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# Who Pays BC's Personal Income Tax?

*An Analysis of the Most Recent Data*

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# Who Pays British Columbia's Personal Income Tax?

## An Analysis of the Most Recent Data

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Much of the recent discussion of the incidence of personal income taxation has been in the context of the United States of America, fostered as it has been by the Occupy Wall Street movement and its focus on the top "one-percent" of income earners. Rather than borrowing conclusions from other jurisdictions, a better understanding of how incomes and personal income taxation are shared in British Columbia and other Canadian provinces can be found in the most recently available data on personal income taxation by income groups. In this vein, the following pages present an overview of the published data from the Canada Revenue Agency (CRA) on total assessed income from all sources and personal income taxes paid.

Before beginning, a couple of notes are warranted about the CRA data. The first is that the most currently available data on level of personal income and taxation at the provincial level that has been released by the Canada Revenue Agency (CRA) is for the 2009 taxation year. While three years old, we do not anticipate that the distribution of incomes has changed significantly enough over the past couple of years to change the conclusions if the 2012 data were available. The second note is that the CRA data are published for income ranges, not for shares of the population, so it is not possible to directly address the top one percent of earners, or any particular percentage group. What can be said is, for example, that the 21,420 people with assessed incomes of \$250,000 or higher in 2009 would have represented 0.56 percent of the adult population in BC that year, or that the 187,320 people earning \$100,000 and more would have represented 4.9 percent of the province's 2009 adult population.

A summary of the taxation data for compressed income groups has been included on Table 1, with a more detailed tabulation included in the Appendix along with comparisons to selected provinces in Canada. Note that some numbers below have been presented to two decimal places, something necessitated by the small share of the total population in the highest income brackets and rounding significantly under- or over-stating their relative importance.

### **A Population Sharing Income Taxation: (delete semicolon)**

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In 2009 there were an estimated 3,808,269 people aged 15 and older in the province of British Columbia. Of these 3.8 million, 90 percent, or 3,414,530 people, filed an income tax form in 2009, leaving an estimated 393,739 adults (ten percent of the population) who did not file income tax returns. Of the 3.4 million who did file, 1,185,740 were nontaxable returns (35 percent of tax filers) and 2,228,790 were taxable (65 percent of filers). This would imply that only 59 percent of the adults in British Columbia (2.23 million people) paid taxes in 2009 and 41 percent did not (1.58 million people). Of the 1.58 million who did not pay any taxes, 75 percent filed a tax form but did not pay taxes (31 percent of the adult population), and 25 percent (ten percent of the adult population) did not actually file a return.

With only 59 percent of the province's adult population paying taxes, BC had the smallest share of taxpayers as a percentage of its adult population of the nine provinces, below the 67 percent of PEI's adults (highest share among the provinces), 63 percent of Alberta's, and 61 percent of Ontario's adults that paid income taxes in 2009. Collectively the nine provinces saw an average of 62 percent of the adult population paying taxes. To some extent the variance between provinces may be explained by demographics (for example, Alberta has a relatively smaller older population and a proportionately larger working aged one). In addition, the degree to which various provincial deductions, rebates, and social services programs are tied to personal income tax filings would also influence differences across provinces.

So, one interesting conclusion that emerges from the 2009 data is that, when compared to other provinces, the total income taxes paid in BC (and hence those received by the provincial government to pay for the range of services provided by the government) are borne by a smaller share of the province's population than in other provinces in Canada, and in some cases a much smaller share (for example when compared to PEI).

Given how much attention has been paid to the high income earners, let's consider those who did pay personal income taxes and fell into the highest income bracket. In British Columbia, there were 21,420 people with assessed incomes of \$250,000 or more in 2009. These 21,420 individuals would have represented 0.56 percent of BC's 3.8 million adults in 2009.

