

Broken Links

Poverty and the limits of
the Disability Tax Credit



The Canadian
Tax Observatory



The Canadian Tax Observatory

Established in 2025, the Canadian Tax Observatory is an independent charitable organization devoted to helping people and policymakers understand the tax system. Through research, public education and collaboration, our goal is to advance a tax system that promotes economic growth, shared prosperity and tax fairness. The founding CEO is Heather Scoffield.

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Publication Date

April 22, 2026

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Acknowledgements

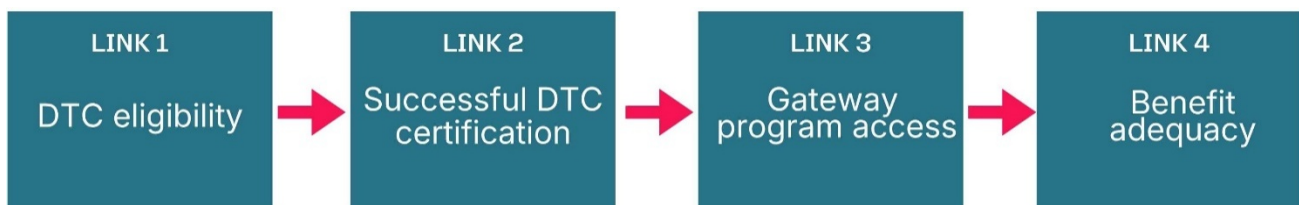
The Canadian Tax Observatory thanks Inclusion Canada, Indigenous Disability Canada (IDC) and David Duff for their feedback and input and is grateful for the support of Inclusion Canada and Indigenous Disability Canada.

Executive Summary

Persons with disabilities are among the most economically marginalized groups in Canada. Working-age adults with disabilities face low-income rates that are, on average, double those of their non-disabled peers — a gap that has persisted for nearly a decade. Among those who are low-income, incomes fall on average one-third below the poverty threshold. Wealth deficits compound income disadvantages, and even employment delivers systematically worse outcomes for persons with disabilities. They are more likely to be unemployed, more likely to hold precarious work, and nearly twice as likely to hold low-quality employment compared to their non-disabled counterparts.

Against this backdrop, the federal government enacted the *Canada Disability Benefit Act* in 2023, with payments beginning in July 2025. The Canada Disability Benefit (CDB) is the first major new federal disability income transfer in decades. It uses a single instrument to determine disability eligibility: a valid Disability Tax Credit (DTC) certificate. That design choice places the DTC — a non-refundable tax credit created for tax equity purposes, not income support — at the centre of Canada's disability poverty reduction architecture. The federal government is currently reviewing the DTC application process. This report, prepared for the Canadian Tax Observatory, examines what improved access to the DTC and to the federal programs it unlocks can realistically contribute to reducing low income among persons with disabilities. It also identifies the research needed to quantify the effects of specific reforms.

To evaluate what improved DTC access can and cannot deliver, this report develops a transmission mechanism framework that maps the full chain of steps between obtaining a DTC certificate and seeing a reduction in low income. The framework identifies four links in that chain: DTC eligibility, successful DTC certification, gateway program access, and benefit adequacy. Each of these links is a necessary condition for the next and each is a potential point of failure. This report focuses on Links 1 and 2, which are specific to the DTC, while acknowledging that breakdowns at Links 3 and 4 will limit what even well-designed DTC reforms can deliver.



At **Link 1 (DTC eligibility)**, the DTC's definitional criteria — requiring a severe and prolonged impairment that markedly restricts a basic activity of daily living at least 90 per cent of the time for at least 12 months continuously — structurally excludes persons with episodic conditions and creates higher eligibility barriers for those with mental health and pain-related disabilities. Only 16.6 per cent of persons with mental health disabilities and 16.4 per cent of those with pain-related disabilities hold a DTC certificate, compared to 47.3 per cent of persons with developmental disabilities (Leanage, Sung-Hee, and Arim 2025). Improving access to the DTC at this link would likely require legislative change to the eligibility criteria and CRA interpretation.

At **Link 2 (successful DTC certification)**, large administrative costs are placed on those with the greatest financial need. Only 15.6 per cent of persons with disabilities identified in the Canadian Survey on Disability hold a DTC certificate. The gaps are systematic: women with disabilities hold certificates at a rate of 13.7 per cent compared to 18.2 per cent for men and persons in the lowest income quintile hold certificates at a rate of only 17.3 per cent. Barriers to DTC certification include a 16-page application, the time and financial cost of engaging a qualifying medical practitioner, and an opaque adjudication process that makes formulating appeals difficult. Improving access to the DTC at this link would require administrative reform.

At **Link 3 (gateway program access)**, the DTC is a necessary but not a sufficient condition of access to at least 13 distinct programs, ranging from home renovation credits (of limited poverty-reduction relevance) to the CDB, which is the most consequential for low-income persons with disabilities. Persons who successfully obtain DTC certification may face additional eligibility barriers to these programs. For example, tax filing is a condition of access to some gateway programs such as the CDB and programs that are administered through RDSPs, yet an estimated 19.6 per cent of persons below the poverty line did not file a return in 2015 (Robson and Schwartz 2020), and the rate among low-income persons with disabilities is likely higher.

At **Link 4 (benefit adequacy)** the CDB's maximum benefit of \$2,400 per year (\$200 per month) is insufficient to lift most recipients above the poverty threshold. It is estimated that at its current level, the CDB would lift only approximately 10,000 of the roughly 911,000 low-income working-age Canadians with disabilities out of poverty (Scott and Macdonald 2024). Provincial claw back provisions further erode the value of what the gate opens onto: Alberta claws back CDB payments dollar-for-dollar against social assistance benefits, ensuring recipients receive no net gain despite being required to apply.

Overall, the transmission mechanism framework establishes that improving DTC access is a necessary but insufficient condition for meaningfully reducing low income among persons with disabilities. To determine which DTC-specific reforms would be most impactful and for whom, this report identifies the following directions for further research.

At **Link 1 (DTC eligibility)**, the priority research questions concern the implementation, design, and distributional effects of eligibility reform:

What would expanding the eligibility criteria to better accommodate episodic, mental health, and pain-related conditions look like? How would it affect DTC certification rates and low-income rates across disability types? What would be its distributional impacts and who would remain ineligible even after reform?

What would automatically granting DTC eligibility to persons already certified under CPP-D, provincial disability assistance programs, and Veterans Affairs disability benefits look like? How would it affect DTC certification rates and low-income rates across disability types? What would be its distributional impacts and who would continue to be ineligible?

At **Link 2 (successful DTC certification)**, the priority research questions concern the implementation and distributional effects of reducing administrative barriers:

How would a program subsidizing the financial cost of practitioner certification be designed and implemented? Given the implementation and design, who would benefit most from reducing or eliminating the financial cost of practitioner certification, and by how much would certification rates and low-income rates improve?

What would proactive outreach and simplified processes for persons already receiving CPP-D or provincial disability assistance look like and what would it deliver? How much would certification uptake improve, and for whom?

Could the Community Volunteer Income Tax Program, or another in-community CRA-funded program, be expanded to support DTC applications? How much additional resourcing would be required, how much would certification rates and low-income rates improve, and for whom?

The federal government's proposed review of the DTC application process creates a concrete opportunity to create and act on the evidence. This report provides advocacy organizations, researchers, officials and policymakers with a structured framework for identifying which reforms to the DTC are most likely to improve outcomes for low-income persons with disabilities, and the evidence base needed to evaluate them.

