

NEWS RELEASE

Across all income levels, Canadians pay higher personal income taxes than Americans

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For immediate release

VANCOUVER—Workers in Canada—across all income levels—pay higher personal income tax rates than workers in the United States, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Our high income tax rates can deter professionals, entrepreneurs and businessowners from working and investing in Canada, which is bad for the Canadian economy as we look to recover from the COVID recession,” said Tegan Hill, an economist at the Fraser Institute and co-author of *Canada’s Rising Personal Tax Rates and Falling Tax Competitiveness, 2020*.

The study notes that recent personal income tax rate increases at the federal and provincial levels have helped widen the income tax rate gap between the U.S. and Canada.

For example, among all 61 provinces and states, at \$50,000 of annual income, the top 10 highest combined (federal plus provincial/state) personal income tax rates are in the 10 Canadian provinces, from a high of 37.12 per cent in Quebec to 28.20 per cent in British Columbia.

At \$75,000 of income, eight provinces are in the top 10, led by Manitoba (37.90 per cent). Ontario ranks 12th highest (29.65 per cent) and B.C. ranks 25th (28.20 per cent).

At \$150,000 of income, once again all 10 provinces comprise the top 10, from 41 per cent in Alberta up to 50 per cent in Nova Scotia. Same results exist at \$300,000 of income, from 47 per cent in Alberta up to 54 per cent in Nova Scotia.

Moreover, in Canadian provinces, top personal income tax rates kick in at much lower levels of income than in U.S. states. For example, Ontario’s top combined rate of 53.53 per cent applies to income over C\$220,000 compared to New York’s top combined rate (45.82 per cent), which applies to income over US\$1.1 million.

“If Canadian policymakers want to attract and retain skilled workers and job-creators, and encourage entrepreneurs, we must lower personal income tax rates and avoid higher rates at all costs,” Hill said.

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