatCan, 2010].

32 Sections 118.61 (unused tax credits), 118.8 (transfer to a spouse) & 118.9 (transfer to a parent/grandparent), supra note 28.
So in the case of our law student, assuming they were in the top 20% of full-time student earners, and had a modest income of $15,000 for that year, then after factoring in the basic personal amount of $11,038, the maximum amount of tax credits that could be transferred would be calculated as follows:

**Table 3.2.1: Calculation of Unused Tax Credits & Transfer amounts**

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes owed = Taxable income:</td>
<td>$3,962 x 15% = $594.30</td>
</tr>
<tr>
<td>Unused credits = Credits available:</td>
<td>$21,089.75 – Credits used: $3,962 = $17,127.75</td>
</tr>
<tr>
<td>Amount that can be transferred = Max. allowed:</td>
<td>$5,000 – Credits used: $3,962 = $1,038</td>
</tr>
<tr>
<td>Amount of unused credits remaining =</td>
<td>$16,089.75</td>
</tr>
</tbody>
</table>

So, the amount of credits that could be transferred to a parent or spouse would be $1,038, which would reduce that individual’s taxes owed in that year by $155.70.

### 3.3 Unused Tax Credits and the Carry-forward provision

Students who have unused tax credits at the end of a taxation year carry those credits forward. Once carried forward, they can only be used by the student. They cannot be transferred. Continuing with our law student, after reducing their own taxes to zero, and transferring some credits to their parent or spouse, the amount of unused tax credits that they would carry-forward is $16,089.75. After 3 years of full-time study and factoring in the average annual tuition increase of 4.0%, the total credits accumulated during law school alone would total $50,381.25. However, this student is in the top 20% of earners. For the 80% of law students who can’t use their credits, the total credits accumulated would be $65,381.25 (assuming they don’t transfer

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33 Section 118.61, *ibid.*
their credits). In any case, the tax credits will get claimed at some point, so all 75 law students in
the first class at Thompson Rivers University will have accumulated a total of $4.9 million tax
credits, which amounts to $735,000 in foregone tax revenue at some point.

3.3.1 Estimate of national carry-forward totals for full-time students from 2007-2010

Law students, and especially TRU’s tuition fees, are somewhat anomalous with the rest of the
country. To better understand the design of this small provision in the Income Tax Act as a
benefit and impact on the federal government’s post-secondary tax expenditure regime, we need
to estimate the accumulation of the carry-forward provision. To do this we look at the data
available from the most recent 3-year period. In the following chart, the total number of full-
time students is multiplied by the average tuition fees to determine the total national tuition,
and then the total tax credits available are calculated for each year.

34 This chart is based on data from Statistics Canada to determine: 1) the total number of full-time students in a year,
2) the average tuition fees for full-time students in that year, 3) the annual increase in tuition for those years. See:
35 Total number of full-time students in Canada (000s): 2007/08 = 1,140; 2008/09 = 1,126; 2009/10 = 1,193
36 Avg. Tuition fees: 2007/08 = $4,524; 2008/09 = $4,724; 2009/10 = $4,917
According to this data, each year roughly $10 billion in tax credits are available for full-time post-secondary students. In reality this figure is likely much higher when graduate, professional, vocational, technical, trades and part-time students are factored in.

It must be remembered that this figure represents only the total credits available, not the total value of the credits claimed. When these credits are claimed they will be multiplied by the marginal tax rate. That calculation determines their value. To determine how much of the value of these credits is being carry-forward, we compare these figures to the estimates from the 2012 tax expenditures report.\(^{37}\)
In the case of the tuition tax credit, only 30% of the available credits are being claimed and roughly 70% of the credits are unused and are either being transferred in that year, or carried forward. The situation with the education/textbook tax credit is similar.
Taken together, there is an estimated $1.6 – 1.8 billion in total value available; 30% is being claimed, leaving 70% to be transferred or carried forward each year. While it would seem that only a small amount of that 70% can actually be transferred because of the maximum allowable limitation; this is actually not the case when comparing these projections to the amounts claimed under the transfer category in those years.
If all of these calculations are correct, then the proportion between the amounts claimed by students, the amounts claimed by parents/spouses and the amounts carried-forward is roughly the same at 1/3. This means the national carry-forward total in each year is about 1/3 of the total value of the credits available in that year.

When this finding is compared with the annual estimates and projections of the amount of the carry-forward credits actually being claimed in each year, the accuracy of this finding is further supported. Although the projections have at times been wildly different, comparing the trend-lines from the 2000 projections and the 2012 projections shows us that overall, the amount of carry-forward credits being claimed going forward will continue to increase at a significant rate.

When graphed, what the projections also suggest is that the government keeps predicting the carry-forward will level out, but that it isn’t likely to level out for many years still.
The source of this data comes from the tax expenditure reports released each year by the department of finance. See: Appendix B: Carry-forward Estimates/Projections (Table); Department of Finance, Government of Canada Tax Expenditures, (Ottawa: Department of Finance, 2012) online: http://www.fin.gc.ca/purl/taxexp-eng.asp.
In summary, 1/3 of the annual value of the tuition, education/textbook tax credits are carried forward each year, but over time this value appears to be claimed each year meaning that the accumulation of carry-forward totals nationally should increase at relatively the same pace.

4 PART II: Some things stay the same, some don’t – The justification for funding post-secondary education through the tax credit regime

The federal government’s stated objective for funding post-secondary education through the current tax credit regime has essentially remained the same since it was first introduced as a tax deduction in 1961: to recognize the significant costs that students, and those who support them, will incur as they pursue a post-secondary education. While the justification for investing public money in the education of an individual has remained relatively consistent, the narrative has changed dramatically.

4.1 Education: From a matter of national security to a classic capital venture

In 1966, the Carter Commission described post-secondary education as a necessary social expense by comparing it to the justification for having a national defence force:

The only way people will pay for the provision of a good when it is impossible to exclude them from its use is through its public provision and the imposition of obligatory payments toward its cost… Education, for example, bestows a benefit on the student in terms of his/her earnings and perhaps greater personal satisfaction. Education also bestows a benefit on society because it increases the productivity of workers (and hence the rate of Growth of

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39 The tuition tax deduction was introduced in 1961 and the education tax deduction of $50/mth was introduced in 1974. The education tax deduction could be transferred. The education amount has been steadily increased over the past 20 years, and the textbook tax credit was introduced in 2006. See: Neill, 2007, supra note 9 at 33.

40 In 2010 the tax expenditure report included a length explanatory brief that explained the methodology behind the tax expenditure report and summarized the stated objective of each tax expenditure as cited in their respective budget speeches. See: Appendix C: Stated Objectives; Department of Finance, Tax Expenditures and Evaluations 2010, (Ottawa: Department of Finance, 2010) online: http://www.fin.gc.ca/taxexp-depfisc/2010/taxexp1004-eng.asp#tocnotes-01; Finance, PSE, 2006, supra note 2 at 71-73. (The department of finance also elaborated on how the tax credits exist to cover tuition and education expenses.).
national output), and improves the social and political environment... The individual members of society who benefit from the student's education will not pay for these benefits voluntarily. Unless the government subsidizes the student, or subsidizes that part of the private sector that provides education, or itself provides education below cost, there will be an inadequate allocation of resources to education. The government has to finance the provision of more education by some means other than the revenues from education.41

In elaborating on the social benefits of investing public money on post-secondary education through the tax system, the Carter Commission details specifically how it benefits traditionally marginalized communities like women42 and rural economies.43 It is notable that in 1966 the fundamental social values of substantive equality as practically applied to a unique geographically disparate population like Canada are so efficiently articulated in the context of the income tax system. For a lot of reasons, 1966 was clearly a different time as 40 years later, the strong emphasis on education as a necessary social expense that benefits marginalized communities is nowhere to be found.