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Introduction

Persons with disabilities are among the most economically marginalized groups in Canada, and the gap between their incomes and those of non-disabled Canadians has persisted for at least a decade. Working-age adults with disabilities face low-income rates that have remained roughly double those of their non-disabled peers for nearly a decade, and among those who are low-income, incomes fall on average one-third below the poverty threshold. Wealth deficits compound income disadvantages, structural barriers to employment persist, and even labour market participation delivers systematically worse outcomes for persons with disabilities than for their non-disabled counterparts. Against this backdrop, the federal government enacted the Canada Disability Benefit Act in 2023 and began payments under the Canada Disability Benefit (CDB) in July 2025 — the first major new federal disability income benefit in decades. The CDB uses a single instrument to determine disability eligibility: a valid Disability Tax Credit (DTC) certificate. That design choice places the DTC at the centre of the federal government's most significant recent commitment to addressing disability poverty. The federal government is currently reviewing the DTC application process. This report, prepared for the Canadian Tax Observatory, sets out to answer a question that review raises: what can improved access to the DTC, and to the programs it is a gateway to, realistically contribute to reducing low income among persons with disabilities in Canada?

The DTC is not a poverty-reduction program. It is a non-refundable federal tax credit designed to address tax equity by offsetting the unavoidable additional costs that persons with disabilities face. As a direct income support instrument, it is poorly targeted to those with the greatest financial need: because it is a non-refundable tax credit, its value is highest for those with sufficient tax liability to use it. It has very little or no direct benefit for those in the deepest poverty. Simpson and Stevens (2016) find that DTC-eligible families with incomes below the low-income threshold receive an average of just \$29 per year from the credit. For low-income persons with disabilities, the DTC's importance lies not in the credit itself, but in its function as an eligibility gateway: a valid DTC certificate is a necessary condition of access to at least 13 programs including the CDB, the Registered Disability Savings Plan (RDSP) and the government contributions that flow through it, the Canada Workers Benefit Disability Supplement, and the Child Disability Benefit, among others. Whether improved DTC access meaningfully reduces poverty for persons with disabilities therefore depends not on the credit's own design, but on whether the persons most in need of those programs can obtain DTC certification and on whether the programs it unlocks are adequate.

This report argues that improved DTC access is a necessary but insufficient condition for meaningfully reducing low income among persons with disabilities in Canada. The case for improving access is strong: the majority of persons with disabilities who are potentially eligible for the DTC do not hold a certificate (Dunn and Zwicker 2018; Leanage, Sung-Hee, and Arim 2025), uptake gaps fall disproportionately on women, persons with mental health and episodic disabilities, and those in the lowest income quintile. This report argues there are two DTC-specific “links” which, if reformed, would reduce DTC-related barriers. First, the DTC's eligibility criteria structurally exclude certain disability types, particularly those with episodic conditions, and make eligibility more difficult for those with mental health and pain conditions. Addressing this problem would require legislative change. Second, the certification process itself is time-consuming, imposes regressive financial costs on low-

income applicants, and, if denied, leaves applicants without adequate information to formulate an appeal. This would be addressable through administrative reform.

At the same time, the insufficiency of improved DTC access alone is equally clear: there are additional eligibility criteria for “gateway” programs that also create barriers in accessing programs intended for low-income persons with disabilities (i.e., tax filing). And the programs the DTC unlocks, while meaningful, do not deliver benefits adequate to lift most recipients above the poverty threshold. Meanwhile, the provinces retain the ability to claw back federal transfers dollar-for-dollar, as Alberta has done with the CDB. The analytical framework developed here — mapping the full chain from DTC eligibility through successful certification to gateway program access and, finally, to benefit adequacy — makes clear that reforms operating at any single link in that chain are necessary but insufficient without attention to the others.

The remainder of this report is structured as follows. Section 1 establishes the scope and depth of poverty among persons with disabilities in Canada, drawing on low-income rates, income gap ratios, wealth deficit estimates, and employment data. Section 2 provides an orientation to the federal and provincial income support landscape including provincial social assistance, CPP-D, the RDSP, and the CDB, sufficient to understanding the step forward the CDB makes and the DTC's role within it. Section 3 describes the DTC itself: its eligibility criteria, certification process, non-refundable design, and gateway function. Section 4 synthesizes the existing evidence on DTC uptake, who gets certified and who does not, barriers to access, and the distributional consequences of the non-refundable design. Section 5 draws these threads together to evaluate, link by link, what improved DTC access can and cannot realistically contribute to reducing low income among persons with disabilities and identifies the directions for further research that would allow the effects of specific reforms to be quantified.

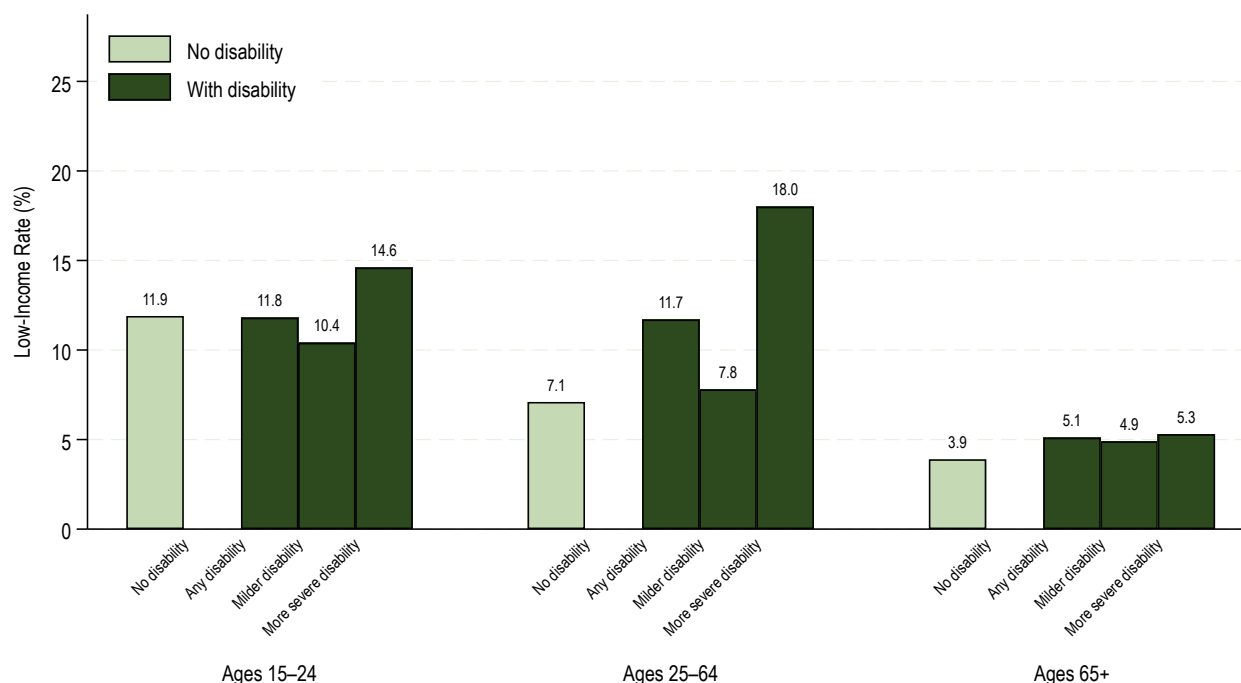
Section 1: The Extent of Poverty Among Persons with Disabilities in Canada

Persons with disabilities are among the most economically marginalized groups in Canada. Low-income rates for working-age adults with disabilities have remained roughly double those of their non-disabled peers for nearly a decade. The 2022 Canadian Survey on Disability (CSD), administered in 2020, is a Statistics Canada survey designed specifically to capture the experiences of Canadians whose daily activities are limited by a long-term condition or health problem. The 2022 CSD identified approximately 8 million Canadians aged 15 and over as having a disability, representing roughly 27 per cent of that population (Hébert et al. 2024). Figure 1 presents low-income rates by age group and disability severity based on the 2022 CSD.¹ The pattern is consistent across age groups: persons with disabilities face higher rates of low income than their non-disabled peers. The gap is sharpest for working-age adults aged 25 to 64: 11.7 per cent of working-age adults with disabilities

¹ Throughout this report, the low-income rate used is the Market Basket Measure (MBM) 2018 base unless otherwise specified. The MBM is Canada's official low-income rate (Statistics Canada 2022). It is measured by comparing an economic family's disposable income to the cost of a basket of goods and services representing a modest, basic standard of living. The MBM recognises the potential differences in the cost of the basket between similar-sized communities in different provinces and between different geographical regions within provinces.

have low income, compared to 7.1 per cent of their non-disabled peers. For those with more severe disabilities, the low-income rate rises to 18.0 per cent, more than double the rate for non-disabled working-age adults.

