Q1:

a) WITB = (4000-3000)*25% = 250

After tax income = 4250

Maximum value from WTIB benefit:

(income -3000)*25% = 2000

⮑ Income = 7000

Any income from 7000 to 11500 would give maximum benefit

Income that the credit reduced to zero:

15%*(income -11500) = 1000

⮑ Income = 18167

b) WITB income: 0   3000   7000   11500   18167

Tax effect: 0   -25%   25%   15%   -15%

Provincial tax rate:

Income: 0   5000

Tax effect: 0   30%

Income: 0   3000   5000   7000   11500   18167

Effective tax: 0   -25%   5%   30%   45%   30%

Bracket creep: what is said to be happening when an increase in an individual's nominal income ushes the person into a higher tax bracket