

# **INCREASING INDIGENOUS BENEFIT TAKE-UP IN CANADA**

2018 Federal Budget Submission

Revised Feb 13, 2018

## EXECUTIVE SUMMARY

We recommend that the federal government invest **\$2M** annually over **5 years** to develop and execute targeted community outreach and support strategies that will enable Indigenous Peoples to access at least **\$100M** more in benefits they are currently eligible for, but not receiving.

We estimate that over **\$1 billion** annually in federal benefits are not being accessed by Canadians who need this income the most.<sup>1</sup> This includes many Indigenous Peoples (First Nations, Inuit, and Métis) who are not fully aware of the income benefits they are eligible to receive, so do not tax file, or are unable to tax file successfully on their own due to personal, institutional or systemic barriers.

The situation of First Nations families with children aged **0-17 years** is a good example. These families are missing out on hundreds of millions in Canada Child Benefit payments alone.<sup>2</sup> There are **236,000 First Nations children** aged 0 to 17 years living on and off reserves whose families are eligible to receive the Canada Child Benefit.<sup>3</sup> There is currently no definitive public data on actual First Nations tax filing rates, but best estimates suggest that **30-40 per cent** of eligible families on reserve and fewer off reserve are not filing,<sup>4</sup> so receive no child benefits. While we do not know the exact amount each family is eligible for,<sup>5</sup> if we assume even **\$5,000** per child on average and that **30 per cent** of First Nations families overall are not filing, this means First Nations communities are missing out on as much as **\$354 million** in income every year. Many Indigenous seniors are also not accessing important OAS, GIS and CPP benefits.

This initiative would target Indigenous Peoples that the government is challenged to effectively connect to benefits through existing channels. By mobilizing key Indigenous and Indigenous-serving stakeholders from all sectors to identify and remove barriers to accessing benefits, we can make significant progress on this issue and advance Canada's reconciliation goals.

AFOA Canada and Prosper Canada would achieve this **\$100 million** target by working with CRA and supporting strategic partners to:

1. **Collaborate on understanding and removing barriers to tax filing and benefit take-up for Indigenous Peoples and communities.** We will achieve this by working with government stakeholders, Canadian and international experts, trusted intermediary organizations and service systems with expertise and reach into Indigenous communities to identify barriers and effective solutions. We will contribute to federal efforts to generate a clearer picture and new insights into service gaps, outreach efforts and effective program design.
2. **Identify and prioritize potential solutions in consultation with CRA and key regional stakeholders, including complementing and/or expanding existing CVITP outreach and supports.** We will do this by: mobilizing new partners and untapped networks; developing and testing innovative new approaches to fill information, capacity building and service gaps (including year-round filing); and working with service systems in Indigenous communities to embed proven solutions into existing local services and build their delivery capacity.

3. **Provide funding and support through a public RFP process to five Indigenous Benefit Champions or collaboratives to build the capacity of Indigenous communities in their region and to implement identified solutions, including expanding CVITP and complementary tax and benefit supports.** Funds will flow through AFOA Canada and/or Prosper Canada, allocating **75-80 per cent** to Indigenous partner organizations, contractors and communities. While this initiative will be open to serving First Nation, Inuit, Métis, and urban Indigenous communities, developing and scaling on-reserve approaches will be a priority. Selected Champions/collaboratives will develop annual work plans with associated budgets and outcome targets and seek opportunities to leverage relationships with other private, government and non-profit partners. In communities with capacity challenges, models will be explored that leverage supports from outside the community to help members tax file and access benefits.
4. **Co-create and disseminate tailored program models, communication products, tools, training and supports to build the capacity of Indigenous communities and partner organizations** to help individuals to tax file and access government benefits in sustainable ways. This effort will be coordinated with CRA's own efforts and leverage the financial wellness supports AFOA Canada and Prosper Canada have developed, using insights and advice gained from working with 4 First Nation communities over the past 3 years. We will pursue opportunities to create tailored outreach and communications resources, including in Indigenous languages, and deliver these through the most effective channels. We will also collaborate with FCAC and other partners to ensure, to the greatest extent possible, that complementary financial information and education are made available in participating communities to encourage and help people to successfully access and make the most effective use of their benefits.
5. **Engage and mobilize new private sector partners, resources and volunteers, and \$5-10 million in matching investments** to expand existing tax and benefit supports and help scale innovative new ones. Prosper Canada and AFOA Canada both have successful track records in mobilizing new partners and resources (cash and in-kind) for their work.
6. **Integrate tax filing and benefit supports into 3<sup>rd</sup> party services.** We will identify and partner with trusted service providers that have reach and capacity in participating Indigenous communities to provide additional tax/benefit supports to community members. Through a structured engagement process, we will support these service systems to integrate tax and benefit supports into their existing services. Service delivery partners will include organizations providing services such as, but not limited to, health care, social assistance, employment services, and housing.
7. **Annually monitor, evaluate and report on outcomes with respect to resources mobilized, number of Indigenous People who successfully access new benefits, and the amount of new benefits accessed.** We will develop and implement an evaluation plan consistent with RCAP research protocols for First Nation communities and design simplified reporting tools appropriate to the capacity and priorities of participating Indigenous partners and communities.

**AFOA Canada has established relationships with First Nation, Inuit and Métis communities and organizations across Canada.** It is a trusted partner and capacity builder with a track record of successful programs. AFOA Canada's **1,500 members** are engaged, motivated and well placed in management and leadership positions in Indigenous communities across Canada to support AFOA's goals in this project.

