

Policy Manual

Issues Policy

Issues Policy 04.3 (IS-04.3): Post-Secondary Education Tax Credit and Savings Schemes

Adopted by: Board of Directors

Adopted on: March 22, 2011

Summary:

Post-secondary education tax credits and savings schemes do little to increase access for students worried about taking on substantial debts in pursuit of post-secondary education. Worse still, they do nothing to assist students in meeting education costs when they are incurred. Finally, tax credits and savings schemes are perversely targeted to those individuals and families who have sufficient income to save for education, to afford upfront costs, and to make non-refundable tax credit claims. These are not need-based, but rather ability-based financial assistance programs.

Tax credits have no impact on access to post-secondary education because they are provided retroactively and are dependent on meeting income thresholds. Saving schemes, similarly, are dependent on incomes that accommodate saving - by definition disqualifying low-income individuals. At the same time, they act as indirect grants to those who can afford to save, as the income generated by Registered Education Savings Plans (RESP) accumulates tax-free. In addition, the federal government offers a direct Canada Education Savings Grant (CESG) to any parent with an RESP account by topping up as much as \$500 each year on the first \$2000 in contributions.

The final perversion of this form of financial assistance is that, by the use of available public dollars and foregoing tax revenues on income placed in RESPs, the government undermines its ability to make more effective investments in the post-secondary education system and its students.

Despite the thoroughly ineffectual nature of tax credit and savings schemes as a form of student financial assistance, successive federal governments since the mid-1990s have increasingly favoured them. In total, federal education tax expenditures have grown over four fold since the mid-1990s and now outstrip the total amount spent on direct student financial assistance. This massive expenditure should be immediately eliminated in favour of targeted assistance with proven outcomes, such as upfront grants.

Policy:

- I. The Union supports:
 - a. The immediate conversion of all current public expenditures on post-secondary education tax credit and savings schemes, including transfers to individuals and foregone tax revenues, to increased funding for student grants.