In 2006, the department of finance described post-secondary education as, “a classic investment, since it involves incurring costs now in order to reap a reward later.”44 Instead of being analogous to protecting the nation, a student paying for a post-secondary education is now purchasing “human capital” in the same way that, “a business invests in physical capital by building a factory, buying machinery, or discovering and developing a mineral deposit.”45 It is clear that it is this personal, yet guaranteed, investment that government is altruistically

41 Carter, vol 2, supra note 2 at 5-6. [Emphasis added].
42 Ibid at 126.
43 Ibid at 132.
44 Finance, PSE, 2006, supra note 2 at 62.
45 Ibid.
participating in by foregoing tax revenue and providing seed-money through the national student loan program. They are getting in on the “ground floor” of a guaranteed investment, so to speak. Despite downgrading the importance of publicly funding post-secondary education from a matter of national security, to a capital venture, the personal and social benefits remain the same:

Students receive a large financial return from investing in post-secondary education and presumably would be motivated to invest in education without extra inducement from the Government… [However] the benefits of higher education flow beyond the student and spil over to society at large…. The presence of these spillover benefits means that government subsidization of investments in education improves the well-being of Canadians.46

The spillover benefits identified are: extra productivity; creativity and adaptability; reduced cost to other social programs and increased contributions to tax revenues; and lastly increased “‘civic virtues’ that make society function well, such as awareness and involvement in public issues, community participation and volunteerism.”47

In sum, the government’s justification for the current tax credit regime over the last 40 years has focused on: 1) the financial benefits, to the individual through higher wages and to society through increased tax revenue; and 2) the social benefits, to the individual through self-fulfillment and sense of personal achievement, and to society through increased productivity, civic participation and voluntary contributions to the community. While these benefits have underpinned the justification for the tax credit regime, the emphases on the financial benefits of a post-secondary education have completely dominated the justification for the expense, while the social benefits, while still a major part of the justification, are now largely taken for granted.48

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46 Ibid.
47 Ibid at 63.
48 In other words, why ascribe a value to something if those things are going to happen anyway. This type of thinking has also been applied to other policy areas like: clean water, clean air and clean soil.
4.2 **Tax Credits: The great (formal) equalizer**

In 1987 the tax deductions were converted into non-refundable credits. The justification for this change was because deductions, “favour those in higher income brackets. A tax credit, on the other hand, provides the same dollar benefit to taxpayers regardless of their income level.”

Although the gross inequity of the tax deductions was an important problem to address, it was first noticed by the Carter Commission who stated:

> Converting the present concession from a deduction to a tax credit would serve the purpose of giving the greatest relief to parents with low incomes or to students with low expected incomes immediately following graduation. High income parents and students are much less likely to need the encouragement. The recognition of living costs would increase the tax concession to students who were not dependent on their parents.\(^{50}\)

4.3 **Justifying the Transfer and Carry-forward Provision**

The transfer provision has existed in some capacity since 1974, but its purpose, stated in 1996, was to, “support parents or spouses who help underwrite the education of students.”\(^{51}\) The carry-forward provision was introduced the following year to address the problem that, “[s]ome students or their parents cannot take advantage of the tuition and education credits because they do not have sufficient income in a particular year to use them.”\(^{52}\) Although these provisions were brought about by the lobbying efforts of organized student groups like the Canadian Federation of Students, their origins were articulated by the Carter Commission who suggested that:

> By allowing unused educational tax credits to be carried forward indefinitely, and by allowing the credit to be transferred between tax units, the proposed tax system would enable students with no

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49 House of Commons, Minister of Finance, *Securing Economic Renewal: The Budget Speech* (18 February 1987) at 12;  
50 Carter, vol 6, *supra* note 2 at 85.  
51 House of Commons, Minister of Finance, *Budget Speech* (6 March 1996) at 19.  

20
current income to borrow to finance their education with the knowledge that they could more easily repay the loan, because their tax liabilities in the first years after graduation would be reduced by the educational credits.\textsuperscript{53}

Based on certain assumptions characteristic of the time,\textsuperscript{54} the Carter Commission emphasized that these provisions would not only make the tax credit regime more equitable, but it would encourage students from lower income groups to pursue a post-secondary education on the basis that in their first 2 years after graduation they would pay no taxes and could therefore confidently finance their education through student loans.

5 PART III: Report Card: The tax credit regime gets a mixed review from analysts

Considering the post-secondary education tax credit regime as a whole, the general principles that justify using public funds to support the individual’s post-secondary education through the income tax system are: 1) the guaranteed financial and social benefits, 2) eliminating the discrimination of lower-income families and students, and 3) increasing enrollment by encouraging students with no income to fund their education through student loans.

How well does this mechanism achieve these objectives?

5.1 Christine Neill: D-

Christine Neill finds that there is no evidence that the tax credits increase enrollment and considers the claim that they can be justified on equitable grounds to be weak.\textsuperscript{55} Neill points out that graduates will earn more than non-graduates in their lifetime and that university students likely come from well-off families. Thus, from a tax dollar-to-dollar comparison, the spending

\textsuperscript{53} Carter, vol 6, \textit{supra} note 2 at 85.
\textsuperscript{54} In particular that the average student was unmarried while in school, but married on graduation and also immediately had a substantial income.
\textsuperscript{55} Neill, 2007, \textit{supra} note 9 at 29.
on the tax credits is more likely to support wealthy families and individuals from the outset.\textsuperscript{56}

Neill extends this line of reasoning to the question as to whether the extensive social benefits justify governments not only subsidizing, but in some cases paying for the direct costs of a post-secondary education.\textsuperscript{57} Although the social benefits are acknowledged, for Neill, “the evidence of large and increasing private returns to post-secondary education” means that an increase in public spending, “would seem to dramatically over-subsidise post-secondary education.”\textsuperscript{58}

The one positive remark from Neill is in reference to the carry-forward provisions, which allow, “all students [to] benefit almost equally,” with the exception that because the credits are not indexed to inflation, the value of the credit depreciates the longer it is carried forward.\textsuperscript{59}

5.2 Alex Usher: B+

While Christine Neill’s analysis focuses on whether the tax credits are a good use of public money, Alex Usher looks at the tax credits for the benefit it provides to the individual. Usher takes a somewhat laudatory view of the tax credits for their impact on reducing the actual cost of tuition.\textsuperscript{60} Usher coins the term, “Everybody’s Net Tuition” and uses it to describe what the tuition is after subtracting the value of the tax credits.\textsuperscript{61} Usher sees the tax credits, “as a kind of ‘tuition rebate’” which, “reduce[s] the ‘net cost’ of tuition dollar for dollar.”\textsuperscript{62} On the carry-forward provision, Usher considers that from a, “strict accounting sense, the timing of the payment is irrelevant.”\textsuperscript{63}

\textsuperscript{56} Ibid.
\textsuperscript{57} Essaji & Neill, supra note 9 at 32.
\textsuperscript{58} Ibid.
\textsuperscript{59} Neill, 2007, supra note 9 at 8.
\textsuperscript{60} Usher & Duncan, supra note 9 at 10-13.
\textsuperscript{61} Ibid.
\textsuperscript{62} Ibid.
\textsuperscript{63} Ibid.
5.3 This Paper: Three reasons why the tax credits get an F

The tax credit regime simply fails to meet its objectives for 3 major reasons:

5.3.1 #1 Adverse-Effect Discrimination: The bottom 80% of students are only getting 33% of the value of the credits

As a use of public money its value does not differentiate based on income level. Not only does this effectively discriminate against lower income students and families as a matter of strict construction, but, as the analysis by Christine Neill demonstrates, it is actually treating lower-income groups unequally since most of the value of the credits is going towards middle and higher-income groups.