Prosper Canada has built partnerships, expertise, tools and capacity in **3 years** that have helped **50,000+ Canadians** with low incomes to access over **\$88.5 million** in income benefits. This has included working with Indigenous partners like the Institute for the Advancement of Indigenous Women and organizations serving urban Indigenous communities, such as SEED Winnipeg.

**We are confident that, with a focused, adequately resourced, national effort, we can dramatically increase Indigenous access to benefits** by mobilizing, coordinating and supporting the necessary partners and building sustainable capacity in Indigenous communities in Canada.

**This will help to reduce poverty, strengthen local economies, advance reconciliation and self-determination, and provide measurable progress toward a more inclusive economy.**

## **1. The problem we are trying to solve**

**Canada's tax and transfer system is our primary means of redistributing income to offset market income inequality and build a more inclusive economy.** Tax filing is the primary gateway to most income benefits, or the means by which eligibility is established, and can boost low-income households' incomes by up to **50 per cent**.<sup>6</sup>

**Indigenous Peoples are the Canadians most likely to live in poverty,<sup>7,8</sup> but the least likely to access government income benefits because many households do not tax file.** While there is no definitive publicly available data on this, an estimated **30-40 per cent** of First Nations adults on reserve and fewer off reserve don't file.<sup>9</sup> As a result, they miss out on an estimated **\$354+ million** annually in Canada Child Benefits alone.<sup>10</sup>

**Indigenous Peoples are also disproportionately impacted by lack of identification** required to file taxes and access other benefits (e.g. Birth certificates, Social Insurance Numbers).<sup>11</sup>

**In response to low take-up of benefits, the government has specifically committed to "proactively contact Canadians who are entitled to, but are not receiving, tax benefits."**<sup>12</sup> In addition to other steps, **\$4 million** was allocated in the 2016 Budget to expand Canada Revenue Agency (CRA) outreach and communications to First Nations communities.

**The Canada Revenue Agency on its own is challenged, though, to effectively support members of Indigenous communities to tax-file.** CRA's *Community Volunteer Income Tax Program* (CVITP), while successful in other contexts, has very limited adoption in First Nations communities because it does not fully address their unique contexts and challenges.<sup>13</sup>

**Research and consultation with Indigenous individuals, frontline service providers and intermediary organizations have identified that Indigenous individuals may choose not to file<sup>14,15</sup> or, if they do attempt to file, may encounter barriers that prevent them from succeeding.<sup>16,17,18</sup>** (For a more in-depth look at the barriers to successful Indigenous tax filing and benefit take-up, please see [Appendix 1.](#))

**CRA's improved communications, expanded regional outreach, and pre-filling of some tax forms will help boost access to benefits for many Canadians, but are less likely to benefit Indigenous individuals due to inherent limitations in these approaches:**

- **To reach and change behaviour in Indigenous communities, communications need to be highly tailored, delivered through the right channels and accompanied by other supports.**
- **Organizations that can reach and assist the most excluded groups and/or mobilize private sector partners are needed to complement CRA outreach efforts** (e.g. offering resources, skilled volunteers, relevant technology platforms and tools).
- **Pre-filling forms can potentially help a minority of filers with a stable tax profile (e.g. seniors on fixed income), but many Indigenous people do not fit this profile** and others still require help accessing other benefits.
- **CVITP helps 600,000+ Canadians with low incomes to tax file annually but is not available to everyone who needs assistance and is not an effective solution for everyone** (e.g. those with self-employment income or complex tax situations).

This is a classic “last mile” problem where mainstream services and approaches, that serve most populations well, break down as they try to reach hard to serve customers at the margins. This problem is generally solved by linking into and leveraging other networks that can more efficiently and effectively reach these customers.<sup>19</sup>

The government would benefit from having a partner to help solve this “last mile” problem by engaging and mobilizing untapped networks and expertise and building the necessary strategic partnerships, resources and solutions to reach into and effectively support diverse Indigenous communities in ways that the federal government alone cannot.

## 2. How we can help

AFOA Canada and Prosper Canada have the necessary partners, networks and expertise to mobilize coordinated strategies, new resources and innovative new approaches to overcome key barriers to tax filing and benefit take-up for Indigenous Peoples.

Through strategic partnerships, we can mobilize regional stakeholder organizations, communities and networks to:

- Help **identify barriers to tax filing and benefit take-up** and to offering CVITP in particular regions/communities;
- Develop, **pilot and scale-up innovative solutions**;
- **Mobilize resources to expand or complement CVITP** with other approaches;
- **Build solutions into existing services** for greater sustainability;
- **Develop tailored tools and training** for service providers and Indigenous Peoples directly.

We can also engage existing and new private sector partners to mobilize new resources, expertise and volunteers to help achieve our goal. Prosper Canada and AFOA Canada both have extensive relationships and collaborations underway with financial sector and other corporate partners.

### 3. Our proposed approach

Building on our successful national **Financial Empowerment Champion (FEC) model**, we would set clear **national goals and measurable outcome targets** for this initiative and issue a **national public RFP for partners**. ESDC funding currently supports 5 FEC organizations to provide financial empowerment supports to **175,000 Canadians** with low incomes. Since January 2016, FEC partners have assisted **24,105 Canadians** with low incomes to tax file, helped clients to submit a further **4,522 benefits applications**, and open **839 RESPs**, but uniquely in Vancouver, Edmonton, Calgary, Winnipeg, and Montreal.

