

2020-12 Monitoring and Investigating Tax Rebate Discounters

Mover: SEED Winnipeg Inc.

Whereas: Income tax refunds and benefits accessed through the personal income tax system play a significant role in stabilizing the income of low-income households. Community-based agencies have partnered with Canada Revenue Agency and the Province of Manitoba to assist low-income Manitobans to file personal income tax returns through the Community Volunteer Income Tax Program (CVITP). Two of these agencies, SEED Winnipeg and Community Financial Counselling Services, and our community partners support low-income community members to access over \$40 million in tax refunds and related benefits each year.

Whereas: Private sector tax preparers also file personal income tax returns for low-income community members. The Government of Canada and the Province of Manitoba allow some of these tax preparers, who register as “tax rebate discounters,” to charge a legislated fee to provide a tax refund prior to filing a return. In exchange for receiving what is commonly known as a same-day or instant refund, clients pay a fee of up to 15% of their tax refund. This fee is specified in the Income Tax Act (Manitoba) and the Tax Rebate Discounting Act (Canada).

Whereas: Tax rebate discounters have statutory obligations to register with the Province of Manitoba Department of Finance, to maintain records, and to provide an annual report to the Department of Finance on tax refunds acquired in the previous year. However, data regarding the number of registered tax rebate discounters and the number of tax returns acquired is not readily available from the Department of Finance.

Whereas: The provincial Department of Finance has the statutory authority to monitor and investigate tax rebate discounters under the Income Tax Act (Manitoba), Part IV, and the Tax Rebate Discounting Regulation (Manitoba). However, the level of resources that the provincial Department of Finance has allocated towards monitoring and investigating tax rebate discounters is unclear. For instance, tax rebate discounting is not mentioned in the three most recent annual reports from Manitoba Finance.

Whereas: Community members and community-based agencies have reported that tax rebate discounters have been acquiring income tax returns from low-income community members in November and December for the following year. Moreover, community members have reported that tax rebate discounters have assumed a role as their authorized representative with Canada Revenue Agency and have acquired and filed income tax returns for subsequent tax years without their express consent. It is unclear whether these practices comply with provincial and federal legislation and regulations on tax rebate discounting.

Whereas: Public data on tax rebate discounting is required to understand the extent of tax rebate discounting among low-income Manitobans and to assess whether further regulation, investigation, and monitoring is necessary to protect low-income Manitobans.

Whereas: The Province of Manitoba and the Government of Canada support community-based agencies and volunteers to file income tax refunds for low-income community members free of charge. Access to data on the use of tax rebate discounters would enable government and

community-based agencies to more efficiently allocate resources to communities with the greatest level of need and allow for better targeting of free community-based tax filing services.

Whereas: Further regulation and monitoring of tax rebate discounters could decrease the high costs that some low-income Manitobans pay to access their income tax refunds and related benefits.

Whereas: This resolution fits within the Ending Poverty theme as it calls attention to a high-cost means of income tax filing with the aim to increase the share of tax refund income that flows to low-income Manitobans.

Be It Resolved That: The Province of Manitoba Department of Finance publicly and regularly report on the extent of tax rebate discounting in Manitoba, including a list of registered tax rebate discounters and the number of tax refunds acquired each year. Released data should be anonymous but disaggregated to enable analysis by household income level, geography (forward sortation area), and month of filing.

Be It Further Resolved That: The Province of Manitoba Department of Finance ensure that sufficient resources are allocated to monitor, investigate, and regulate tax rebate discounters.

How the Resolution will be Advanced: With the support of CCEDNet, Community Financial Counselling Services, and partner agencies, SEED Winnipeg will lead engagement with the Province of Manitoba to advance this resolution.