This claim is supported by our above analysis of the distribution of the tax credits, which revealed that: 1/3rd are claimed by the individual, another 1/3rd is transferred and claimed, and the remaining 1/3rd is carried forward. This means that 2/3rds of the value is being realized right away by either students in the top 20 percentile of earners in their cohort, or family members who are substantial income earners in their own right. Effectively, only 1/3rd of the value is being realized at a later date by 80% of the students who are too poor to use the credits right away. Both in purpose and effect, the tax credit regime discriminates against the people it is directly and indirectly intending to help according to the three objectives underlying the justification for the tax credits. This is a major policy failure.

5.3.2 #2 Credit Depreciation: The scheme is out of touch with reality

The carry-forward provision is meant to target the 80% of students who can’t use the tax credits in the year they are earned. As Neill and Usher both observe the value slowly depreciates over time. Although neither feels this is an issue, I strongly disagree.
Consider the student who starts a 4-year undergraduate degree in 2012/2013. The average tuition is $5,581.\textsuperscript{64} Consider the impact of the credit depreciation over time. In year 1 the total value of the credit is $1,395.15. When we add the next two years of tuition, and adjusting for the average tuition increase (4%/yr) and the average inflation rate (2%); the student graduates with a total value of $5,898.56 in tax credits. However, adjusting again for the indexed value of those credits, they should be worth $6,016.53. Or in other words, the total value of the credits has depreciated $117.97 by graduation.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tuition</th>
<th>Value of Credits</th>
<th>Total value</th>
<th>Indexed Value</th>
<th>Depreciation Loss</th>
<th>Loss %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$5,581</td>
<td>$1,395.15</td>
<td>$1,395.15</td>
<td>$1,423.05</td>
<td>$27.90</td>
<td>2%</td>
</tr>
<tr>
<td>2</td>
<td>$5,920.32</td>
<td>$1,446.05</td>
<td>$2,841.20</td>
<td>$2,898.02</td>
<td>$56.82</td>
<td>2%</td>
</tr>
<tr>
<td>3</td>
<td>$6,280.28</td>
<td>$1,500.04</td>
<td>$4,341.24</td>
<td>$4,428.07</td>
<td>$86.82</td>
<td>2%</td>
</tr>
<tr>
<td>4</td>
<td>$6,662.12</td>
<td>$1,557.32</td>
<td>$5,898.56</td>
<td>$6,016.53</td>
<td>$117.97</td>
<td>2%</td>
</tr>
<tr>
<td>1</td>
<td>1\textsuperscript{st} year as a graduate</td>
<td>$5,898.56</td>
<td>$6,136.86</td>
<td>$238.30</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$5,898.56</td>
<td>$6,259.60</td>
<td>$6,136.86</td>
<td>$238.30</td>
<td>$316.04</td>
<td>6%</td>
</tr>
<tr>
<td>3</td>
<td>$5,898.56</td>
<td>$6,384.79</td>
<td>$6,384.79</td>
<td>$486.23</td>
<td>$613.93</td>
<td>9%</td>
</tr>
<tr>
<td>4</td>
<td>$5,898.56</td>
<td>$6,512.49</td>
<td>$6,512.49</td>
<td>$613.93</td>
<td>$744.18</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>$5,898.56</td>
<td>$6,642.74</td>
<td>$6,642.74</td>
<td>$744.18</td>
<td>$877.03</td>
<td>13%</td>
</tr>
</tbody>
</table>

Now, in the “big picture” $117.97 is not much of a loss, but after graduation the value depreciates exponentially. Although the long-held assumption is that university graduates are going to be working (and married) immediately upon graduation, this is simply not the reality.\textsuperscript{65} The reality is that many university graduates will stay in school (pursue graduate studies or professional degrees), be unemployed or most likely be underemployed over the next few years following graduation. In any case, the longer it takes to use up the credits, the faster they depreciate.

\textsuperscript{64} StatCan, Tuition, \textit{supra} note 21.
depreciate. While a 2% per year depreciation may not seem like a big deal, the effectiveness of the credit in achieving its stated objective is diminished even further when one considers that it is very likely that the student has financed their education with student loans.66

The maximum impact of the tax credits, if they are used in the same taxation year, is supposed to be 15% of the total cost of education. That contribution of public money is justified on the basis that an education delivers social and financial benefits. According to the current policy, the contribution towards realizing those benefits is only 15% of the initial cost. However, that contribution is quickly whittled away when inflation and the interest on a government student loan is factored in. Ultimately, the net contribution of the carry-forward provision to the majority of post-secondary students is likely to be nominal on average. Furthermore, imposing the cost of inflation overtime on the student is unfair.

In sum, the carry-forward provisions are still discriminatory; even though their stated objective is to counter the existing discrimination in the larger tax credit regime. This is another failure.

5.3.3 #3 Bad Policy: The tax-credit regime overall is a sleight of hand

A post-secondary graduate means increased future tax revenues. This is one of the assumptions that is used to justify the government contributing to the financial cost of an education. According to Iglika Ivanova, that assumption is true.67 In fact according to Ivanova’s findings it is more like a post-secondary graduate pays for the full cost of their degree, three times over. According to Ivanova, the average undergraduate student in BC will pay $50,630 upfront for their degree. The government’s contribution to that “investment” through the tax credit regime is

66 The interest rate on student loans varies depending on province, but is typically prime + 3 or 5% (6 or 8%).
67 Iglika Ivanova, Paid in Full Update: Who Pays for University Education in BC? (Vancouver: CCPA, 2012) [Ivanova].
$9,335.\textsuperscript{68} Over the life of the “investment” the student’s total net payment based on the additional tax revenue from their increased earnings will be $158,836. That is more than 3x the cost of the degree.\textsuperscript{69} For the government, that is a 1700\% return on their initial “investment.” And that does not include the interest they make on student loans. In other words, the government knows it is getting a strong guaranteed financial return on post-secondary education, is using its superior bargaining position to extort more money out of students, and it is not even reinvesting that sizable return into the next generation of students. That is a major failure.

6 PART IV: Alternative Mechanisms – There’s no such thing as a “Free Education”

The tax credit regime is significantly flawed. Although it may have been rooted in some fundamentally sound principles in 1966, the shift in narrative and the emphasis on the financial benefit has greatly distorted the assumptions that serve to justify the tax credit regime. The tax credit regime costs over $2 billion a year. Although the foregone taxes are technically different from a direct-spending program, assuming that there is $2 billion that could be spent differently, how should it be spent? More importantly; how should that money be spent to best achieve the stated objectives of the tax credit regime?

The alternative mechanisms discussed fall into two categories: those that work within system, and those that would replace the system.

\textsuperscript{68} This is Ivanova’s figure. It is based on the tax credits being claimed immediately and does not factor in the depreciation or the likelihood that the degree is financed through student loans. See: \textit{Ibid} at 23.