Figure 1: Low Income Rate by Age Groups and Disability Severity, CSD 2022



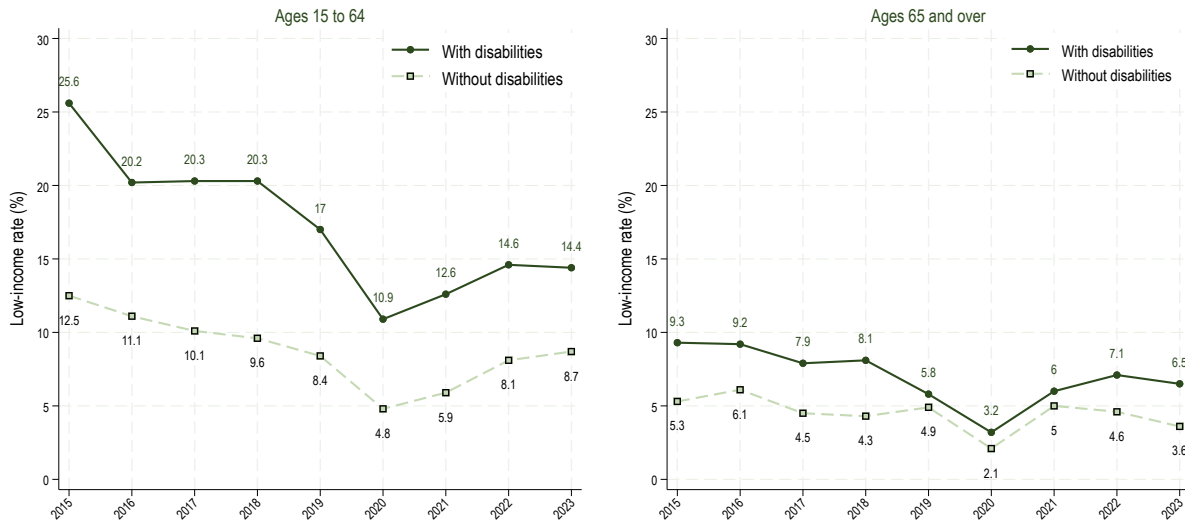
Source: Statistics Canada, Canadian Survey on Disability, 2022, Table 3.3A (Cat. no. 89-654-X). All genders. Low income defined as below the Market Basket Measure (MBM).

The Canadian Income Survey (CIS), another source of data, allows for tracking these trends over time. Figure 2 presents low-income rates for persons with and without disabilities from 2015 to 2023, separately for working-age adults (aged 15 to 64, left panel) and older adults (aged 65 and over, right panel). Two findings stand out. First, low-income rates for persons with disabilities are persistently higher than for non-disabled Canadians across the full period regardless of age group. Second, the gap between the low-income rate for persons with and without disabilities is largest for working-age adults: working age persons with disabilities have a low-income rate that is, on average, double the low-income rate of working age persons without disabilities. This gap has shrunk in recent years, decreasing from 105 per cent in 2015 and a high of 127 per cent in 2020 to 65 per cent in 2023, although it is still significant.

Low-income rates capture how many persons with disabilities fall below the poverty threshold, but they say nothing about how far below it they fall. The average income gap ratio addresses this: it measures the average distance between the incomes of low-income persons and the low-income threshold, expressed as a percentage of that threshold. A higher gap ratio means that low-income persons are, on average, further from escaping low-income. Figure 3 presents average income gap ratios for 2023 by age group and disability status. Among working-age adults aged 15 to 64, low-income persons with disabilities have an average gap ratio of 33.1 per cent, meaning their incomes fall, on average, one-third below

the low-income threshold.² Among older adults aged 65 and over, gap ratios are lower for both groups (19.7 per cent for those with disabilities; 22.2 per cent for those without), likely reflecting the role of age-related income supports such as Old Age Security (OAS) and the Guaranteed Income Supplement (GIS).

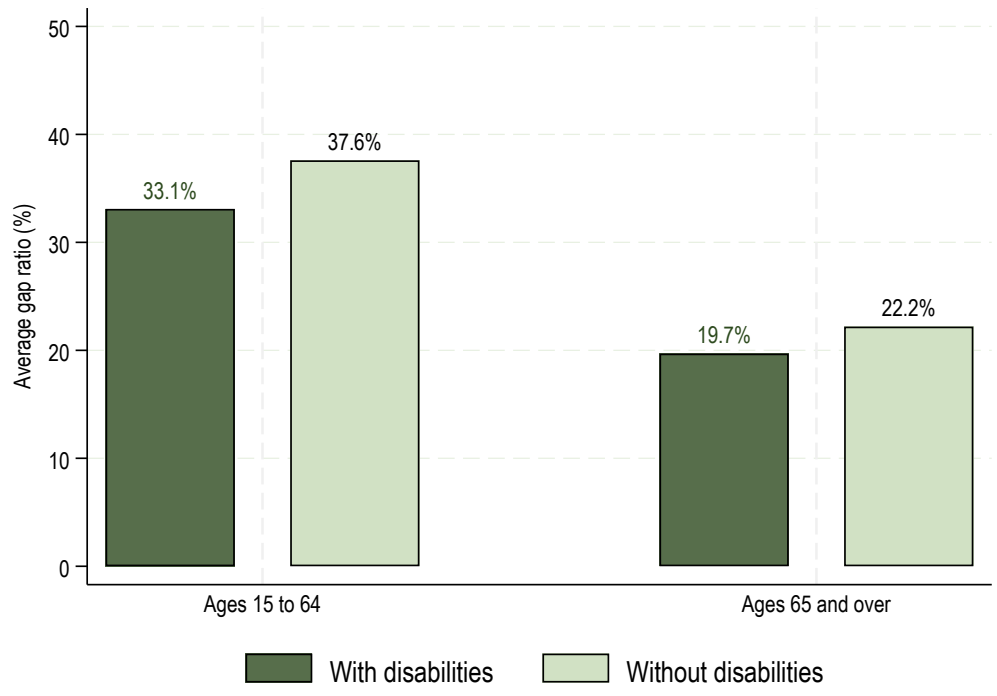
Figure 2: Low Income Rates, 2015 to 2023



Source: Statistics Canada, Table 11-10-0090-01. Low income measured using the Market Basket Measure (2018 base).
 Note: Quality flags range from B (acceptable) to D (use with caution, high sampling variability).

² The average income gap for persons without disabilities is higher than for those with disabilities. This is likely due to welfare benefit amounts. For persons with no or very low income, welfare benefits are much lower for those without disabilities compared to those with disabilities (Laidley and Oliveira 2025).

Figure 3: Average Income Gap Ratio Among Low Income Persons, 2023



Source: Statistics Canada, Table 11-10-0090-01.
Low income measured using the Market Basket Measure (2018 base).
Note: The average gap ratio measures how far below the poverty threshold the incomes of low-income persons fall, expressed as a percentage of the threshold.