**Further investment will enable us to leverage and apply FEC insights and innovations to Indigenous communities:** developing and testing additional tax filing and benefit interventions; expanding these to more Indigenous communities and partners across Canada; and integrating them into Indigenous services outside FEC communities.

**We would use clear selection criteria to choose 5 non-profit Indigenous and/or Indigenous-serving organizations** (or collaborative groups of organizations) **across Canada to become Indigenous Benefit Champions**. These organizations would have to demonstrate a clear alignment between the project and their mission, a successful track record of service to Indigenous communities, and prior expertise in tax and benefit assistance. Non-Indigenous organizations would also need to demonstrate the capacity to partner effectively with Indigenous organizations and communities and active Indigenous involvement at the staff and/or governance level to qualify.

**Applicant organizations would be encouraged to leverage other community partners from all sectors in their applications and consortia proposals would be welcomed** as long as there is a clearly designated lead non-profit organization.

**We would seek applications from organizations serving urban, First Nations on reserve, and/or other Indigenous communities – including First Nations, Inuit and Métis organizations – but at least 4 of the 5 finalists selected must provide services to, and build the capacity of, First Nations communities solely or in addition to other groups.**

**AFOA Canada and Prosper Canada would work with Indigenous Benefit Champions/collaboratives to mobilize an additional \$5-10 million in matching investments from other partners** (cash and in-kind). This includes financial resources, expertise and volunteers from financial services companies and technology and professional services firms that are seeking to improve the financial wellness of Indigenous Peoples.

**Funds would flow through Prosper Canada and/or AFOA Canada as the lead intermediary organizations, but our goal would be to allocate 75-80 per cent to Indigenous partner organizations, contractors and communities** to support their role in:

- **Research on barriers, potential solutions, and culturally relevant messaging and approaches**
- **Support for relevant, culturally appropriate and tailored communications and outreach**
- **Development and piloting of new approaches (e.g. year-round tax clinics)** to increase tax filing and benefit take-up
- **Development of new tools and training**
- **Outreach and support** initiatives with strategic partners
- **Providing financial education** for those accessing benefits.

Appropriate **competitive processes for flowing funds** would be agreed on with the government. Annual work plans, budgets and accountability targets would be developed with partners for annual approval by the government.

All activities funded under this initiative will be **evaluated against target outcomes and indicators established and approved by the government** at the outset of the project, monitored quarterly, and reported on annually. These would include resources mobilized, number of Indigenous peoples who successfully access new benefits, and the dollar amount of new benefits accessed.

AFOA Canada and Prosper Canada will collaborate to provide the following **project supports**:

- Administer a **transparent selection process** to choose Indigenous Benefit Champions/collaboratives
- Negotiate **project MOUs** with selected Champion organizations
- Negotiate and approve **annual work plans and budgets** with Champion organizations
- Support development and adaptation of tailored **tax and benefit interventions, communication products, tools, and resources** (including in Indigenous languages)
- Undertake relevant **research on barriers, needs, service design, and promising/best practices**
- Support **ongoing knowledge exchange** among project partners, participating communities, external stakeholders, and Indigenous communities more broadly
- Provide **training and capacity building** to participating project partners and communities
- Develop and implement a **project evaluation** framework and plan
- Provide project **administration and financial management**
- Work with project partners to collect quality monitoring data and provide **quarterly accountability reports** to the government (financials, activities, outcomes).

## 4. Strategic relationships

We have established relationships with key experts and organizations, as well as funders and government departments and agencies, who can work with us to reach our goal:

- **Kanata Financial** is an Indigenous-owned Financial Services company that works with First Nations and First Nation organizations to develop and deliver customized financial service products. Located in Six Nations, Ontario, and Manitoba, Kanata Financial has been working with First Nation and community partners to pilot community interventions to help individuals to acquire I.D. affordably, tax file and open RESPs to access the Canada Learning Bond and other benefits.
- **TD Bank Group** is the co-founder and core supporter the Prosper Canada Centre for Financial Literacy and is an active partner in funding and supporting Indigenous financial literacy initiatives delivered by Prosper Canada and its community partners.
- **Omega Foundation's SmartSaver program** makes it easier for families to open their RESP(s) by applying online. Prosper Canada is a national partner and actively promotes and facilitates new SmartSaver partnerships through its network and contacts. This project will enable more Indigenous families to open RESPs and access the Canada Learning Bond for their children.