\textsuperscript{69} \textit{Ibid} at 25.
6.1 Working within the system

6.1.1 Refundable Tax Credits

Making the credits refundable would mean that the student would not have to wait until they are paying taxes to realize the benefit (usually after graduation). This would not only make the system more equitable, but it would remove the need for the transfer and carry-forward provision. A refund would also be a significant benefit for lower-income students. Neill points out that shortening the time between paying the cost upfront, and getting some relief in the form of a refund, would improve accessibility and address issues of complexity and transparency. 70

Additionally, as our analysis shows, there would not be a substantial increase in the overall cost. The carry-forward credits being claimed in any given year are relatively equal to the amount of unused credits being carried forward. In fact, when the carry-forward provision is eliminated by converting the credit into a refundable credit, the annual cost would be far more certain and consistent than the current regime. Lastly, the administrative costs would be reduced dramatically as there would be no need to process the additional forms necessary for the transfer and carry-forward provisions. 71

6.1.2 Increasing Grants to Students/Institutions

Given that there are roughly 1.2 million students in Canada, 72 if the $2 billion was simply given out as direct grants, each student would get $1,667. This would contribute roughly 30% towards the average annual cost of tuition; a far greater contribution than is currently made. However, it must be assumed that not every student needs the incentive of the grant, or in other words, gets

70 Neill, 2007, supra note 9 at 27.
71 Ibid.
72 Neill uses the same number based on the 2003 statistics. These are also in line with the 2007-2010 numbers, which suggest that the total number of students does not change dramatically. See: supra note 35.
the same benefit from it. We have already pointed out that one of the flaws of the tax credit regime is adverse effects discrimination. Giving every student the same grant does not address that problem. Addressing this issue would require putting in place a progressive grant system that distributes the grant based on financial need. One way of distributing this grant, without greatly increasing the administrative cost, would be to simply combine it with the national student loan program. In this way, the necessary information to determine financial need is already being collected. In the public administrative sense, this point of entry would also allow the grant to be surgically distributed to specific groups like: students with children or dependents, or students with different needs, or students from marginalized communities. For these students, the cost of a post-secondary education is greater than the average student.

For all of the possible upsides, Neill notes that one of the downsides would be that tuition fees are known to increase when government grants are introduced. However, while this impact would seem to diminish the benefit to the individual student, it would essentially be tantamount to a grant to the institution.

As Neill points out, a direct grant to the institution not only benefits the institution in a number of ways, but has two possible benefits to the student: 1) expansion and an increase in availability; 2) lower tuition fees, as universities will not have to rely as heavily on tuition fees as a source of revenue. So while there is little to distinguish between the functional aspects of a direct grant to the student or to the university, it seems Neill believes that there is evidence of an optical issue that can create opposing effects. This is also suggestive of the highly politicized nature of the educational fiscal policy.

6.1.3 Indexing the Carry-Forward Credits to Inflation

From the viewpoint of the individual student, the carry-forward provision seems to preserve the benefit of the credit over time, but when the tax credit regime is viewed in its entirety, the reality is that 80% of students are left with 1/3\textsuperscript{rd} of the total available value of the tax credits each year. Thus, they are already being disadvantaged from the start. Making the credits refundable seems to address that problem, but in the alternative the carry-forward credits should at least be indexed to inflation so that they do not depreciate exponentially.

Because the depreciation is always going to be greatest for the most marginalized students over time; from an equitable standpoint indexing the credits addresses this further discrimination of these students without greatly affecting the overall cost of the tax credit regime. After all, for each student it’s only a few hundred dollars. It is simply unfair that the cost of that loss is placed on the most marginalized students, who are also likely to be paying high interest rates on government funded student loans. This kind of systemic discrimination is simply unnecessary.

6.2 Replacing the System

6.2.1 Vouchers for Post-Secondary Education

The consideration of ‘vouchers’ as a means for funding education is currently very prominent in the United States.\textsuperscript{74} In theory, the mechanism operates as a certificate or a direct subsidy to parents who are then, ostensibly, given the free to choose\textsuperscript{75} where they will send their children to school. This full liberty of choice is grounded in the idea that in a free-market economy, this will


\textsuperscript{75} See: Free to Choose TV, online: http://www.freetochoose.tv/
force educational institutions to compete and provide the incentive to develop qualitatively. Not surprisingly, this alternative to the traditionally public-funded institutional education system has prompted a serious backlash from many groups. Nonetheless, vouchers are an alternative to tax credits, and regardless of the ideological debate on either side, one study from Switzerland finds that they are effectively no better or worse than a tax credit.⁷⁶

6.2.2 “Free Education” Reinvesting some of the additional tax revenue back into the group that is creating it

Setting aside the ideological debate and even the more nuanced social benefits of post-secondary education; if this alternative measurement is measured based solely on the financial benefits, as an investment, then it would appear to be a concrete use of public money with returns that are far more reliable and predictable than any other fiscal policy being put in place to stimulate the economy.⁷⁷

First, it is estimated that a post-secondary graduate will pay off the cost of their degree 3 times over in their life through extra taxes.⁷⁸ Second, post-secondary graduates make up 24% of the population, but contribute over 40% of the income tax revenue.⁷⁹ In 2011/12 the total revenue from personal income taxes was $119 billion.⁸⁰ That means post-secondary graduates contributed nearly $50 billion in income tax revenue. Of the total $245 billion that was collected

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⁷⁶ This study looked at untargeted voucher programs and their effect on promoting outcomes in the labour market. See: Guido Schwerdt, Dolores Messer, Ludger Woessmann, & Stefan C. Wolter, “The impact of an adult education voucher program: Evidence from a randomized field experiment” (2012) Journal of Public Economics 96” 569-583.
⁷⁷ Historical evidence of this is also compelling when one looks at the post-war time economic boom that is largely the result of the GI bill. See: Les Leopold, “Free College on Wall Street’s Tab? 5 Reasons the Finance Sector Should Pay for Full Tuition at Public Universities” AlterNet (17 May 2011) online: <http://www.alternet.org/story/150976/free_college_on_wall_street's_tab_5_reasons_the_finance_sector_should_pay_for_full_tuition_at_public_universities>.
⁷⁸ Ivanova, supra note 67.
in tax revenue, post-graduate students contributed 20%. In 2012, the average tuition cost for one year was $5,581.\(^1\) This means that the national cost of tuition for an average of 1.2 million students would be $6.7 billion.

As a direct program expense, this figure pales in comparison to other major federal expenses. For example – taking a cue from the Carter Commission’s comparison – national defence cost $22.8 billion. If funding post-secondary education was seen as a major transfer to a group of persons, it is also marginal by comparison. For example the elderly benefits cost $38 billion, which is up from $35.6 billion the year before; employment insurance benefits cost $17.6 billion and children’s benefits cost $12.7 billion.

In thinking about these expenses, when the financial and social benefits of post-secondary education are brought back in and considered, it is very likely that the cost of employment insurance benefits will be reduced, or that a reduction in the $38.7 billion spent on health and social programs will be realized. It is also likely that the economy will be much stronger with an increase in productivity, innovation and labour market adaptability. Admittedly funding post-secondary education is not as simple as paying for the entire cost of tuition, but it isn’t as complicated or as disparate in its benefits as the current tax credit regime. Currently the federal government spends $2 billion on the tax credits each year, and another $8 billion through direct grants and transfer payments.\(^2\) It is without question that this money could be much better spent.

Ultimately, we know that the externalities of this alternative mechanism are numerous and also speculative, but they are the same externalities that justify the tax credit regime, only instead of

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\(^1\) StatCan, Tuition, *supra* note 21.

being a quiet minimal investor in the individual student, this mechanism sees society as a serious investor in itself (the *royal* WE, so to speak) in 5 or 10 years from now.