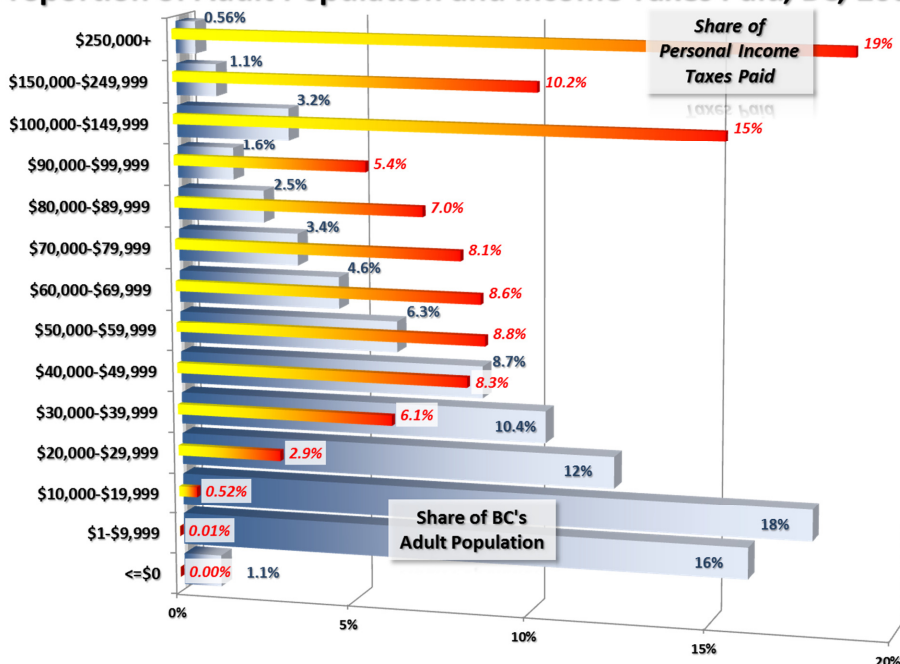
While accounting for under one percent of the province's population, these people accounted for a much more than proportionate share of the province's total assessed income in 2009. Of a total assessed income of \$135.02 billion in 2009, those earning \$250,000 and over accounted for nine percent (\$12.2 billion), or 16 times their population share.

The share of personal income taxes paid by this group was even more disproportionate: of a total tax bill of \$18.66 billion, those earning \$250,000 and above paid \$3.94 billion, or 19 percent of BC's total income tax bill, 33 times their population share (Figure 1, Table 1).

As shown in Table 1, broadening the definition of high-income earners to include everyone who earned \$150,000 or more, shows that these 65,010 people (21,420 plus 43,590) accounted for 1.7 percent of the adult population in BC (slightly above "the one percent", but all that we can consider given the posted data). This group however represented 15 percent of the total assessed income (\$20.27 billion) in the province in 2009, as well as accounting for 29 percent of the total personal income taxes paid that year (\$5.39 billion). Thus the 1.7 percent of BC's adult population who were high income earners had an 8.9 times larger share of the total assessed income in the province in 2009 and paid a 17 times larger share of the total income tax bill relative to their population share.

**Figure 1**

**Proportion of Adult Population and Income Taxes Paid, BC, 2009**



If we continue to cumulate the next income group, including all those with an assessed income of \$100,000 and above in 2009, this group would have represented 187,320 people in 2009, or 4.9 percent of BC's adult population. While these income earners represented roughly five percent of the provincial population, they accounted for 26 percent of total assessed income in the province in 2009 (\$34.78 billion), but paid 44 percent of total personal income taxes in 2009 (\$8.24 billion). Their share of total assessed income in the province was therefore 5.3 times their share of the provincial population, and their share of total income taxes paid was 9.1 times larger than their share of population.