- The **J.W. McConnell Family Foundation** is one of Canada's pre-eminent family foundations and actively supports a broad range of initiatives aimed at Indigenous Reconciliation, including Winnipeg's Boldness Project. They have expressed strong interest in partnering with AFOA Canada, Prosper Canada and other funders to expand Indigenous benefit take-up and access to the Canada Learning Bond.
- **CPA Canada** is the national professional body for Canada's Chartered Professional Accountants and mobilizes thousands of its members annually to deliver volunteer financial education to Canadians nationwide. Its Ontario Chapter is a leader in mobilizing volunteers to provide free tax filing services to low-income Canadians, helping over 30,000 people annually to file. CPA Canada is also a longstanding AFOA Canada partner, supporting its efforts to build Indigenous financial literacy and financial management capacity.
- **Intuit Canada** is a leading tax software provider and currently funds our tax and benefits research initiative. They are interested in exploring further opportunities to leverage their *TurboTax* platform and to support community-level innovation to improve tax filing and benefit take-up rates.
- The **Canada Revenue Agency (CRA)** is a critical strategic partner and we will continue to work closely with their communications, regional outreach, CVITP, benefits administration and research teams to deliver coordinated and effective solutions that build on and complement the actions that CRA is taking.
- The **Financial Consumer Agency of Canada (FCAC)** is a longstanding partner committed to building Indigenous financial literacy and leveraging research, partners and opportunities across Canada to help Indigenous and vulnerable Canadians to build their financial capability and health. They are forming an Indigenous Working Group led by AFOA Canada that will be an important partner in this work. There will also be opportunities to leverage FCAC's broader network of Indigenous organizations active in financial literacy.
- **Indigenous and Northern Affairs Canada (INAC)** has a critical role to play in helping to develop and sustain capacity in Indigenous communities to access federal entitlements that can improve individual and family and community well-being. We are interested in working with them to explore ways to sustainably integrate tax and benefit assistance into relevant INAC-funded services delivered on reserve.
- **Service Canada** is a key player when it comes to facilitating provision of Social Insurance Numbers necessary for filing, as well as benefits information and support. Coordinated "Super Clinics" involving Service Canada as well as tax filing volunteers can be very effective in helping people to overcome identification barriers such as those many Indigenous individuals face.

**We welcome the participation of other federal departments and are interested in exploring further opportunities for collaboration.**



## 5. Current initiatives we will leverage

We have multiple initiatives already underway that we can leverage to help close current tax filing and benefit take-up gaps:

- The [Ontario First Nations Financial Wellness Project](#) is a joint AFOA Canada-Prosper Canada initiative aimed at developing Indigenous financial wellness interventions, tools and resources and to build the capacity of 16 First Nation communities to deliver them. This last year of the project is focused on tax and benefit assistance and recently produced an Indigenous [Managing Your Money](#) guide with a worksheet on preparing to tax file and planning for a refund. We also recently launched a 2-part training [webinar](#) for Indigenous communities on planning successful tax clinics.
- AFOA Canada's [Dollars and Sense](#) financial literacy program for elementary and secondary students provides a financial literacy foundation for Indigenous youth and offers opportunities to build knowledge about the importance and benefits of tax filing early in life.
- AFOA Canada's [Retirement Planning Seminar](#) offers guidance for Indigenous service providers and communities on important benefits for seniors and how they can be accessed. It also includes a Tax Planning module.
- [AFOA Canada's Annual Conference](#) attracts over 1,000 Indigenous leaders, financial managers and professional administrators seeking new ways to build financial wellness and prosperity in their communities. This is an ideal knowledge exchange and training opportunity we can leverage.
- The biennial, national [ABLE Financial Empowerment Conference](#), coordinated by Prosper Canada, offers a similar opportunity to mobilize Indigenous and Indigenous-serving nonprofit organizations, as well as government, corporate and academic partners, to explore innovative new approaches and best practice in expanding Indigenous tax filing and benefit take-up.
- Prosper Canada's online [Benefit Screening Tool](#) enables frontline service providers to screen clients for eligibility for over 70 federal and provincial (ON and MB) benefits. We are working with leading healthcare organizations and networks to integrate the tool into clinical healthcare delivery and guidelines and pilot-test it in 6 Manitoba and Ontario primary healthcare sites. We are also exploring opportunities to: expand content to include all provinces, pursue integration into other frontline community services targeted to vulnerable populations, and build benefit screening into key online platforms.
- Prosper Canada's national [Removing Barriers to Tax Filing Research](#) initiative is examining barriers and solutions to increase tax filing and benefit take-up rates among Canada's vulnerable populations. Involving leading international experts, intermediary organizations, and funding support from Intuit, this will inform our innovation work and includes a national *Tax-time Financial Diaries* study, practitioner survey, literature review, and research symposium in fall 2018.

## 6. Networks and resources we will mobilize

AFOA Canada has a **network of provincial and territorial chapters and members**, with extensive reach into Indigenous communities. AFOA's **1,500+ members** are trained and accredited financial management professionals and administrators, with a keen interest in supporting AFOA's efforts to strengthen access to benefits and financial wellness in their communities across Canada. This membership is an important source of highly skilled and motivated volunteers that we will be drawing upon.

Prosper Canada is connected to **financial empowerment and poverty reduction networks** across Canada that are actively serving Canada's urban Indigenous communities and share our goal of increasing Indigenous access to benefits:

- [ABLE Financial Empowerment Network](#), a national network that reaches over **4,600 participants** from all sectors engaged in financial empowerment for Canadians with low incomes
- [Black Creek Financial Action Network](#) – Toronto, Ontario
- [Financial Education Network](#) – Saint John, New Brunswick
- [Financial Empowerment Collaborative](#) – Calgary, Alberta
- [Financial Literacy Action Group \(FLAG\)](#), a network of national financial literacy organizations
- [Financial Literacy Action Network Ottawa](#) – Ontario
- [Edmonton Financial Empowerment Collaborative](#) – Edmonton, Alberta
- [Manitoba Financial Empowerment Network](#) – Winnipeg, Manitoba
- [Newfoundland and Labrador Financial Literacy Network](#) – St. John's, Newfoundland
- [Québec Financial Education Experts Network](#) – Québec City, Quebec
- [Vibrant Communities Canada](#), a national network of 63 communities pursuing comprehensive poverty reduction strategies.