### PART V: Explaining the tax expenditure – The political sleight of hand

It is difficult to understand why the federal government is willing to spend over $2 billion on a tax credit regime that discriminates against 80% of the students, is increasingly disproportionate over time, and actually works against all of its stated objectives. One possible explanation for the current regime is that it is has excellent political utility. Everyone sees the tax credit on their income tax form. They are aware of its existence, although they may not understand how it works. Furthermore, when compared to the rest of the OECD countries of the industrialized countries, Canada has the most adults with a college education, and per-student, Canada is the third-highest in spending.83 In all categories, Canada is well above the OECD and the G20 average.84 From an empirical standpoint, these are outcomes that could serve to justify, politically, the apparent success of the tax credit regime in spite of its actual failure to achieve any of its objectives.

Since the tax credits are not achieving its stated objectives, what are they achieving? The only objective that seems to be actually achieved by the tax credit regime is that there is a broad appearance that the government is investing in post-secondary education. This is widely accepted as the reason for why the Harper government created the Textbook Tax Credit when it first came to power in 2006, even though there is nothing to distinguish it from the Education Tax Credit.

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Ultimately, the carry-forward provision is a political veneer on this ineffective federal educational fiscal policy. It merely hides the systemic flaws of the regime, but as our analysis shows, it does not correct anything. When the rapidly growing carry-forward provisions are factored in and the inevitable return in increased income taxes is considered; post-secondary students are not only paying for their education in full upfront today, they are effectively paying for the “tax credit benefits” that are supposed to help them in the future. In the overall picture, there is no significant contribution to the financial cost of the individual’s post-secondary education; certainly not significant enough to justify the future dividends that the income tax system depends on.

8 PART VI: Alternative Perspectives - Biting the hands that feed

Post-secondary graduates pay the most taxes. They are the major sources of productivity, innovation and growth in the economy. They are least likely to depend on social programs. They are, for all intents and purposes, the modern day “captains of industry” in this country. For decades, the post-secondary graduates made their fortune and earned their status because prior to the implementation of strong neoliberal policies in the 1980s post-secondary educational institutions were well-funded by government.85 The collapse of institutional funding led to a rapid increase in tuition fees throughout the 1990s, which was followed by a host of provincial regulations that capped tuition fee increases.86


86 Ibid; see also: Appendix A: Average Annual Increase: Tuition Fees vs. Inflation (1990-2013). (Although not entirely clear on the chart, the average annual increase during the 90s was in some cases as high as 15-16% in a single year.).
By comparison, the successors to this elite group of (relatively) high tax-paying citizens, the post-secondary students, are described as impoverished, debt-ridden, dependents, who are overworked, in the least secure and lowest paying jobs – if they are even being paid any more; many students cycle through unpaid internships, serving their time in the corporate “pools of cheap or free labour” with the hopes of gaining the “experience” that will enable them to secure more permanent employment\(^87\) – and who face strong aversions to their prospects for the future.\(^88\) Far from being supported in preparation to fill the shoes of their predecessors, they are instead denigrated by the business elite of society who cannot exhaust the litany of pejorative labels to describe the group of individuals expected to lead the country.\(^89\)

The denigration of students as a class in society is almost ritualistic as if, in an abusive paternalistic way, they are being prepared for the “real world.” There are several theories that can explain this, but we will attempt to limit our discussion in this part to better understanding the tax credit regime. However, as has been seen throughout, the justifications for the tax credit regime are inherently linked to the ideological foundations of the current educational fiscal policy and so discussion of those ideas must inevitably be incorporated.

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\(^87\) See: University of Toronto Students’ Union, Media Release, “Letter to Yasir Naqvi, re: unpaid internships” (8 April 2013) online: [http://www.utsu.ca/content/3433](http://www.utsu.ca/content/3433) [UTSU]; Sunny Freeman, “Unpaid Internships: U of T Students’ Group Calls for Ban, Says 300,000 ‘Illegal’ Interns Working in Canada” Huffington Post (18 April 2013) online: [http://www.huffingtonpost.ca/2013/04/18/unpaid-internships-ban-canada_n_3103664.html?ir=Canada&ref=topbar](http://www.huffingtonpost.ca/2013/04/18/unpaid-internships-ban-canada_n_3103664.html?ir=Canada&ref=topbar).

\(^88\) The unemployment rate upon graduation is upwards to 18%. See: UTSU, *ibid*; Canadian Federation of Students, *Public Education for the Public Good: A National Vision for Canada’s Post-Secondary Education System* (Ottawa: CFS, 2012)

8.1 Milton Friedman: The neoliberal paradigm taken too far

This paper opened with a quote from the (in)famous economist Milton Friedman. The attribution to Friedman was not so much a ruse, in as much as it was intended to demonstrate that the intellectual that was widely associated with the economic policies of Margaret Thatcher, Ronald Reagan, and to a large extent the current government of the day,\textsuperscript{90} was alert to the fundamental importance of education to society, and also to the absurdity of basing educational fiscal policy on strong individualistic assumptions.

Friedman’s non-education policy advice to governments in the late 1970s and 1980s played a key role in the increased privatization and deregulation of government. These shifts were ultimately responsible for the widespread atomization of progressive and social institutions. Friedman’s ideas, in the hands of Thatcher, Reagan and Brian Mulroney in this country, destroyed many people’s lives, undermined many fundamental values and protections of social and economic rights.\textsuperscript{91} The destruction has been permanent, but ultimately, Friedman’s legacy should not be characterized as destructive, but as ironic.

One of his most often quoted phrases comes from the memoir he co-wrote with his wife where he discusses his time working for the U.S. government during World War II and the role he played in introducing a new tax collection mechanism that withheld taxes at the source, (i.e. before the pay cheque reached the hands of the worker):

\textsuperscript{90} Referring to the Calgary School and its connections to both the Conservative Party of Canada and the Chicago School from which Milton Friedman was a key member. See: Marci McDonald, “The Man Behind Stephen Harper” The Walrus (October 2004) online: \url{http://thewalrus.ca/the-man-behind-stephen-harper/}.

\textsuperscript{91} The impact of Milton Friedman’s ideas have recently been in the spotlight due to the passing of Margaret Thatcher. For a brief summary of the widespread impact of actuating Friedman’s ideas have had on the world over the last 30 years, see: “Margaret Thatcher: her impact and legacy in global development” The Guardian (16 April 2013) online: \url{http://www.guardian.co.uk/global-development/poverty-matters/2013/apr/16/margaret-thatcher-impact-legacy-development}.  

35
At the time, we concentrated single-mindedly on promoting the war effort. We gave next to no consideration to any longer-run consequences. It never occurred to me at the time that I was helping to develop machinery that would make possible a government that I would come to criticize severely as too large, too intrusive, too destructive of freedom. Yet, that was precisely what I was doing.92

Although in this passage Friedman is bemoaning his role in making the tax man more efficient, given his views on education (quoted above), it is ironic to see how this passage, arguably, applies with equal force to his neoliberal theories that have evolved to swiftly undermine many of the fundamental justifications for spending public money on education.