	Totals	Did not file	Total Assessed Income					
			<=\$0	\$1-\$49999	\$50,000-\$99,999	\$100,000-\$149,999	\$150,000-\$249,999	\$250,000 plus
<b>Total Population 15+</b>	3,808,269	393,739						
<b>Total Number Income Tax Filers</b>	3,414,530		41,230	2,486,240	699,740	122,310	43,590	21,420
<b>Share of Adult Population</b>		10.34%	1.08%	65%	18%	3.2%	1.1%	0.56%
<b>Cumulative Share</b>		100%	90%	89%	23%	4.9%	1.7%	0.56%
<b>Total Number Non-Taxable</b>	1,185,740		41,070	1,137,840	6,060	490	200	80
<b>Total Number Taxable</b>	2,228,790		160	1,348,400	693,680	121,820	43,390	21,340
<b>Percent Taxable</b>			0.39%	54%	99%	100%	100%	100%
<b>Taxable as Share of Adult Population</b>			0.0%	35%	18%	3.2%	1.1%	0.56%
<b>Cumulative Share</b>			59%	59%	23%	4.9%	1.7%	0.56%
<b>Total Assessed Income (\$Millions)</b>	\$135,204		-\$225	\$52,729	\$47,921	\$14,511	\$8,073	\$12,195
<b>Share of Total Assessed Income</b>			-0.17%	39%	35%	11%	6.0%	9.0%
<b>Cumulative Share</b>			100%	100%	61%	26%	15%	9.0%
<b>Net Federal Tax</b>	\$13,024		\$0	\$2,388	\$5,069	\$1,976	\$1,278	\$2,313
<b>Share of Federal Tax Paid</b>				18%	39%	15%	9.8%	18%
<b>Cumulative Share</b>				100%	82%	43%	28%	18%
<b>Net Provincial Tax</b>	\$5,639		\$0	\$948	\$2,018	\$875	\$625	\$1,173
<b>Share of Provincial Tax Paid</b>				17%	36%	16%	11%	21%
<b>Cumulative Share</b>				100%	83%	47%	32%	21%
<b>Total Tax Paid</b>	\$18,663		\$0	\$3,336	\$7,087	\$2,851	\$1,904	\$3,485
<b>Share of Total Tax Paid</b>				18%	38%	15%	10.2%	19%
<b>Cumulative Share</b>				100%	82%	44%	29%	19%
<b>After Tax Income</b>	\$116,542		-\$225	\$49,393	\$40,834	\$11,660	\$6,170	\$8,709
<b>Share of After Tax Income</b>			-0.19%	42%	35%	10.01%	5.29%	7.47%
<b>Cumulative Share of After Tax Income</b>			100%	100%	58%	23%	13%	7.47%
<b>Average Assessed Income per Filer</b>	\$39,597		-\$5,466	\$21,209	\$68,484	\$118,643	\$185,212	\$569,324
<b>Average Tax Per Filer</b>	\$5,466		\$0	\$1,342	\$10,128	\$23,308	\$43,669	\$162,720
<b>Average After Tax Income Per Filer</b>	\$45,063		-\$5,466	\$22,550	\$78,612	\$141,951	\$228,881	\$732,044
<b>Average Effective Tax Rate</b>	13.80%		0.00%	6.3%	15%	20%	24%	29%

While there is no clear definition of where high income ends or begins, from a purely distributional perspective, for some it might be reasonable to include the top quarter of the population in the high income group, leaving the bottom quarter for low income, and the middle 50 percent as middle income. In 2009 this would have would put incomes of \$50,000 to \$99,999 into the high-income group in BC (even though such incomes may not seem very high to some). Using the range of assessed incomes of \$50,000 and above as the high income group, the data show these individuals would have accounted for 23 percent of the adult population in BC

(887,060 people), yet this group held 61 percent of the province's assessed income (\$82.70 billion), and paid 82 percent of the province's personal income taxes (\$15.33 billion).

What remains is the 18 percent of the personal income tax in the province (3.34 billion) that was paid by the remaining 65 percent of BC's adult population with assessed incomes between \$1.00 to \$49,999 (39 percent of the assessed income in the province). While noting that people in this income group paid 18 percent of the personal income taxes, it is also important to note that of this group 46 percent (1,137,840 people) paid no income tax at all, and hence the tax contribution from this income group is from only slightly more than half of them.

There is a clear pattern in the data of an increasing share of total assessed income being paid as income taxes as assessed incomes rise. This is reflective of a taxation system of higher average **effective tax rates** with increasing income. Effective tax rates for income groups are calculated as the total amount of tax paid by people in an income group as a percent of the group's total assessed income: they result from **a)** increasing marginal tax rates with increasing income, **b)** basic deductions which exempt a greater portion of lower incomes from taxation; and **c)** the distribution of incomes within each income group.

Those in the \$250,000 plus income group had an average effective tax rate of 29 percent of assessed income paid in personal income taxes (\$3.49 billion in taxes paid divided by \$12.20 billion in assessed income). This is more than twice the overall average effective tax rate of 14 percent in the province

(\$135.20 billion in assessed income and \$18.66 billion in income taxes paid).