We also have a close working relationship with **Prosperity Now**, a national U.S. charity that animates the **American Taxpayer Opportunity Network**, and its partner the **First Nations Development Institute**, which has published research on effective approaches for increasing tax filing and benefit take-up in U.S. Indigenous communities.<sup>20,21</sup>

Finally, we have the capacity to engage and mobilize **corporate and professional services partners**, such as those already actively supporting our work:

- |                              |   |  |
|------------------------------|---|--|
| • AGF Investments            | • Financial Advisors of Canada            | • Intuit                               |
| • Bridgehouse Asset Managers | • Financial Planning Standards Council    | • Investment Funds Institute of Canada |
| • Capital One                | • Franklin Templeton Inc.                 | • Meridian                             |
| • Canadian Bankers Assoc.    | • IA Clarington                           | • PWC                                  |
| • Deloitte                   | • Independent Financial Brokers of Canada | • Sun Life Global Investments          |
| • Dynamic Funds              |   | • TD Bank Group                        |

## 7. Our track record in achieving large scale change

**AFOA Canada** is Canada's centre for excellence and innovation in Aboriginal finance, management and leadership and the only organization in Canada focused on the capacity development and day-to-day needs of Aboriginal professionals working in finance, management, band administration, leadership and program management. Believing that financial wellness is the foundation for future prosperity, it has successfully developed and delivered Indigenous capacity development and training across Canada in finance, administration, leadership and financial literacy. To date, AFOA Canada has trained and certified **596 Aboriginal Financial Managers** and **52 Aboriginal Professional Administrators**, and worked to build financial and leadership capacity in almost every First Nation community in Canada, as well as other Indigenous communities.

**Prosper Canada** has extensive expertise and experience developing, testing and scaling innovative solutions and building the necessary partnership and resources to do so. The Prosper Canada Centre for Financial Literacy has led the development of Canada's community financial literacy field, training **2,893 community financial educators** from **990 nonprofit organizations** and equipping them with curriculum, teaching and evaluation resources tailored for low-income and vulnerable populations. Since 2015, we have exceeded the **\$5.3 million** matching requirement for our ESDC National FEC Project and, with our partners, have enabled **102,497** Canadians with low incomes, including Indigenous individuals, to measurably improve their financial capability and health:

- **55,000+ individuals** received **tax and benefit assistance**, increasing their income by **\$88.5 million**
- **292 community workers** were trained and delivered **financial coaching** to **60,821 people**
- **1,649 community workers** were trained and delivered **financial education** to **21,765 people**
- **17,980 Canadians** have accessed our **online financial information, education and planning tools**.

## 8. Conclusion

**Canada has many proven service models, access to innovative new approaches, and engaged actors from all sectors who want to help close the tax-filing and benefit take-up gap for Indigenous Peoples.** With focused investment, coordination, and support we believe resources, people and partnerships can be multiplied and mobilized to connect thousands more Indigenous individuals to their benefits with measurable results.

**AFOA Canada has a proven track record in designing and developing capacity building innovative programs for Indigenous communities, based on core competencies rooted in its membership expertise.** AFOA members have volunteered, developed and delivered innovative solutions to a wide range of financial literacy needs in their communities.

**Prosper Canada has the partners, expertise and credibility to effectively support and facilitate an appropriately resourced effort and to leverage matching resources from private sector partners.**

**We are confident that, with a focused, adequately resourced national effort, we can dramatically increase Indigenous Peoples' access to benefits** by mobilizing, coordinating and supporting the necessary partners and building sustainable capacity in Canada's Indigenous communities. This will help to reduce poverty, strengthen local economies, advance reconciliation and provide measurable progress toward a more inclusive economy.

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## **AFOA Canada**

Founded as a not-for-profit association in 1999 to help Aboriginal people better manage and govern their communities and organizations through a focus on enhancing finance and management practices and skills, AFOA Canada has become the centre for excellence and innovation in Aboriginal finance, management and leadership. It is the only organization in Canada that focuses on the capacity development and day-to-day needs of those Aboriginal professionals who are working in all areas of finance, management, band administration, leadership and program management. It provides financial training and capacity building to reserves across Canada and has established expertise, local knowledge and relationships it can apply to increasing tax-filing and benefit take-up rates in First Nations and other Indigenous communities. It has also identified connecting First Nations community members to their benefits – particularly the Canada Child Benefit – as a key organizational priority and is an active partner, with Prosper Canada, working to co-develop and scale First Nations financial wellness programs and tools and resources.

## **Prosper Canada**

Founded in 1986, Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. As Canada's leading national champion of financial empowerment, we work with governments, businesses, and community groups to develop and promote financial policies, programs and resources that transform lives and foster the prosperity of all Canadians. Our aim is to ensure that all financially vulnerable Canadians have access to the financial policies, programs, products and advice they need to build their financial well-being. We are currently working with AFOA Canada and four First Nations communities to co-develop financial wellness programs, training and supports that will be expanded to twelve additional communities this year. Concurrently, we have been developing, adapting and scaling a range of financial empowerment supports for vulnerable Canadians, demonstrating through evaluation their value in measurably improving the financial capability and outcomes of over 102,000 Canadians to date.

## APPENDIX 1

### The problem we are trying to solve

**The current federal government was elected on the promise to build a more inclusive economy** that would support Canada's middle class and those working hard to join it.