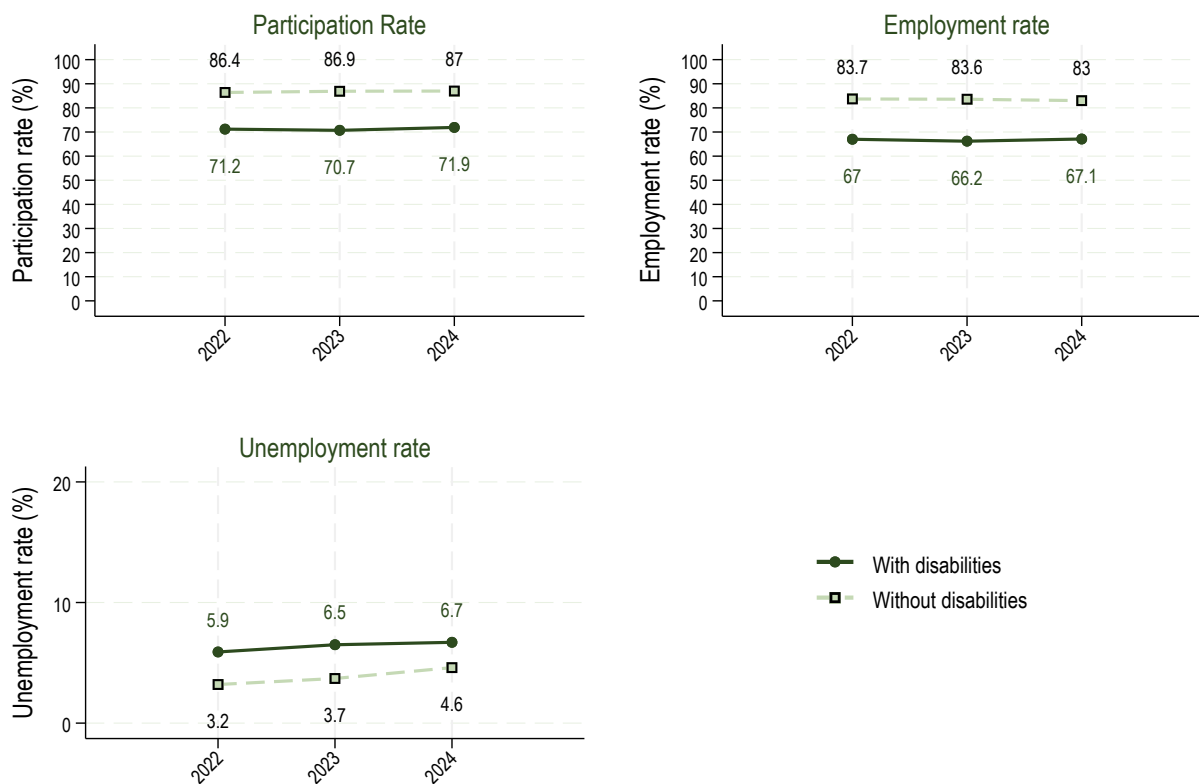
Income poverty, however, captures only part of the picture. Wealth — the stock of assets a household has accumulated over time — is a distinct and in some respects more consequential dimension of economic security, providing a buffer against income disruptions and a foundation for long-term stability. Persons with disabilities face substantial wealth deficits on top of their income disadvantages and those deficits have been widening.³ Using three waves of the Canadian Survey of Financial Security (SFS) spanning 1999 to 2012, Maroto (2016) finds that households including a person with a disability held approximately \$22,000 less in net worth at the median than otherwise comparable households in 2012 after accounting for differences in age, earnings, family structure, and credit market access. Mediation models that also account for the indirect effects of disability on net worth through home ownership and income show a larger total gap: approximately \$32,000 at the median in 1999, growing to approximately \$52,000 in 2012.

The same underlying data yield sharper estimates when the focus narrows to non-housing assets including savings, stocks, and pensions, which are more liquid and more relevant to day-to-day financial resilience than home equity. Using pooled data from the 1999 to 2012 Survey of Financial Security (SFS), Maroto and Pettinicchio (2020) find that households where the respondent or their spouse reported a disability held approximately 25 per cent less in non-housing assets than otherwise comparable households, after accounting for differences in education, employment, family structure, and credit market access. This direct wealth penalty was compounded by an indirect one: because disability limits employment earnings, and because employment earnings are a primary engine of asset accumulation, the total disability-associated reduction in non-housing assets was approximately 29 per cent once both pathways were accounted for. The authors argue that mechanisms driving this gap are structural rather than behavioural. Means-tested disability benefits impose asset limits that actively discourage saving, credit market barriers restrict access to wealth-building financial products, and the elevated costs of living with a disability, such as out-of-pocket health care, assistive equipment, and transportation, leave little income available to convert into assets.

The income and wealth deficits documented above are sustained in part by structural barriers to employment. Using data from the Labour Force Survey, Figure 4 shows that persons with disabilities are less likely than persons without disabilities to participate in the labour force: on average 86 per cent of persons without disabilities participate in the labour force compared to about 71 per cent of persons with disabilities. For persons who do participate in the labour force, persons with disabilities are less likely to be employed (67 per cent) compared to persons without disabilities (83 per cent) and persons with disabilities are almost twice as likely to be unemployed (6.4 per cent) compared to persons without disabilities (3.8 per cent).

³ Comprehensive Canadian analysis on wealth gaps by disability status are limited. The most recent estimates draw on the Survey of Financial Security spanning 1999 to 2012. No comparable updated analysis is available to the author's knowledge.

Figure 4: Employment Indicators for Persons with and Without Disabilities



Source: Statistics Canada, Table 14-10-0477-01.
Only includes persons ages 25 to 64 years

These participation and employment gaps reflect structural and attitudinal barriers that have been documented in the literature. Qualitative research with persons with disabilities in Calgary and Regina found that employer discrimination and labelling, not accommodations, were the primary factors impeding respondents' ability to secure and maintain employment, with many reporting that disclosing a disability led employers to discount their skills and experience regardless of their qualifications (Shier, Graham, and Jones 2009). Beyond the initial barrier of securing work, participation in the labour market does not in itself guarantee economic security. Shahidi et al. (2023) drawing on a national survey of Canadian workers, find that persons with disabilities report consistently lower employment quality than their non-disabled counterparts across sixteen dimensions, including job security, income security, schedule predictability, and training opportunities. Taking all dimensions together, persons with disabilities are nearly twice as likely to hold low-quality employment and more than four times as likely to be in precarious work specifically. The result is a labour market that generates low income, limited savings, and thin asset buffers for many persons with disabilities.

Taken together, the evidence in this section establishes that disability poverty in Canada is persistent, deep, and structural. Low-income rates for working-age persons with disabilities have remained roughly double those of non-disabled Canadians for nearly a decade. Among those who are low-income, incomes fall on average one-third below the low-income threshold—a level that likely does not capture the higher costs of living people with disabilities face. Wealth deficits compound income disadvantages and have been growing over time.

And even employment, which policy commonly treats as the primary route out of poverty, delivers systematically lower quality outcomes for persons with disabilities than for their non-disabled peers. It is noted, however, that the evidence presented in this section draws primarily on aggregate data and cannot fully capture the compounding disadvantages faced by specific subgroups. Most notably, the data underlying Figure 2 and Figure 4 explicitly exclude people living on Indigenous reserves, meaning the employment and income gaps documented here likely understate the disadvantages faced by Indigenous persons with disabilities.

This evidence motivates two related questions that the remainder of this report addresses. First, what income support programs exist for persons with disabilities in Canada, and how do they interact with one another? Second, what role does the DTC play in that system, both as a tax credit and as an eligibility gateway to other programs, and what can improved DTC access realistically contribute to reducing the poverty documented here? Section 2 provides an orientation to the federal and provincial income support landscape before Section 3 turns to the DTC specifically.

Section 2: Overview of the Federal and Provincial Income Support System

Canada's income support system for persons with disabilities is the product of layered, incremental policymaking across multiple orders of government and over several decades. The result is a patchwork of programs governed by different eligibility rules, administered by different agencies, and oriented toward different understandings of disability — from charity to social insurance to rights-based entitlement. This section provides a brief orientation to that landscape. I briefly sketch the history of income support programs for persons with disabilities and describe the main (current) programs: provincial social assistance, the Canada Pension Plan Disability benefit and the Registered Disability Savings Plan. This background is key to understanding why the Canada Disability Benefit (CDB), which is also discussed, represents a major policy step forward for persons with disabilities with low income. The goal is not exhaustive coverage of each program but background sufficient to understand the importance of the DTC and what gaps it potentially fills.