Those with assessed incomes in the \$150,000 to \$249,999 range paid an average effective tax rate of 24 percent, the \$100,000 to \$149,999 range paid 20 percent, and those in the \$50,000 to \$99,999 range paid an average effective tax rate of 15 percent. People with assessed incomes in the \$1 to \$49,999 range paid an effective tax rate of six percent, less than half the overall average of 14 percent.

### **Inter-provincial Comparisons**

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A comparison of British Columbia to other provinces shows that BC has a rather unusual personal income tax structure. In 2009 BC had the smallest share of the adult population who paid personal income taxes, 59 percent compared to a range of 61 to 67 percent that prevailed in other provinces. BC also had the lowest average effective income tax rate, with 14 percent of the total assessed income in the province being paid as personal income taxes relative to a range of 14 to 17 percent that prevailed in the other provinces. BC achieved this low tax rate status by having the lowest effective tax rate in every income group except the highest. The \$250,000 plus group in BC had an effective rate of 29 percent, which was only narrowly beat out by Alberta at 28 percent.

Continuing the comparison with our nearest provincial neighbour highlights a couple of other interesting dimensions of BC's personal income tax structure. While Alberta had a marginally lower average effective tax rate for its highest income earners, this group in Alberta paid a much larger share of its personal income tax bill than in BC. This group shouldered more than a quarter of Alberta's income tax bill (26 percent) versus 19 percent in BC. The reason for this is that the high-income earners in Alberta accounted for a much greater share of Alberta's population, 1.2 percent or more than twice the 0.56 percent share in BC. Not only were there relatively more people in the highest income groups in Alberta, there were more people absolutely: Alberta reported having 36,470 people who earned \$250,000 and over compared to only 21,420 in BC. This is in spite of Alberta having only four-fifths of BC's population (3.02 million versus 3.81 million respectively).

Every assessed income group \$50,000 and above accounted for a greater share of the adult population in Alberta than in BC. Conversely, in British Columbia those with incomes under \$50,000 accounted for a much larger share, 65 percent of the adult population compared to 57 percent in Alberta. The result of the higher overall incomes in Alberta was that, effectively, higher income groups pay a greater share of the income taxes in Alberta than they do in BC, something that is reflected in Alberta having a higher average effective tax rate than BC (17 percent compared to 14 percent), and a larger overall share of people who pay taxes (63 percent in Alberta and 59 percent in BC).

Ontario also had a higher share of its population in this top income group, which accounted for 0.72 percent of its adult population in 2009. Compounding this greater share of high-income earners in Ontario was the sheer scale of this province's population: 78,810 people had assessed incomes of \$250,000, more than the 71,780 in all of the other eight provinces **combined**.

### **Conclusions**

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This brief review of personal income taxation in British Columbia has been descriptive rather than normative, outlining the distribution of incomes and the incidence of personal income taxes in this province, and how the situation in BC differs from other provinces. As a summary, of the adult population in British Columbia in 2009:

- 59 percent of BC's adult population paid 100 percent of the personal income taxes, while 31 percent filed income tax forms but did not pay taxes and ten percent did not file;**
- 65 percent of adults in BC had assessed incomes in the \$1 to \$49,999 range, accounted for 39 percent of total assessed incomes and paid 18 percent of total personal income taxes.**
- 35 percent had assessed incomes of \$50,000 and higher, accounted for 61 percent of total assessed incomes and paid 82 percent of the personal income taxes in the province;**
- 5 percent had assessed incomes of \$100,000 plus, accounted for 26 percent of assessed incomes, and paid 44 percent of the personal income tax;**
- 1.7 percent had assessed incomes of \$150,000 and above, accounted 15 percent of the assessed income in the province, and paid 29 percent of the personal income taxes; and,**
- 0.56 percent (21,420 people), had assessed incomes of \$250,000 or more, accounted for 9.02 percent share of assessed incomes, and paid 19 percent of the total income taxes.**

Overall, British Columbia was found to have lowest average effective tax rate of all of Canada's provinces (net of Quebec). This was the result of BC having the lowest average effective tax rate in all but the highest income groups (those with incomes of \$250,000 and above).