Primarily, Friedman’s views were based on what he called the “neighbourhood effect” that, “it is not feasible to identify the particular individuals (or families) benefited or the money value of the benefit and so to charge for the services rendered.”93 Friedman’s argument was that, “both the imposition of a minimum required level of education and the financing of education by the state” is only justified on this “neighbourhood effect.”94

This justification expressed in 1955, is nearly identical to the justification described by the Carter Commission in 1966 and by the federal government in 2006. If it is being understood correctly here, then the principle should amount to this: Education has such widespread economic and social benefits that one cannot simply individualize its value to the point where the financial cost can be fairly distributed between the individual who is getting an education, and the society who is benefitting from the education.

93 Friedman, supra note 1.
94 Ibid.
It is exactly the contrary that is being attempted, rather imposed through the tax credit regime and the prevailing educational fiscal policy. The current policy is framed around a dominant mandate to continue the atomization of the student class as somehow separate, and undeserving of any benefit, from society at large until they begin paying taxes (and not just chipping in to the general coffer, but contributing over 40% of the income tax base). This narrow focus on strongly individualizing the student and labelling them as “entrepreneurs” and “start-ups” is an ideological mandate that is being expressed through the tax credit regime.

Milton Friedman’s notion of education as necessary for a democratic and stable society applies to both financial and social equality and stability. Since that idea is so pervasive throughout the justification of government intervention in the cost of post-secondary education, then Friedman’s argument that government should fully subsidize the minimum required level of education necessary should be convincing, even to the dogmatic neoliberal factions. One final point must be made about Friedman’s argument is that in 1955 the minimum required level of education did not include a university degree, but arguably that is not the reality today.

8.2 Fiscal and Social Conservatives: The current education policy is destructive to the nuclear family and abhorrently wasteful

This is not so much a view of fiscal and social conservative perspectives, as it is an attempt to appeal to those perspectives. This argument considers the question: what is the current educational policy costing the economy overall?

The Canadian Federation of Students estimates that the national student loan debt is over $23 billion. In comparison, Canada’s national debt is over $600 billion. There are a lot of reasons why the two debts cannot be compared, but here is one of them. The national student loan debt is

95 Including public and private sources of funding. See: CFS, supra note 13.
held by individuals. Not just individuals, but the individuals who contribute over 40% of the tax revenue each year. As the higher earners, they are the individuals who are likely to contribute the most in terms of moving the economy.

If it takes a fresh graduate an average of 10 years to pay off their student loans, what is that costing the economy during that time? How many times did that graduate choose to eat at home, instead of going out for dinner and supporting the local restaurant industry? Or maybe instead of eating at a locally owned restaurant, the graduate chose to eat at a fast-food restaurant that is owned by a Multinational Corporation. How many economy-boosting new home or car purchases were put off because the graduate had to pay off their student loans? There are an infinite number of externalities that could be considered and calculated to try and provide an estimate for the individual who finances their own education. One externality that can be summed up looks at this question through the eyes of a parent who is saving for their children’s education.

### 8.2.1 Saving for the Future Generation

Across Canada, parents are saving and largely paying for their children’s post-secondary education. This is a foregone assumption that underlies the justification for the transfer provision. The reality underlying this assumption is that parents have to save for their children’s education because society is not. This reality is a product of the current educational fiscal policy. The question that must be asked is: what is this self-inflicted reality costing the economy?

Consider a parent today with 3 children ages 2, 4 and 6. That parent wants to save for their children’s education. In 12 years when their first child goes to university, the average annual tuition for the first year will be $10,682. For a 4 year degree for the first child, the parent will have to save $46,788. For all three kids, the parent will have to save a total of $158,686. In order
to meet this objective, the parent will have to save roughly $10,000 a year; even more if they are not putting the money in a high-interest savings account that counters the cost of inflation.

Considering that the median national annual income is not rising, but the cost of everything from houses, to cars, to groceries, to gas and education, is rising. As noted above, the personal debt levels in this country have risen exponentially in the last 10 years. On top of everything else, what is $10,000 a year, from the majority of families who are saving for their children’s education, costing the economy?

Again, because education is so intricately connected with every facet of society, there is no way to know exactly what the external cost of the current educational fiscal policy is on the economy. However, it is undeniable that the cost exists and that the cost is being felt by every family who has children and hopes that their children will have the same opportunities that they did.

8.3 Student Syndicalism: The Intellectual Worker of the State

In 2012, hundreds of thousands of students and their supporters flooded into the streets of Montréal to demonstrate against the Québec government’s plan to increase tuition on post-secondary education. The demonstration didn’t happen once, or twice. It happened night after night for six solid months and triggered a premature election that saw the downfall of the Charest government. The event made headlines around the world and became another proxy for the growing anti-neoliberal, anti-capitalist and anti-austerity movements. At home the students were

mocked by the Québec elite as freeloaders, raised by parents who never said no.97 One well-
known national columnist called them a, “self-serving, self-satisfied, self-dramatizing collection
of idiots”98 and then later called out then Premier Charest for bending to the will of a mob.99 For
a short while educational fiscal policy was in the minds of the public. The media began
publishing colourful, but misleading, info-graphics and charts that showed just how low Québec
tuition was compared with the rest of the country.100 The value of a university education, as an
individual asset and a marketable commodity, was discussed as writers pointed to the rising
number of unemployed university graduates.101

Although it was being discussed in the streets and by the student demonstrators, the value of a
university education, as a central and necessary tenet of society, never took centre stage. No
matter where you looked, the mainstream media was always mischaracterizing the debate102
from one about social necessity and fundamental values, to who should pay the upfront cost of
the individual’s education? Should it be the individual? Or should it be the government?

As we have seen throughout this discussion, this debate is merely one of optics and political
rhetoric. From an individualized perspective, the individual student is going to pay for the entire
cost of their degree, not just once upfront, but three times over in extra taxes. From a social and

97 Peter Rakobowchuk, “Quebec Student Protests: Jacques Villeneuve Blasts Students In Five-Minute Critique”
Canadian Press (6 July 2012) online: <http://www.huffingtonpost.ca/2012/06/07/quebec-student-protests-jacques-
villeneuve_n_1579621.html>.
98 Coyne, supra note 89.
99 ---, “In Quebec, a premier surrenders to mob rule” National Post (9 May 2012) online:
100 Jake Edmiston & Richard Johnson, “Graphic: How Quebec’s Tuition Compares” The National Post (18 May
2012) online: <http://news.nationalpost.com/2012/05/18/how-quebecs-tuition-price-tags-match-up-to-the-rest-of-
canada-graphic/>.
101 James Bradshaw, “Debt-ridden and unemployed: We are the class of 2012” The Globe and Mail (11 May 2012)
online: <http://www.theglobeandmail.com/news/national/debt-ridden-and-unemployed-we-are-the-class-of-
2012/article4178388/>.
102 Stefan Christoff, “CBC Misrepresenting Quebec Student Strike?” Coop Média de Montréal (24 February 2012)
online: <http://montreal.mediacoop.ca/newsrelease/10031>.
public policy perspective, the social benefits from a post-secondary education are so widespread and long lasting that they can’t be accurately measured. As empty as this debate is of substantial content, it is not empty of the swift destruction being felt in every facet of society.

As a theoretical perspective, student syndicalism\textsuperscript{103} is primarily a fundamental acknowledgment and recognition of the post-secondary students’ proper place in society as the predecessor of the modern day “captains of industry.” With the realization of this power, student syndicalism formalizes the organization of students towards seizing control of the means of production. As a formal organization, the student class is coordinated in its effort to restore a balance to the extremely imbalanced relationship between the individual student and the state.