**Canada's tax and transfer system is our primary means of redistributing income to offset market income inequality and build a more inclusive economy.** Tax filing is the primary gateway to most income benefits, or the means by which eligibility is established, and can boost low-income households' incomes by up to 50 per cent.<sup>22</sup>

**Indigenous Peoples are the Canadians most likely to live in poverty,<sup>23,24</sup> but the least likely to access government income benefits because many households do not tax file.** While there is no definitive publicly available data on this, an estimated 30-40 per cent of First Nations adults on reserve and fewer off reserve don't file.<sup>25</sup> As a result, they miss out on an estimated \$354+ million annually in Canada Child Benefits alone.<sup>26</sup>

**In response to low take-up of benefits, the government has specifically committed to "proactively contact Canadians who are entitled to, but are not receiving, tax benefits."**<sup>27</sup> In addition to other steps, \$4 million was allocated in the 2016 Budget to expand CRA outreach and communications to First Nations communities.

**The Canada Revenue Agency (CRA) is challenged, though, to effectively support indigenous communities to tax-file on its own.** CRA's *Community Volunteer Income Tax Program* (CVITP), while highly successful in other contexts, has very limited adoption in First Nation communities because it does not fully address their unique contexts and challenges.<sup>28</sup>

**Research and consultation with Indigenous individuals, frontline service providers and intermediary organizations has identified that Indigenous Peoples may choose not to file because they:**<sup>29,30</sup>

- See no need due to their tax exempt status
- Have no income to declare
- Have limited tax/financial literacy
- Have difficulty understanding the process
- Cannot afford the associated costs (e.g. commercial tax preparation fees, fees to obtain birth certificates or SINs, travel)
- Have no support/no one to help them complete their return
- Are worried they may owe back taxes.

**When they do attempt to file, individuals may encounter barriers that prevent them from succeeding:**<sup>31,32,33</sup>

- Many people lack awareness of the importance of tax filing and benefits they may be eligible for
- Tax filing can be perceived as a low priority when struggling to meet more urgent day-to-day needs
- Personal confidence, knowledge, and skills are needed to navigate complex tax/benefit systems
- Low literacy/numeracy/language skills make it difficult to navigate complex tax and benefit systems
- Cognitive barriers (e.g. declining memory) make it hard to navigate forms and processes

- Mental health challenges prevent some people from filing
- Those without computers, adequate internet access, and/or computer skills struggle with online filing
- Many people with low incomes do not know where to turn for affordable, trustworthy advice
- Many people lack access to tax clinics and benefits assistance in their community
- Mobility and distance barriers prevent some people from accessing help
- Commercial tax preparation services, when available, are costly and some are low quality
- Some people (e.g. homeless, women fleeing domestic violence) have challenges compiling identification (e.g. SIN) and necessary financial records to tax file or apply for non-tax benefits
- People with debt (e.g. owing child support) may fear garnishment
- Fear and distrust of government are common concerns – e.g. some people worry additional one-time income may jeopardize needed housing or childcare subsidies; some fear applying for child benefits may lead to scrutiny by social services and potential removal of children.

## Addressing this problem

**CRA's improved communications, expanded regional outreach, and pre-filing of some taxpayer forms will help boost access to benefits for many Canadians, but not all Indigenous Canadians** due to inherent limitations in these approaches:

- **To reach and change behaviour in Indigenous communities, communications efforts need to be highly tailored, delivered through the right channels and accompanied by other supports:**
  - **The shift to online communication has made it easier for CRA to engage with many people, but not all Indigenous Peoples**, as many lack access to a secure computer to access and file tax forms, or receive communications.<sup>34</sup>
  - **Generic government communications (virtual or paper-based) are often hard to decipher** for those with language, literacy, numeracy and cultural barriers, particularly Indigenous seniors.<sup>35</sup>
  - **Communication materials aimed at Indigenous Peoples typically need to be co-developed with the target audience and tailored** to their unique culture/needs/context to be effective.<sup>36</sup>
  - **Communication through trusted intermediaries is also often necessary** to overcome feelings of anxiety, fear or distrust of government in some Indigenous communities.<sup>37</sup>
  - **Behaviour change may require additional supports** as many people know they are potentially eligible for benefits, but face obstacles tax filing and applying for benefits on their own.<sup>38</sup>
- **Organizations that can reach and assist the most excluded groups and mobilize private sector partners are needed to complement CRA outreach efforts:**
  - **Direct links into Indigenous communities are needed to find out why some groups are not tax filing or accessing specific benefits and to help devise solutions.** This knowledge is critical to building effective strategies to close tax filing and benefit gaps.<sup>39</sup>
  - **Organizations that are already known and trusted by Indigenous communities and understand their needs are the best placed to provide effective tax filing and benefits assistance** but they need to be mobilized and supported to contribute leadership and innovation on this issue.<sup>40</sup>
  - **Corporate partnerships, resources and volunteers can play a major role** but CRA is challenged to engage and mobilize these resources on a large scale.