From a provincial personal income tax perspective, it is important to note that the most recent taxation data show that the high income earners (\$250,000 and above) in all provinces, while representing a relatively small proportion of each province's adult population (from 0.22 percent in PEI to 1.2 percent in Alberta), account for a significant share of both the total assessed income in each province and the total personal income taxes paid (from 28 percent in Alberta to 33 percent in Manitoba) and thereby the monies received by government through personal income taxes.

While much of the discussions in both the United States and Canada have focused on the normative aspects of the upper most one percent of income earners, considering the most recent taxation data for provinces in Canada allows a much better understanding of how incomes and personal income taxation are shared here in British Columbia and how we compare to our provincial counterparts. Finally, the preceding focused solely on personal income taxes and therefore represents a starting point in considering who pays taxes in the province rather than an end point. In due course we hope to consider other aspects of provincial taxation as well.

**Appendix Table 1: Income and Income Tax Distribution British Columbia, 2009**

		Total Assessed Income														
		<=\$0	\$1-\$9,999	\$10,000-\$19,999	\$20,000-\$29,999	\$30,000-\$39,999	\$40,000-\$49,999	\$50,000-\$59,999	\$60,000-\$69,999	\$70,000-\$79,999	\$80,000-\$89,999	\$90,000-\$99,999	\$100,000-\$149,999	\$150,000-\$249,999	\$250,000+	
Total Population 15+ Income Tax Filers as Share of Adult Population Cumulative Share	Did not file															
	Totals	3,808,269	393,739													
	Total Number	3,414,530														
	Filers as Share of Adult Population	90%	100%													
Total Number Non-Taxable Total Number Taxable	41,070	575,590	446,320	91,520	17,540	6,870	3,060	1,640	740	410	210	490	200	80	21,340	
	160	35,430	231,260	378,560	379,740	323,410	235,080	173,750	130,030	93,770	61,050	121,820	43,390	21,340		
Total Assessed Income (\$Millions) Share of Total Assessed Income Cumulative Share	(\$225)	\$2,537	\$9,969	\$11,609	\$13,858	\$14,757	\$13,027	\$11,351	\$9,776	\$7,969	\$5,798	\$14,511	\$8,073	\$12,195		
	-0.17%	1.9%	7.4%	8.6%	10.2%	10.9%	9.6%	8.4%	7.2%	5.9%	4.3%	10.7%	6.0%	9.0%		
	100%	100%	98%	91%	82%	72%	61%	52%	43%	36%	30%	26%	15%	9.0%		
		\$1	\$92	\$409	\$805	\$1,081	\$1,162	\$1,157	\$1,087	\$941	\$722	\$1,976	\$1,278	\$2,313		
Net Federal Tax Share of Federal Tax Paid Cumulative Share	0.00%	0.01%	0.71%	3.1%	6.2%	8.3%	8.9%	8.9%	8.3%	7.2%	5.5%	15%	9.8%	18%		
	100.00%	100.00%	99.99%	99.28%	96.14%	89.96%	81.66%	72.74%	63.86%	55.51%	48.29%	42.74%	27.57%	17.76%		
		\$0	\$5	\$141	\$342	\$460	\$473	\$456	\$422	\$372	\$295	\$875	\$625	\$1,173		
		0.00%	0.01%	0.09%	2.5%	6.1%	8.2%	8.4%	8.1%	7.5%	6.6%	5.2%	16%	11%	21%	
Net Provincial Tax Share of Provincial Tax Paid Cumulative Share	100%	100%	100%	100%	97%	91%	83%	75%	67%	59%	53%	47%	32%	21%		
		\$1	\$2	\$97	\$550	\$1,146	\$1,541	\$1,635	\$1,613	\$1,509	\$1,313	\$1,017	\$2,851	\$1,904	\$3,485	
	0.00%	0.01%	0.52%	2.9%	6.1%	8.3%	8.8%	8.6%	8.1%	7.0%	5.4%	15%	10.2%	19%		
	100%	100%	100%	99%	97%	90%	82%	73%	65%	57%	50%	44%	29%	19%		
Total Tax Paid Share of Total Tax Paid Cumulative Share	(\$226)	\$2,535	\$9,872	\$11,058	\$12,712	\$13,216	\$11,392	\$9,738	\$8,267	\$6,656	\$4,781	\$11,660	\$6,170	\$8,709		
	-0.19%	2.18%	8.47%	9.49%	10.91%	11.34%	9.77%	8.36%	7.09%	5.71%	4.10%	10.01%	5.29%	7.47%		
	100%	100%	98%	90%	80%	69%	58%	48%	40%	33%	27%	23%	13%	7.5%		
		(\$5,466)	\$4,152	\$14,712	\$24,695	\$34,882	\$44,681	\$54,703	\$64,717	\$74,759	\$84,612	\$94,645	\$118,643	\$185,212	\$569,324	
Average Assessed Income per Filer Average Tax Per Filer Average After Tax Income Per Filer Average Effective Tax Rate	\$17	\$3	\$143	\$1,171	\$2,885	\$4,666	\$6,868	\$9,194	\$11,540	\$13,943	\$16,597	\$23,308	\$43,669	\$162,720		
	(\$5,484)	\$4,149	\$14,569	\$23,524	\$31,997	\$40,015	\$47,836	\$55,523	\$63,219	\$70,668	\$78,048	\$95,335	\$141,543	\$406,604		
	-0.31%	0.07%	0.97%	4.7%	8.3%	10.4%	13%	14%	15%	16%	18%	20%	24%	29%		
		14%														