2.1 A Brief History of Disability Income Benefits in Canada

Prior to the Canadian Assistance Plan (CAP) in 1966 and the Canadian Pension Plan – Disability (CPP-D) being implemented in 1970, Canadian income support for persons with disabilities consisted of a social insurance model in Workers Compensation (i.e., only for workers injured at work with the amount determined by complex formulas), a charity model in social assistance for persons who are blind and “permanently and totally” disabled persons, and a universal model in war veterans pensions (i.e., a universal amount available to all injured veterans) (Malhotra 2024; Prince 2016, 91). Due to limited eligibility conditions, many persons with disabilities were not covered by any disability income support programs: for many Canadians before 1966, disability was a serious economic risk for which there was very limited income assistance.

CAP, implemented in 1966, marked a transition toward social welfare thinking with a vision of building a more comprehensive and compassionate social security system for the country.

Under CAP, the federal government financed 50 per cent of the costs of provincial welfare programs whose sole criterion for eligibility was a gap between resources and basic needs. Under CAP, the provinces had to agree not to impose residency requirements for eligibility, but otherwise there was no minimum or maximum benefits stipulated: CAP was the first multilateral agreement that created 10 welfare systems — one for each province (Prince 2002). The federal CPP-D, launched in 1970, continued to extend disability income security by offering a portable, defined benefit pension available regardless of provincial residence. It was open to anyone between the ages of eighteen and sixty-five who had a severe and prolonged physical or mental disability and who had worked and thus contributed to the plan for five years (Malhotra 2024; Prince 2016).

Beginning in the 1970s and taking off in the late 1980s, disability policy in Canada began to shift toward a socio-political model, in which disability is understood as arising from the interaction between individual impairment and disabling social and physical environments (Jongbloed and Crichton 1990; Shier, Graham, and Jones 2009). The 1982 Canadian Charter of Rights and Freedoms, and in particular section 15's equality guarantee which came into force in 1985, established a constitutional foundation for disability rights. Canada's ratification of the United Nations Convention on the Rights of Persons with Disabilities (CRPD) in 2010 further entrenched a rights-based framework at the international level.

A critical structural development beginning in the late 1980s and into the 1990s was the outlook that centered on an individual's responsibility for one's own personal finances along with a downloading of disability income costs from the federal to the provincial level, a process Stapleton (2023) describes as the "welfareization" of disability incomes. Reforms to CPP-D in the 1990s and 2000s had the effect of reducing benefits and making persons with low-income ineligible for them (Malhotra 2024; Prince 2016). Likewise, in 1995 CAP was replaced with the Canada Health and Social Transfer (CHST) which eliminated federal standards for social assistance eligibility and removed the 50-50 cost matching, freeing provinces to tighten their disability income programs as fiscal pressures mounted. The effect was a system in which, by 2022, provincial social assistance was *the* income support program for many persons with disabilities with low income, while federal programs were limited in scope until 2023 when the federal Canadian Disability Benefit (CDB) was introduced.

2.2 Provincial Social Assistance Programs

Provincial and territorial income assistance programs are the foundational layer of income support for persons with disabilities who lack labour market attachment or access to other programs. Every province operates a distinct program, typically with a general social assistance stream and a separate "disability" stream for those whose conditions are assessed as severe and prolonged. The disability streams generally offer higher monthly benefit rates than general social assistance in recognition of the higher costs of living with a disability, though those benefits remain well below any standard measure of low income in every jurisdiction. Laidley and Oliveira (2025) find that in 2024, income benefits for single adults with disabilities and no other income ranged from 42 per cent of the MBM low-income threshold (Barriers to Full Employment clients in Alberta) to 80 per cent of the MBM low-income threshold (AISH clients in Alberta).

The definition of disability differs by provincial and territorial social assistance program. When comparing definitions of disability, Oliveira and Caballero (2026) find that most jurisdictions employ a definition that is restrictive in at least one dimension. Based on these differing definitions, each province and territory conducts its own disability determination that is entirely independent of one another and of federal programs: a person certified as having a qualifying disability by one province is not thereby entitled to disability benefits in another jurisdiction, nor does provincial certification automatically satisfy the eligibility requirements of federal programs.

Mendelson et al. (2010, 9) notes that social assistance programs in many jurisdictions serve as the access point not only for income but for disability-related supports — supplementary health care, prescription drugs, dental care, and other services — that recipients cannot otherwise afford. The bundling of income and disability supports means that many persons with disabilities find it difficult to leave social assistance even when employment becomes possible as doing so would sever their access to these supports. This is also known as the “welfare wall” — the policy-created barrier whereby persons with disabilities receiving provincial social assistance face benefit reductions and/or reductions in supports that effectively penalize earnings growth.

Additionally, asset limits for provincial social assistance programs, which restrict the savings recipients may hold, compound the welfare wall and contribute to a poverty trap. A person on provincial social assistance who accumulates savings may become ineligible for benefits, discouraging the wealth accumulation that might otherwise provide a financial buffer (Petit and Tedds 2021; Robson 2008). Some provinces have relatively high asset limits, such as Alberta and BC with asset limits of \$100,000, but others are only a few thousand dollars, such as Saskatchewan with an asset limit of \$1,500 (Maytree 2025).

While the DTC does not play a role in provincial social assistance programs, it is important to keep in mind how inadequate provincial social assistance programs are at addressing low-income. While they are the foundation of income supports for persons with disabilities, they are not adequate to address low-income or poverty.

2.3 Canada Pension Plan Disability Benefit

The Canada Pension Plan Disability (CPP-D) benefit is the largest federal disability income program in Canada by expenditure (Stapleton 2023; Torjman 2017). CPP-D is a social insurance program. It provides a partial income replacement during a person’s working-years in the event of a disability that prevents them from pursuing any “substantially gainful employment” (Government of Canada 2025d; Torjman 2017). While there is no asset test for CPP-D, eligibility requires a “mental or physical disability...that is long-term and of indefinite duration” that prevents “substantially gainful employment” and a sufficient history of CPP contributions, generally four of the last six years (Government of Canada 2025d). “Substantially gainful employment” is a job that pays wages equal to or greater than the maximum annual amount a person could receive from CPP-D. In 2026, this amount is \$20,971.45 before tax (Government of Canada 2026c).

The contributory work requirement means that CPP-D is unavailable to persons who have not had sustained labour market attachment, including many persons whose disabilities began early in life, those who have worked primarily in informal or non-insurable employment,

and those whose labour market exclusion predates their ability to accumulate contributions. For these groups, CPP-D provides no protection, and provincial social assistance is the only alternative (Torjman 2017).

For those who do qualify, CPP-D provides a monthly benefit equal to a flat-rate component of \$610.46/month (as of March 2026) plus 75 per cent of the contributor's calculated CPP retirement pension, up to a maximum of approximately \$1,741/month in 2026 (Government of Canada 2026d). While CPP-D benefits are more substantial than provincial social assistance in many jurisdictions, they remain insufficient to lift many recipients above the low-income threshold. Moreover, for recipients of CPP-D, their provincial income assistance benefits are clawed back dollar for dollar such that many CPP-D recipients do not receive monetary benefits from provincial income assistance (though this varies by province; CPP-D recipients may still be eligible for medical benefits via provincial social assistance though this also varies by province).

CPP-D eligibility does not require a DTC certificate; however, it is again important to note here the gaps in the CPP-D coverage. Persons who do not have sufficient labour force attachment or a disability that “prevents substantially gainful employment” are not eligible for CPP-D and thus must resort to provincial social assistance. And, even for those who are eligible for CPP-D, benefits remain inadequate to address low-income.

2.4 Registered Disability Savings Plan

The Registered Disability Savings Plan (RDSP) is a long-term savings vehicle introduced in 2008, designed to improve the long-run financial security of persons with disabilities (Government of Canada 2025m). To open an RDSP, the plan holder — either the beneficiary or the parent or guardian of the beneficiary, or other qualifying family member or legal representative — must contact a qualifying financial institution, the beneficiary must have a valid DTC certificate (I will come back to how to obtain one in the next section), and the beneficiary must file taxes. The plan holder can contribute to the RDSP: there are no annual limits; however, the current lifetime limit is \$200,000 (Government of Canada 2025l). The Government of Canada may also contribute to RDSP through two programs. First, the Canada Disability Savings Grant (CDSG) matches RDSP contributions at rates of 100 to 300 per cent depending on family income (up to \$3,500 per year and \$70,000 lifetime). Second, the Canada Disability Savings Bond (CDSB) deposits up to \$1,000 per year, with a lifetime maximum of \$20,000, directly into the RDSPs of low-income holders regardless of contributions made (Government of Canada 2025c).