- **Pre-filling forms can potentially help a minority of filers with a stable tax profile (e.g. seniors on fixed income), but many Indigenous people do not fit this profile and others still require help accessing other benefits:**
  - **Many working age Indigenous individuals are involved in self-employment and/or other forms of precarious work** and have volatile incomes from diverse and changing sources that preclude pre-filling as an option.<sup>41</sup>
  - **Many people also need help with non-tax benefits** (e.g. EI, CPP).
- **CVITP helps 600,000+ Canadians with low incomes to tax file annually, but is not available to everyone who needs assistance and is not an effective solution for everyone:**
  - **Non-profit community supports for tax filing and access to benefits, including CVITP, are not available** in many Indigenous communities.<sup>42</sup>
  - **There are few sources of funding to support tax filing and benefits assistance**, even though many community organizations understand their importance and want to offer them.<sup>43</sup>
  - **CVITP provides good basic tax-filing training, but additional training is often needed** to more effectively support specific vulnerable groups.<sup>44</sup>
  - **Many people also need help accessing non-tax benefits** (e.g. EI, CPP).<sup>45</sup>
  - **Many low-income community members lack identification needed to access benefits.**<sup>46</sup>
  - **Models, tools and training for other forms of benefits assistance are quite limited** for organizations that want to play a role.<sup>47</sup>
  - **Mobility barriers due to disability and/or rural and remote geographies prevent people from accessing CVITP** and others sources of help.
  - **CVITP does not serve the self-employed** who make up a significant percentage of newcomers, First Nations peoples, and people with low incomes more generally.<sup>48</sup>
  - **CVITP is not well suited to serve people with complex tax problems** (e.g. some people with disabilities).<sup>49</sup>
  - **Some people need help resolving outstanding debt/tax issues before tax filing.**
  - **Few CVITP sites provide year round tax filing support** creating lengthy delays for those with no other support option.
  - **CVITP model is not suitable for some communities** (e.g. those with few or no eligible host organizations and/or volunteers, where community members feel uncomfortable sharing their financial information with local volunteers).<sup>50</sup>

**This is a classic “last mile” problem where mainstream services and approaches that serve most populations well break down as they try to reach hard to serve customers at the margins.** This problem is generally solved by linking into and leveraging other networks that can more efficiently and effectively reach these customers.<sup>51</sup>

**The government would benefit from having a partner to help solve this “last mile” problem by engaging and mobilizing untapped networks and expertise** and building the necessary strategic partnerships, resources and solutions to reach into and effectively support diverse Indigenous communities in ways that the federal government alone cannot.

## NOTES

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<sup>1</sup> Bajwa, U. *Accessing income-boosting benefits through tax filing*. Toronto: Prosper Canada, 2015.

<http://www.prospercanada.org/getattachment/ea6b571e-861e-4977-95cd-ba799bfbf12d/Accessing-Income-Boosting-Benefits-through-Tax-Fil.aspx>

<sup>2</sup> "If they had a billion dollars..." *Prosper Canada*. Last modified 7 February 2017. <http://prospercanada.org/News-Media/News/If-they-had-a-billion-dollars.aspx>

<sup>3</sup> Statistics Canada. *2011 National Household Survey*. 2011. <http://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/dt-td/index-eng.cfm>

<sup>4</sup> Personal conversation with official from Aboriginal Affairs Strategy and Integration Branch, Canada Revenue Agency, on April 27 2017.

<sup>5</sup> In general, families who are eligible for Canada Child Benefit payments may receive up to \$6,400 per child under six and \$5,400 for each older child aged 6-17, with lower income families eligible for the highest amounts.

<sup>6</sup> Phoenix Strategic Perspectives. *The experiences of Indigenous Communities with tax filing (Final Report for the Canada Revenue Agency)*. Ottawa: Canada Revenue Agency (CRA), 2017. [http://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/canada\\_revenue\\_agency/2017/040-16-e/report.pdf](http://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/canada_revenue_agency/2017/040-16-e/report.pdf)

<sup>7</sup> In 2012-13, 33.6 per cent of on-reserve FN peoples received social assistance compared to just over 5 per cent for Canadians overall. See: Sawchuk, J. "Social Conditions of Indigenous Peoples." Toronto: Canadian Encyclopedia. Last modified March 10 2017. <http://www.thecanadianencyclopedia.ca/en/article/native-people-social-conditions/>

<sup>8</sup> Indigenous children in Canada are more than twice as likely to live in poverty as non-Indigenous children, according to a 2016 study by the Canadian Centre for Policy Alternatives. The study calculates poverty rates on reserves and in the territories—something never before examined. It disaggregates child poverty statistics and asserts that the worst poverty is experienced by status First Nation children, 51 per cent of whom live in poverty, rising to 60 per cent for children on reserve. Child poverty rates on-reserve worsened between 2005 and 2010. See: Macdonald, D., & Wilson, D. *Shameful Neglect: Indigenous child poverty in Canada*. Ottawa: Canadian Centre for Policy Alternatives, 2016.

[https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nationalper cent20Office/2016/05/Indigenous\\_Childpercent20\\_Poverty.pdf](https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nationalper cent20Office/2016/05/Indigenous_Childpercent20_Poverty.pdf)

<sup>9</sup> Estimate provided by Canada Revenue Agency on November 15 2017 based on linkage rates derived from 2010 tax filing data and 2011 census data. More up to date estimates are expected in January 2018.

<sup>10</sup> "If they had a billion dollars..." *supra* note 2.

<sup>11</sup> Smirl, E. *Access to identification for low-income Manitobans*. Winnipeg: Canadian Centre for Policy Alternatives Manitoba, 2017. [https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitobaper cent20Office/2017/10/Access\\_to\\_ID\\_Low\\_income\\_Manitobans.pdf](https://www.policyalternatives.ca/sites/default/files/uploads/publications/Manitobaper cent20Office/2017/10/Access_to_ID_Low_income_Manitobans.pdf)

<sup>12</sup> Government of Canada. *Minister of National Revenue Mandate Letter*. Ottawa: Office of the Prime Minister, November 12 2015. <https://pm.gc.ca/eng/minister-national-revenue-mandate-letter>

<sup>13</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6.

