Q1:

1. 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

1. WITB income: 0 3000 7000 11500 18167

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

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Provincial tax rate:

Income: 0 5000

Tax effect: 0 30%

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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