The DTC is a gateway to the RDSP and the government contributions that flow through it. However, the RDSP is also of limited usefulness in addressing poverty. First, the design of the RDSP presupposes the ability to access the RDSP and save. Employment and Social Development Canada (2025) found that low-income families who had RDSPs made relatively large, though declining over time, average contributions (p.38) and that the take-up rate for low-income families is low (less than 50 per cent) and declining (p.24). Second, while beneficiaries can withdraw funds from an RDSP before the age of 60, if they do so, there are complex financial penalties. This limits the RDSP's usefulness for those with pressing, immediate income needs. For persons with disabilities who are already in low income, the RDSP benefits are real but address long-term asset accumulation rather than immediate income adequacy.

2.5 Canada Disability Benefit

The previous sections establish that from about 2008 to 2025, income supports for persons with disabilities with low-income were limited. The benefit amounts were inadequate on their own to move persons out of low-income and there were gaps in the system, particularly for those with limited labour market attachment and limited ability to save. It is within this environment that the Canada Disability Benefit (CDB) was introduced.

The CDB is the most recent addition to the federal income support landscape. Enacted through the *Canada Disability Benefit Act* in 2023 and with payments beginning in July 2025 (Government of Canada 2026b), the CDB is the first federal benefit designed specifically to address low income among working-age persons with disabilities. It is also the program for which the DTC's gateway function is most consequential. The CDB uses DTC certification as the primary eligibility criterion for establishing disability (Government of Canada 2025a). The CDB's maximum annual benefit is \$2,400 (indexed to inflation), with a phase-out beginning at earned income above \$23,000 for single recipients (Government of Canada 2025b).

The CDB represents a significant policy commitment. It is the first major federal disability income program in decades, and one that Mendelson et al. (2010) (among others) had called for in earlier advocacy and policy work. However, its initial design has attracted substantial criticism. First, the use of the DTC as the sole eligibility gateway restricts access to a fraction of the low-income population with disabilities. As Scott and Macdonald (2024) calculates, DTC-only eligibility would benefit approximately 204,650 persons, compared to an estimated 798,000 who would benefit if CPP-D and provincial social assistance eligibility were also recognized as qualifying criteria. Second, the maximum benefit of \$2,400 per year (\$200 per month) is insufficient to lift most recipients above the low-income threshold (even when considering interactions with provincial social assistance and CPP-D). Scott and Macdonald (2024) estimates that the CDB at its current level would lift only approximately 10,000 of the roughly 911,000 working-age Canadians with disabilities in low income out of poverty. Third, the province of Alberta has decided to set their provincial social assistance claw back rules such that any amount of CDB a social assistance recipient receives, their social assistance benefits decline dollar-for-dollar. Moreover, all persons on Alberta social assistance (i.e., AISH) *must* apply for the CDB. Failing to do will result in a decline of social assistance benefits of \$200/month. This means that persons with disabilities living in Alberta and receiving social assistance will not receive any net benefit from the CDB despite having to apply for it (Government of Alberta 2026).

These design features of the CDB do not diminish the significance of the CDB as a policy development, but they do establish why the DTC's gateway function is now more consequential than at any prior point. The CDB is the first federal program to attempt to address low-income for persons with disabilities. It can top-up meagre CPP-D and provincial social assistance benefits for persons with disabilities with low-income, and fill gaps left by the CPP-D. However, the CDB's reach is bounded by DTC uptake, and the barriers to DTC access examined in Section 4 are, in effect, barriers to CDB access as well.

2.6 Summary

Prior to the implementation of the CDB in 2025, Canada's income support system for persons with disabilities was inadequate and left significant gaps. Provincial social assistance and CPP-D (which do not require the DTC) provided inadequate benefits and excluded persons with disabilities in low-income with limited or no labour force attachment. The RDSP and the CDSB and CDSG which flow through it (and do require the DTC), address long-term asset accumulation rather than immediate income needs. The CDB, implemented in 2025, is the first federal program designed explicitly to address low income among working-age persons with disabilities. While it remains inadequate, it has the potential to close earlier gaps. However, the CDB requires DTC certification making access to the DTC more consequential than previously for persons with disabilities with low income. Section 3 turns to what that gateway is, how it works, and whom it leaves out.

Section 3: The Disability Tax Credit — What It Is and What It Unlocks

The Disability Tax Credit (DTC) is a non-refundable federal tax credit that reduces the amount of income tax a person with disabilities or their supporting persons owes (Government of Canada 2025h). The purpose of the DTC is to provide for greater tax equity by allowing some relief for disability costs, since these are unavoidable additional expenses that other taxpayers do not have to face (Eggleton, Petitclerc, and Seidman 2018). It is not a poverty-reduction measure. Increasingly, however, for persons with disabilities the DTC's importance lies not in the credit itself but in its function as an eligibility gateway: several federal programs including the CDB require a valid DTC certificate as a condition of eligibility. This section describes the DTC itself — what it is, who qualifies, how the certification process works, and why its non-refundable design limits its value for low-income claimants — and then briefly examines each of the programs for which DTC certification is a necessary, though not sufficient, condition of access.

3.1 The Disability Tax Credit: Eligibility and Certification

Non-Refundable Nature

The DTC is set out under section 118.3 of the Income Tax Act. It provides a federal non-refundable tax credit of 15 per cent applied to a base amount of \$10,138 in tax year 2025, yielding a maximum annual federal credit of \$1,521 for persons who are 18 years and older (Government of Canada 2026e). Provinces and territories also offer a parallel non-refundable credit for persons with DTC certificates whose amount varies by province/territory. An additional supplement to the DTC is available for support persons who claim the credit for persons with disabilities under 18 years of age.

To oversimplify but make clear, the way the DTC works is this: a tax filer adds up all the income they make in a year and then applies the applicable marginal tax rates to determine their taxes owing. After they have determined their taxes owing, those taxes owing may be reduced by the amount of non-refundable tax credits they are eligible for. For example, in tax year 2025, if a person owes \$4,000 in federal income tax and is eligible for the DTC, their income owing is first reduced by the basic personal amount (a non-refundable tax credit all

tax filers are eligible for) of $\$16,129 \times 0.15 = \$2,419$ and then further reduced by the DTC by $\$10,138 \times 0.15 = \$1,521$ for a resultant total tax bill of $\$60$ ($=\$4,000 - \$2,419 - \$1,521$). Likewise, if a person owes only $\$200$ in federal income tax, the basic personal amount reduces their tax bill to zero and the remaining amount of the basic personal amount plus all the DTC is unusable and disappears: they receive no payment, no refund, and no carry forward. If a person has no income tax owing at all, both the basic personal amount and the DTC are worth nothing to them, regardless of the severity of their disability: they cannot make use of any non-refundable tax credits. In short, a tax filer must have a sufficient amount of income and thus owe a sufficient amount of taxes for the DTC to provide a benefit. Assuming a person *only* has employment income and is not eligible for any other deductions or non-refundable tax credit outside of the basic personal amount, the Canada employment amount (a non-refundable tax credit available to all employed Canadians) and the DTC, they must have taxable income of around $\$27,000/\text{year}$ to benefit fully from the DTC.⁴

The DTC was designed as an instrument of *horizontal tax equity*. That is, this is the principle that people who are equally well off before tax should pay equal amounts of tax. Because persons with disabilities face unavoidable, non-discretionary costs that other taxpayers do not, the credit is intended to adjust their taxable income downward so that their tax burden reflects their true ability to pay. On this logic, the credit is non-refundable: if the goal is to equalize the tax treatment of disabled and non-disabled taxpayers with similar incomes, a refund to someone with no tax owing would, in the words of Smart and Stabile (2006), "overequalize" the non-discretionary costs of disability.