<sup>14</sup> *Ibid.*

<sup>15</sup> Prosper Canada. *Breaking down barriers to tax filing for people living on low incomes*. Toronto: Prosper Canada, 2016. <http://prospercanada.org/getattachment/877cb75f-4f8f-44ff-b762-af726c3afce7/Breaking-down-barriers-to-tax-filing.aspx>

<sup>16</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6.

<sup>17</sup> Prosper Canada Centre for Financial Literacy. *Financial literacy and Aboriginal Peoples*. Toronto: Prosper Canada, 2015. <http://prospercanada.org/getattachment/f988e655-6033-40b1-8445-cd539bfdcf09/Financial-Literacy-and-Aboriginal-Peoples.aspx>

<sup>18</sup> *Breaking down barriers to tax filing for people living on low incomes*, *supra* note 15.

<sup>19</sup> The main challenges of last mile delivery include minimizing cost, ensuring transparency, increasing efficiency, making delivery frictionless and improving infrastructure.

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- <sup>20</sup> First Nations Development Institute (FNDI). *Tax time savings for Native Communities: Ten best practices for effective Native VITA programs*. Longmont, CO: FNDI, 2013. [http://www.firstnations.org/knowledge\\_center/download/tax\\_time\\_savings\\_native\\_communities\\_ten\\_best\\_practices\\_effective\\_native](http://www.firstnations.org/knowledge_center/download/tax_time_savings_native_communities_ten_best_practices_effective_native)
- <sup>21</sup> First Nations Development Institute (FNDI). *VITA Sites Serving Native Communities: The State of the Field*. Longmont, CO: FNDI, 2013. [http://firstnations.org/knowledge\\_center/download/vita\\_sites\\_serving\\_native\\_communities\\_state\\_field](http://firstnations.org/knowledge_center/download/vita_sites_serving_native_communities_state_field)
- <sup>22</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6.
- <sup>23</sup> “Social Conditions of Indigenous Peoples,” *supra* note 7.
- <sup>24</sup> *Shameful Neglect: Indigenous child poverty in Canada*, *supra* note 8.
- <sup>25</sup> Estimate provided by CRA official in personal conversation.
- <sup>26</sup> “If they had a billion dollars...,” *supra* note 2.
- <sup>27</sup> *Minister of National Revenue Mandate Letter* (November 12 2015), *supra* note 12.
- <sup>28</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6.
- <sup>29</sup> *Ibid.*
- <sup>30</sup> *Breaking down barriers to tax filing for people living on low incomes*, *supra* note 15.
- <sup>31</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6.
- <sup>32</sup> *Financial Literacy and Aboriginal Peoples*, *supra* note 17.
- <sup>33</sup> *Breaking down barriers to tax filing for people living on low incomes*, *supra* note 15.
- <sup>34</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at pp. 2 and 26.
- <sup>35</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at pp.28.
- <sup>36</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at pp.31.
- <sup>37</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at p. 34.
- <sup>38</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at p. 26.
- <sup>39</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at p. 35.
- <sup>40</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at p. 34.
- <sup>41</sup> Prosper Canada. *Building financial education: Impact and insights from the TD Financial Literacy Grant Fund*. Toronto: Prosper Canada, 2015, at p. 15. <http://prospercanada.org/getattachment/cf06ec7b-654e-44fb-abf8-f47388d83719/Building-Financial-Education-Impact-Insights-from.aspx>
- <sup>42</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at pp. 2 and 25.
- <sup>43</sup> *Building Financial Education: Impact and Insights from the TD Financial Literacy Grant Fund*, *supra* note 41 at 25.
- <sup>44</sup> *Breaking down barriers to tax filing for people living on low incomes*, *supra* note 15.
- <sup>45</sup> Based on consultation with and evaluation insights from Prosper Canada’s community partners delivering tax and benefit assistance interventions.
- <sup>46</sup> *Access to identification for low-income Manitobans*, *supra* note 11.
- <sup>47</sup> Prosper Canada. *Financial counselling for people living on low incomes: International scan of best practices*. Toronto: Prosper Canada, 2015 at p. 13. <http://www.prospercanada.org/getattachment/ea318ed1-9eb7-4ec5-85c8-adcc89e9cfd/Financial-Counselling-for-people-Living-on-Low-Inc.aspx>
- <sup>48</sup> CVITP volunteers do not complete returns for individuals who:
- are self-employed or have employment expenses
  - have business or rental income and expenses
  - have capital gains or losses
  - file for bankruptcy
  - are completing a tax return for a deceased person
- “Community Volunteer Income Tax Program (CVITP).” *Canada Revenue Agency*. Last modified November 24 2017. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/tis28/lend-a-hand-need-a-hand.html>
- <sup>49</sup> *Breaking down barriers to tax filing for people living on low incomes*, 2016. See also, CVITP information: “The CVITP helps eligible taxpayers who have a modest income and a simple tax situation. In general, your tax situation is simple if you have no income or if your income comes from these sources:
- employment
  - pension
  - benefit or support payments

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- RRSP
  - scholarships or grants
  - interest (under \$1,000)”

“Community Volunteer Income Tax Program (CVITP).” *Canada Revenue Agency*. Last modified November 24 2017. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/tis28/lend-a-hand-need-a-hand.html>

<sup>50</sup> *The experiences of Indigenous Communities with tax filing*, *supra* note 6 at p. 25.

<sup>51</sup> The main challenges of last mile delivery include minimizing cost, ensuring transparency, increasing efficiency, making delivery frictionless and improving infrastructure.