The student is not an inferior pariah of society living off the tit of the taxpayer, but a, “young intellectual worker” of the state. As an equal member of society that is contributing to the productive capacity of the economy, the student is not only entitled to “free education” (being education funded completely with public money), but is also entitled to a remuneration to cover their basic living expenses so that they are maximizing their development while in school, instead of living with 8 others in a 2-bedroom house, and working full-time during school.

It should be noted that the same justifications that underlie student syndicalism also underlie the current tax credit regime and the educational fiscal policy. Where the two perspectives differ is not in any fundamental or even functional sense of using public money to pay for the education of an individual; the two perspectives simply differ in a superficial and extremely political way.

\textsuperscript{103} Student syndicalism has its origins in the Charter of Grenoble and the student movement in France. Reliable sources of information, however, are difficult to find. It is perhaps suitable that Wikipedia is the most comprehensive source. See: “Union Nationale des Étudiants de France” Wikipedia.ca (24 February 2013) online: http://en.wikipedia.org/wiki/Union_Nationale_des_%C3%89tudiants_de_France [last accessed: April 18, 2013]. See also: Brian Hutchison, “CUS and Student Unionism” (Paper presented at XXXII CUS Congress, University of Guelph, 28 August 1968) online: http://www.studentunion.ca/cfs/1968/1968-09-cus-and-student-unionism.pdf
This political distortion of reality is where the creation of real widespread harm originates. To illustrate this harm we need to consider the striking differences between viewing the student as an “intellectual worker” and as a pariah destined to be a budding “entrepreneur.”

Under student syndicalism, the student is entitled to “free education” and a living wage, but it is not just a one-way street. Like any legal, social or economic right, the student’s rights create reciprocal obligations to society. These are moral obligations that shape how the student views society. As an individual who has been treated with respect throughout their formative education, the student is more determined to be productive, innovative and to engage and assume a leadership role in the civic discourse of society. The student adheres to these moral virtues because they understand that the opportunities they had did not come for free and need to be paid forward.

By contrast, the student under the prevailing laissez-faire capitalist perspective, is entitled to nothing while in school, and only gets some nominal support from government today because it is likely that they will contribute to society at some point in the future. Under this perspective, the reciprocal obligation to society has been destroyed. The inclusion in the social project from the beginning is lost. Any sense of mutual-respect, dignity and equality is cast aside in favour of a free-market view that says: if every student is forced to work for everything they will appreciate it more, they will be honed towards the self-actualization of their most self-centered objectives in life and in a free-market society that is the only way to realize the fundamental qualities of innovation, productivity and adaptability that are so necessary to society.

The latter perspective as a foundation for the educational fiscal policy of the federal government, or any government, is fundamentally flawed and morally wrong. It imposes a disciplinarian culture on the future generation and engineers them to accept, unconditionally, the neoliberal
paradigm that benefits only the most lucratively wealthy in society and impoverishes the rest. The indoctrination of the future generation is best described by Noam Chomsky who contextualizes a quote by Ralph Waldo Emerson who:

> [O]bserved that political leaders call for popular education because they fear that ‘This country is filling up with thousands and millions of voters, and you must educate them to keep them from our throats.’ But educated the right way: Limit their perspectives and understanding, discourage free and independent thought, and train them for obedience.¹⁰⁴

As Chomsky aptly describes it, the public education system has been largely a system for restoring obedience and discipline in the future generation with the intention of crushing any renewal of the radicalism that emerged in the 1960s and 1970s that threatened the luxurious standards of living enjoyed by the wealthy business elite; the radicalism that contested the military industrial complex, and the systemic segregation of Blacks in the South, and prompted the environmental movement, before the business elites found a way to reassert apathy and obedience through TV and consumerism.

The business elite live and die by, the “vile maxim” as Adam Smith described it.¹⁰⁵ In order to preserve their wealth and oppress radicalism, the public education system has been privatized, corporatized, and administratively professionalized. The tuition fees have been economically stratified, in order to ensure that only those students who come from families that are most likely to share the same values as the business elite, are able to attend post-secondary education. One

¹⁰⁴ Noam Chomsky, “How the Young Are Indoctrinated to Obey” AlterNet (4 April 2012) online: <http://www.alternet.org/story/154849/chomsky%3A_how_the_young_are_indoctrinated_to_obey>.

¹⁰⁵ Ibid.
author recently compared the historical application of eugenics to what is currently being done in the modern education system. Their argument is rich with critical insight.

The post-secondary education tax credits contained in the income tax act are, at their core, a mechanism that has been fundamentally designed to facilitate what has become the dominant purpose of the public education system: to indoctrinate the young into accepting a consumer driven, market-based economy, without questioning it.

In sum, this is the view of the tax credit regime form the perspective of the student syndicalist; a theory that shares the same fundamental principles as the tax credit regime, but applies them in a way that does not discriminate, subjugate, humiliate or indoctrinate, instead striving for mutual respect, inclusion, moral obligations to society and a basic belief in human dignity.

8.4 International Human Rights

Far from being an ideological debate or a matter of political viewpoints, the current tax credit regime, as a product of the dominant educational fiscal policy, is arguably a violation of the social and economic rights of students, and of all young people, that are guaranteed by the international covenants that Canada is a party to.

8.5 Social Contract Theory: What good are taxes, if no one is smart enough (or everyone is too smart) to pay them?

In the world of conversations about taxes, be them casual or academic, there is one quote that has received more than its fair share of mileage in society. “In this world nothing can be said to be


certain, except death and taxes.” These words were written by Benjamin Franklin to his friend Jean-Baptiste Leroy, a French academic, in a letter dated November 13, 1789. What is fascinating about this quote, and its simplified overuse, is that it juxtaposes the mortality of humankind with the costs and benefits of living together in a structured society. Written just two years after he signed the United States Constitution, and only months before he died; Franklin’s words describe both of these things as inescapable realities that transcend all comparable characteristics of any individual, or class of individuals, who choose to live in a society. Although it is a popular statement of absolutes, if we put the catch-phrase in its original context we unveil what is arguably a more important absolute; that knowledge and the skills of reasoning and understanding should be widely disseminated.

Benjamin Franklin’s words were written down in Massachusetts, USA in the wake of a tumultuous period of populist upheaval called the American Revolution. The words were carried across the Atlantic Ocean where Jean-Baptiste Leroy ostensibly read those words in France during another tumultuous period of populist upheaval called the French Revolution. The letter is dated just a month after thousands of working-class women, infuriated by the high-costs and scarcity of food, had raided the armory, marched on the Palace of Versailles and successfully forced King Louis XIV and ultimately the rest of the Aristocracy to return to Paris. The rest has always been history, but it is helpful to reflect on the motto of the French Revolution which was: Liberté, égalité, fraternité, ou mort! [Translation: Liberty, Equality, (Freedom of Association) or Death!].

108 Fraternité literally translates into “Fraternity”, but the context of its use at the time was more related to the fraternities in England which were precursors for trade-unions.
Now, without prejudice to those who have sought to immortalize Franklin’s venerable quote about the absolutes of “death and taxes”, given the sociopolitical context of the letter, it provides some startling insight into our present society that has been shaped more by those two major revolutions, than any major or minor adjustments that could be made to our current tax system. In writing to his friend whom he has not heard from in some time, Franklin writes:

Are you still alive? Or have the mob of Paris mistaken the head of a monopolizer of knowledge, for a monopolizer of corn, and paraded it about the streets upon a pole. ... The voice of Philosophy I apprehend can hardly be heard among those tumults.109

In these passages our absolutes, death and taxes, are also expressed, but in a much different way. The importance of knowledge, reasoning and understanding is now inextricably linked to the gory imagined death of the Aristocratic academic. The cost of that death at the hands of the uneducated and starving mob is not only the loss of this individual, but the “monopol[y] of knowledge” that would be lost with it. It would be hard to find a more suitable context within which to stress the fundamental importance of ensuring that knowledge, reasoning and understanding are broadly available to everyone in society.

