



November 22, 2012

Mr. Michael Horgan  
Deputy Minister of Finance  
Finance Canada  
140 O'Connor Street  
Ottawa, ON K1A 0G5

Re: PBO Information Request IR0094

Dear Mr. Horgan:

My office recently received a request from a parliamentarian to study the fiscal impacts associated with tax-free savings accounts (TFSA).

For the implied federal fiscal costs since the program's inception, Finance Canada's *Tax Expenditures and Evaluations Report* estimated the tax expenditure associated with the TFSA at \$220 million for the calendar year 2011.

For the potential future costs of the TFSA over the longer term, the *Fall 2012 Report of the Auditor General of Canada to the House of Commons* stated that,

“Finance Canada estimated the long-term cost of the TFSA up to the year 2050, using the T1 microsimulation model... The analysis included both the impact on personal income tax revenues and the benefits that depend on the income level of recipients. We found that the analysis accounted properly for a number of long-term factors, including demographic changes, annual increases in the TFSA contribution room, the interaction of the TFSA with unregistered assets and registered retirement savings plans, and the fact that income from capital gains would increase over time in TFSAs... Finance Canada (also) calculated the revenue impact on the provinces.” (Chapter 7, pg.11)

In order to inform the work of my office on this important and complex issue, I am requesting Finance Canada's short-run and long-run analysis related to the TFSA. This analysis would include: data used; methodologies; key assumptions; aggregate cost estimates over time — provided separately for the federal government and the total for all provinces — for personal income tax revenue and elderly benefit spending (where the latter includes Old Age Security and the Guaranteed Income Supplement); and TFSA average annual contributions and participation rates across the income distribution.



Thank you for your attention to this matter. Please do not hesitate to contact my staff if clarification is required.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Kevin Page', with a stylized flourish on the left side.

Kevin Page  
Parliamentary Budget Officer

c.c.: Rick Stewart, Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for  
Macroeconomic Policy



## PBO Information Request

REQUEST NUMBER: IR0094  
PBO CONTACT NAME: Stephen Tapp ([Stephen.Tapp@parl.gc.ca](mailto:Stephen.Tapp@parl.gc.ca); 613-302-4503)  
TYPE OF REQUEST: Ad hoc  
PRIORITY: Normal  
DATE REQUEST SENT: November 22, 2012  
RESPONSE REQUIRED BY: December 7, 2012

PBO OBJECTIVE: To produce a report that was requested by a parliamentarian on the costs associated with tax-free savings accounts.

RELATION TO MANDATE: To provide independent analysis to Parliament on the state of the nation's finances; and upon request from a parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

### INFORMATION AND DATA REQUESTED:

Finance Canada's short-run and long-run analysis related to tax-free savings accounts, as described in the attached letter.