Eligibility Criteria

To be eligible for the DTC, a person must:

- 1) Have one or more severe and prolonged impairments in physical or mental functions (ITA, 118.3(1)(a); and
- 2) the effects of the impairment or impairments are such that the individual's ability to perform more than one basic activity of daily living is significantly restricted and the cumulative effect of those restrictions is equivalent to having a marked restriction in the ability to perform a basic activity of daily living

OR

the effects of the impairment or impairments are such that the individual's ability to perform a basic activity of daily living is markedly restricted or would be markedly restricted but for therapy that is essential to sustain a vital function of the individual, is required to be administered at least two times each week for a total duration averaging not less than 14 hours a week (ITA, 118.3(1)(a.1)); and

- 3) a medical practitioner has certified (1) and (2) (ITA, 118.3(1)(a.2))

"Prolonged" means the impairment has lasted, or is expected to last, for a continuous period of at least twelve months (ITA, 118.4(1)(a)). For further clarification, s. 118.4(1)(b.1) states that for (2) above to hold, the marked restriction must be "substantially all of the time".

⁴ Note that provincial social assistance income, withdrawals from RDSP's, and the CDB are non-taxable income; however, CPP-D is taxable income.

“Basic activities of daily living” include (ITA, 118.4(1)(c)):

- Mental functions necessary for everyday life
- Feeding oneself or dressing oneself
- Speaking so as to be understood
- Hearing so as to understand
- Eliminating (bowel or bladder functions) or
- Walking

For greater certainty, s. 118.4(1)(d) adds that working, housekeeping, or social or recreational activity are *not* considered a basic activity of daily living.

Persons who are blind are also eligible for the DTC, and they do not have to show a marked restriction in the ability to perform a basic activity of daily living (ITA, s. 118.4(1)(b.1)). Further, persons with Type 1 diabetes are deemed to require therapy to be administered at least two times each week for a total duration averaging not less than 14 hours a week (ITA, s. 118.3(1.2), thus this does not have to be substantiated by a medical practitioner.

The CRA has further interpreted "severe" to mean that the impairment markedly restricts the ability to perform a basic activity of daily living 90 per cent of the time, or that the cumulative effect of two or more significant restrictions has the same result, even with therapy (Canada Revenue Agency 2024, s. 2.5).

What these criteria mean in practice varies substantially by disability type and not always in ways that align with the lived experience or financial burden of disability. Administrative data show that approval rates for applications based on physical limitations such as feeding and dressing consistently exceed 94 per cent, suggesting the criteria align more readily with stable, clearly demonstrable physical impairments than with other disability types (Eggleton, Petitclerc, and Seidman 2018). For persons with episodic disabilities, however, the criteria are poorly suited. Conditions such as Multiple Sclerosis, certain mental health conditions, and other chronic episodic illnesses are characterized by periods of severe impairment alternating with periods of relative stability. The requirement that an impairment restrict a basic activity of daily living at least 90 per cent of the time for a continuous period of at least 12 months does not capture this reality: a person may be severely debilitated for weeks at a time yet not satisfy the continuity requirement because their condition fluctuates (Eggleton, Petitclerc, and Seidman 2018).

For persons with mental health disabilities, the eligibility criteria present structural barriers that are not fully resolved by the current definition of mental functions. For 2021 and subsequent tax years, mental functions necessary for everyday life include attention, concentration, memory, judgement, perception of reality, problem solving, goal setting, regulation of behaviour and emotions, verbal and non-verbal comprehension, and adaptive functioning (ITA, s. 118.4(1)(c.1)). This is a broad list, and conditions such as severe depression, psychosis, and anxiety disorders that impair perception of reality or regulation of behaviour and emotions may qualify under it. However, the impairment must still restrict the

relevant mental function at least 90 per cent of the time and must persist for a continuous period of at least 12 months. These thresholds remain poorly suited to conditions characterized by variable or episodic severity. A further barrier is that work remains explicitly excluded as a basic activity of daily living under section 118.4(1)(d) of the *Income Tax Act*: a person whose severe mental health condition prevents them from maintaining employment may still not satisfy any of the listed criteria if their functional impairment does not manifest in the recognized domains at the required frequency.

Certification Process

The certification process is a two-part, 16-page form. The first part of Form T2201 (part A) must be filled out by the applicant while the second part (part B) must be filled out by a qualified medical practitioner (Canada Revenue Agency 2025). The practitioner must attest that the applicant meets the eligibility criteria. Depending on the nature of the impairment, the certifying practitioner may be a medical doctor, nurse practitioner, optometrist, audiologist, occupational therapist, physiotherapist, psychologist, or speech-language pathologist (Canada Revenue Agency 2025). The completed form is submitted to the Canada Revenue Agency (CRA) who decides eligibility. If approved, the CRA issues a DTC certificate valid for a specified period, which may be indefinite or time-limited depending on the nature of the condition. Applicants whose certificates are denied may request an objection or appeal the decision (Canada Revenue Agency 2025). The certification process is not automatic or passive: it requires the applicant to identify and engage a qualifying practitioner, bear any associated costs, navigate the form, and submit the application correctly — barriers that Section 4 examines in detail.

The DTC may be claimed by the person with the disability or, if that person has insufficient tax payable to use the credit fully, transferred in whole or in part to a supporting person who is typically a spouse, common-law partner, or parent. The ability to transfer the credit is an important design feature: it is intended to ensure that the credit provides some benefit to families where the person with the disability has little or no taxable income. In practice, however, a significant share (60 per cent of self-claimants) of DTC certificate holders cannot make use of the credit at all (Simpson and Stevens 2016). Because the DTC is non-refundable, it can only reduce federal income tax payable to zero and any additional amounts disappear; it cannot generate a refund. For persons with very low incomes whose federal tax liability is already near zero — a circumstance that applies to a large share of the low-income persons with disabilities documented in Section 1 — the DTC credit itself is worth little or nothing. Simpson and Stevens (2016) find that the DTC-eligible families with income below the low-income threshold receive an average of just \$29 per year from the credit. DTC eligible families with income at 3x the low-income rate, on the other hand, receive average benefits of \$1,006. The CRA's Disability Advisory Committee (2024) reports that only 64 per cent of DTC certificate holders actually claimed the credit in 2022 (though this does not mean they could make use of it), and notes that the credit is most beneficial for those earning between \$35,000 and \$39,999 — a range that sits above the income levels of many persons with disabilities in low income. This non-refundable design is a constraint on the DTC's direct income support value for persons with disabilities with low income.

3.2 The DTC as a Gateway: Programs Unlocked by Certification

The DTC's most important function for low-income persons with disabilities is not the credit itself but its role as an eligibility gateway to several other federal programs. Table 1 outlines

the programs for which the DTC is a requirement of eligibility. Each of these programs requires a valid DTC certificate as a condition of access, though each also imposes its own additional eligibility criteria. In every case, DTC certification is a necessary but not sufficient condition of accessing the program.