Although mentioned tongue-and-cheek in Franklin’s letter, in order to ground the fundamental importance of making knowledge accessible in society one must trace it as far back as the writings of Plato; another source of thinking that has arguably shaped our society more than minor corrections to our tax system can take credit for.

In Western literature, the play Crito contains one of the earliest articulations of what is known as the social contract theory. In Crito, the wealthy Crito visits the imprisoned Socrates to persuade

him to escape his unjust death sentence by allowing him to buy Socrates out of jail and leave Athens. Convinced that using the advantage of his wealth, although unlawfully, is justified by its ends; Crito argues passionately that not only is Socrates turning his back on his friends by refusing to escape, but he is also betraying his children [emphasis added]:

[F]or you might bring them up and educate them; instead of which you go away and leave them, and they will have to take their chance; and if they do not meet with the usual fate of orphans, there will be small thanks to you. No man should bring children into the world who is unwilling to persevere to the end in their nurture and education.\textsuperscript{110}

In response Socrates struggles with the tempting offer, but concludes that although society’s laws have treated him unjustly by sentencing him to death, attacking those laws (by making use of an unfair advantage) would be a greater injustice because it is the laws that have, “brought [Socrates] into the world, and nurtured and educated [Socrates], and given [Socrates] and every other citizen a share in every good that [Society] had to give.”\textsuperscript{111} This argument is not only compelling because it is made in the face of death, but because it asserts the principle that in the lifetime of every individual they are going to be a beneficiary of, and in return a debtor to, the society that they are a part of. In Socrates view, failing to uphold your bargain with society so that it can “nurture and educate” the next generation is somehow a greater injustice than putting an innocent man to death.

The social contract theory first expressed thousands of years ago by Socrates, has been successfully underwritten into other philosophies espoused by writers\textsuperscript{112} whose ideas have

\textsuperscript{110} Plato, \textit{Crito}
\textsuperscript{111} \textit{Ibid.}
shaped our society far more than adjustments to our tax system can. Ultimately, the different articulations of this theory have been fundamental to our justification for organizing a government (like the one we have) and empowering it to collect taxes (like the ones we pay) and then entrusting it to use what is collected to shape society in a way that provides us with certainty and security.

As our brief review of history has demonstrated, our society has been shaped by some fundamental ideas: 1) Failing (or avoiding, escaping or finding clever ways to avert) one’s obligation to provide for the next generation as part of the social contract is a greater injustice than sentencing an innocent person to death; and 2) When enough people (educated or uneducated) become convinced that those who have been trusted to shape society are abusing that trust to undermine the social contract, they will eventually organize and revolt.

In any discussion about national tax policy and education funding, these lessons from the past foreshadow very different potential outcomes for the future as this society’s wealthiest individuals continue to find clever ways to avoid paying their share of taxes, and this society’s governments make up for this deficit in the treasury by forcing the overall cost of an education onto the individual. If this arrangement passes for justice today, then Socrates should have escaped.

9 Conclusion

The tuition, education and textbook tax credits are regressive mechanisms that work against their stated objectives. The carry-forward provision is similarly designed to work against its stated objectives and only serves to appease the 80% of students, who receive only 1/3rd of the total value of the benefit. All of these mechanisms should be discontinued, but replacing them is not a
simple matter of introducing minor adjustments or whole new programs. The educational fiscal policy as a whole is regressive and undermines the very principles that justify any public financing of post-secondary education. Unless that policy is radically restructured, an alternative mechanism will be largely ineffectual.

Post-secondary graduates are the leading contributors to almost everything that society enjoys today: from new technologies, to innovations in health care and a strong robust economy. Post-secondary students are the successors of this class of people, but are being denigrated and subjugated into obedient and unquestionable service to the prevailing neoliberal paradigm.

Like the neoliberal policies of the 1980s, and their continued application today, this prevailing attitude towards post-secondary students is destroying the fundamental moral obligation that students should have, voluntarily, for their fellow members of society, to use the education that society has given them in pursuit of some social good and to ensure that their successors have the same opportunity. Instead, the system is indoctrinating students to purse their own “vile maxim.”

Although the very different perspectives of neoliberalism and student syndicalism are based on the same fundamental principles that make post-secondary education a necessity for a stable and democratic society; as the dominant perspective, the former is actuating the widespread capacity of education’s impact on society, not to provide the necessary benefits that have always been assumed to come with a post-secondary education, but to cause widespread harm through oppression. That, in the end, is the benefit that is necessary for preserving a system that concentrates the majority of wealth in the business elite. That is the normative justification for the tax credit regime. That is its failure. And that is the starting point for implementing an alternative mechanism.
10 Appendices:

10.1 Appendix A: Average Annual Increase: Tuition fees vs. Inflation (1990 – 2013)

10.2 Appendix B: Carry-forward Estimates/Projections ($ millions)

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10.3 Appendix C: Stated Objectives

**Education Tax Credit**

**Objective:** This measure provides assistance to students by recognizing non-tuition costs associated with full- and part-time education. *(Budget Supplementary Information, 1972; Budget Plan, 1998)*

Students who are enrolled in post-secondary education or occupational training certified by the Minister of Human Resources and Skills Development are entitled to claim a tax credit. The value of the credit is calculated by applying the lowest personal income tax rate to the monthly education amount. For full-time students the education amount is $400 per month of study, and for part-time students the amount is $120 per month.

**Textbook Tax Credit**

**Objective:** This measure provides better tax recognition for the cost of textbooks for post-secondary students. *(Budget 2006)*

Students who are enrolled in post-secondary education or occupational training certified by the Minister of Human Resources and Skills Development are entitled to claim a tax credit in recognition of the costs of post-secondary textbooks. The value of the credit is calculated by applying the lowest personal income tax rate to a monthly amount. For full-time students the amount is $65 per month of study, and for part-time students the amount is $20 per month.

**Tuition Tax Credit**

**Objective:** This measure provides tax relief to students by recognizing the costs of enrolling in qualifying programs or courses. *(Budget Speech, 1960)*

A tax credit is available for tuition fees for post-secondary education and occupational training certified by the Minister of Human Resources and Skills Development. A credit is available for all tuition fees paid, if the total tuition fees exceed $100. The credit also applies to most mandatory ancillary fees imposed by post-secondary institutions. The applicable credit rate is equal to the lowest personal income tax rate.

**Transfer of Education, Textbook and Tuition Tax Credits**

**Objective:** This measure increases the availability of tax assistance for education, and acknowledges the significant contributions made to students by supporting individuals. *(Income Tax Reform, 1987)*

The unused amounts from the Education, Textbook and the Tuition Tax Credits may be transferred to a supporting spouse, parent or grandparent. The maximum transfer for the three amounts is $5,000.

**Carry-Forward of Education, Textbook and Tuition Tax Credits**

**Objective:** Combined with the provision for transfer of the Education, Textbook and Tuition Tax Credits, this measure ensures that students can use these credits fully, whether they have supporting individuals or not. *(Budget 1997; Budget 2006)*

Students are able to carry forward indefinitely, to reduce future tax payable, education, textbook and tuition fee amounts that have not been either already used by the student or transferred to a supporting individual, effective in 1997.

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