**Appendix Table 2: Comparison of Provinces, 2009 Income Tax Returns**

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	New Brunswick	Nova Scotia	PEI	Newfoundland
<b>Of all adults:</b>									
Did not File	10.3%	10.7%	7.6%	9.2%	10.6%	6.2%	9.0%	7.5%	4.2%
Filed No Taxes	31%	26%	32%	28%	29%	32%	27%	25%	33%
Paid Taxes	59%	63%	61%	63%	61%	62%	64%	67%	63%
<b>Assessed incomes of \$250,000 +</b>									
Number	21,420	36,470	4,130	3,890	78,810	1,670	2,610	260	1,330
Share of Adult Population	0.56%	1.2%	0.49%	0.39%	0.72%	0.26%	0.33%	0.22%	0.31%
Share of Income Taxes Paid	19%	26%	14%	13%	22%	7.7%	9.8%	6.5%	10.0%
Average Effective Tax Rate	29%	28%	31%	33%	32%	31%	30%	30%	32%
<b>Assessed incomes \$150,000-\$249,999</b>									
Share of Adult Population	1.1%	3.6%	1.6%	1.2%	2.0%	0.88%	1.1%	0.75%	1.1%
Share of Income Taxes Paid	10.2%	14%	8.58%	7.25%	10.4%	6.5%	7.6%	5.6%	7.9%
Average Effective Tax Rate	24%	24%	24%	27%	26%	26%	26%	25%	27%
<b>Assessed incomes \$100,000-\$149,999</b>									
Share of Adult Population	3.2%	5.5%	3.5%	2.4%	3.5%	2.0%	2.3%	1.6%	2.6%
Share of Income Taxes Paid	15%	17%	16%	13%	15%	12%	13%	10.13%	15%
Average Effective Tax Rate	20%	21%	22%	24%	22%	23%	23%	23%	24%
<b>Assessed incomes \$50,000-\$99,999</b>									
Share of Adult Population	18%	22%	20%	17%	19%	15%	17%	14%	16%
Share of Income Taxes Paid	38%	32%	42%	42%	36%	43%	44%	41%	41%
Average Effective Tax Rate	15%	17%	18%	19%	17%	19%	19%	19%	19%
<b>Assessed incomes \$1-\$49,999</b>									
Share of Adult Population	65%	57%	66%	69%	63%	75%	70%	75%	75%
Share of Income Taxes Paid	18%	12%	19%	26%	16%	30%	27%	37%	26%
Average Effective Tax Rate	6.3%	7.2%	7.4%	9.2%	7.5%	8.5%	8.7%	9.3%	7.9%
<b>All Assessed Incomes</b>									
Average Effective Tax Rate	14%	17%	15%	16%	16%	15%	15%	14%	15%