Table 1: Federal Programs Using DTC Certification as an Eligibility Gateway⁵

Program	DTC Required	Additional Eligibility Conditions	Refundable?	Max. Annual Benefit (2025)
Canada Caregiver Credit (CCC)	Partial (enhances credit amount)	Claimant must support a spouse, common-law partner, or dependant with an impairment; claimant must have sufficient tax owing to benefit	No	Varies by relationship and income; DTC status increases claimable amount
Canada Disability Benefit (CDB)	Yes	Working-age adults aged 18–64; Canadian resident; valid SIN; must file taxes; no employment or contribution requirement	Yes	\$2,400/yr; phase-out begins at earned income above \$23,000 (single)
Canada Workers Benefit (CWB) Disability Supplement	Yes	Must have earned income from employment or self-employment; must meet CWB income thresholds; must file taxes	Yes	\$821/yr
Child Care Expenses Deduction — enhanced amount	Yes (for the child, for enhanced limit)	Parent or supporting person must have earned income from employment, self-employment, or qualifying educational program; child with DTC certificate must be under 16 (or any age if dependent due to disability); lower-income spouse/partner must generally claim; standard child care expense rules apply	No (deduction reduces taxable income)	Up to \$11,000/yr for a DTC-eligible child (vs. \$8,000 for a non-disabled child under 7 and \$5,000 for ages 7–16)
Child Disability Benefit	Yes (for the child)	Child must be under 18; family must file taxes; benefit income-tested based on family net income	Yes	\$3,411/yr per eligible child
Home Accessibility Tax Credit (HATC)	Yes (or age 65+)	Must own an eligible dwelling in Canada ordinarily inhabited by the qualifying individual; renovation must be permanent and improve accessibility or reduce risk of harm	No	Up to \$3,000 credit (15% of up to \$20,000 in eligible expenses)
Home Buyers' Amount	Yes (waives first-time buyer requirement)	Must purchase a qualifying home in Canada; if claiming on basis of DTC, home must be more accessible or better suited to buyer's or a related person's needs; home must be principal residence within one year	No	Up to \$1,500 credit (15% of \$10,000)

⁵ The Disability Advisory Committee (2024) included some programs I did not. Missing from Table 1 that are included in the Disability Advisory Committee are: DTC child supplement (discussed as part of the DTC in this report), home accessibility expenses (included under HATC), and qualified disability trust (Quebec only).

Home Buyers' Plan (HBP)	Yes (waives first-time buyer requirement)	Must have an RRSP; if claiming on basis of DTC, the home must be acquired for the benefit of the person with the disability and must be more accessible or better suited to their needs; home must be principal residence within one year; standard repayment rules apply	No (RRSP withdrawal; repayment required)	Up to \$35,000 RRSP withdrawal per person (\$70,000 per couple); repayable over 15 years
Medical Expenses Tax Credit (METC) — expanded expenses	Yes, for certain disability-specific expenses (e.g., attendant care, therapy)	DTC approval allows claim for broader range of disability-related medical expenses; claimant must have tax owing to benefit from non-refundable credit; a separate refundable supplement is available for low-income workers with high medical expenses without requiring DTC	Non-refundable (credit); refundable supplement available to low-income workers	Non-refundable credit: varies by expenses; refundable supplement: max ~\$1,464/yr
Multigenerational Home Renovation Tax Credit (MHRTC)	Yes (for the qualifying individual with a disability)	Claimant must be a Canadian resident who owns (or is a beneficiary of a trust that owns) the eligible dwelling; qualifying individual must be an adult (18+) eligible for the DTC or a senior (65+); renovation must create a self-contained secondary unit with private entrance, kitchen, bathroom, and sleeping area; qualifying individual must occupy the unit within 12 months of completion; only one MHRTC claim permitted per qualifying individual in their lifetime	Yes	Up to \$7,500 per qualifying renovation (15% of up to \$50,000 in eligible expenses)
Refundable Medical Expense Supplement	No (indirect link)	Must have earned income from employment or self-employment (minimum ~\$3,751 in 2025); eligible medical expenses must exceed the METC threshold; net income must be below the phase-out threshold (~\$36,200 in 2025); no DTC required, but DTC certification expands the range of eligible METC expenses, increasing the base for the supplement	Yes	Max ~\$1,504/yr (25% of eligible METC expenses, up to the maximum); phases out above \$33,294 adjusted family net income
Registered Disability Savings Plan (RDSP) incl. the CDSG and CDSB	Yes	Canadian resident; under age 60; valid SIN; must open account at a qualifying financial institution; must file taxes to access CDSG/CDSB	N/A (savings vehicle)	Up to \$3,500/yr (CDSG); up to \$1,000/yr (CDSB) for low-income holders
Registered Education Savings Plan (RESP) — extended plan life	Yes (for extension of contribution and plan periods)	Must be a non-family (individual) RESP; beneficiary must be eligible for the DTC in the 31st year following plan opening; existing plan must permit the extension	N/A (savings vehicle)	Contribution period extended from 31 to 35 years; plan life extended from 35 to 40 years; \$50,000 lifetime contribution limit per beneficiary unchanged

For the sake of completeness, I briefly describe the (remaining) programs in Table 1:

Canada Caregiver Credit (CCC)

The Canada Caregiver Credit (CCC) is a non-refundable tax credit available to persons who support a spouse, common-law partner, or dependant with a physical or mental impairment (Government of Canada 2026a). The relationship between the CCC and the DTC is partial rather than complete: the CCC does not require that the person being cared for hold a DTC certificate, but the value of the credit is enhanced when the dependant does hold one. Specifically, when the person being cared for is DTC-eligible, the caregiver may claim a higher amount under the CCC than would otherwise be available. As a non-refundable credit, the CCC shares the same fundamental limitation as the DTC itself: it can only reduce tax payable to zero and provides no benefit to caregivers with insufficient income to generate significant tax liability.

Canada Workers Benefit (CWB) Disability Supplement

The Canada Workers Benefit (CWB) is a refundable tax credit designed to provide income support to low- and modest-income workers (regardless of whether or not they hold a DTC certificate). The CWB also includes a Disability Supplement available to workers who hold a valid DTC certificate (Government of Canada 2025f). For the 2024 taxation year, the maximum CWB is \$1,590 for single individuals and the maximum Disability Supplement is \$821/year for single individuals. The CWB and its Disability Supplement are refundable: eligible persons receive a refund even when no tax is owed. This makes them potentially meaningful for low-income *workers* with disabilities. Persons with disabilities who are not employed, or who are employed but earn less than \$3,000/year do not qualify. This income requirement is a significant constraint for the population of low-income persons with disabilities documented in Section 1, many of whom face the labour market barriers described there.

Child Care Expenses Deduction — Enhanced Amount

The Child Care Expenses Deduction allows parents or supporting persons to deduct eligible child care costs incurred to earn income from employment, self-employment, or certain educational activities. The deduction is ordinarily capped at \$8,000 per year for a child under seven and \$5,000 for a child between seven and sixteen. DTC certification of the child raises the annual deduction limit to \$11,000 regardless of age, provided the child is under sixteen or remains dependent due to the disability, and subject to the standard requirement that the lower-income spouse or common-law partner generally makes the claim (Government of Canada 2025j). As a deduction rather than a credit, the Child Care Expenses Deduction reduces taxable income and thus delivers greater value to those with higher marginal tax rates. For low-income parents, including the substantial share of persons with disabilities who face labour market barriers and precarious employment documented in Section 1, the deduction provides only modest benefit: a parent with little taxable income will see limited or no reduction in tax owing regardless of the size of their child care expenses.

Child Disability Benefit

The Child Disability Benefit is a tax-free monthly payment available to families who care for a child under the age of 18 who is eligible for the DTC (Government of Canada 2025g). The

benefit is paid as a supplement to the Canada Child Benefit (CCB) and is calculated based on family net income, with the maximum benefit payable at lower income levels and reduced as family income rises. For the 2025/26 benefit year, the maximum Child Disability Benefit is \$3,411 per year (\$284.25 per month) per eligible child. Eligibility for the Child Disability Benefit thus requires two conditions to be satisfied simultaneously: the child must hold a valid DTC certificate, and the family must have filed a tax return. Because the Child Disability Benefit is income-tested and paid to the family rather than the child, it has the potential to provide meaningful support to lower-income families caring for children with disabilities. Families who have not obtained a DTC certificate for an eligible child receive nothing from this program regardless of their income or the severity of the child's disability.

Home Accessibility Tax Credit (HATC)

The HATC is a non-refundable federal tax credit available to persons who hold a valid DTC certificate or who are 65 years of age or older, and who incur eligible expenses to renovate their principal residence for accessibility or safety purposes. Qualifying renovations are those that allow the person to gain access to or be mobile or functional within the home, or that reduce the risk of harm within the home or in accessing it. Claimants may claim up to \$20,000 per year in eligible expenses, generating a maximum federal credit of \$3,000 (15 per cent of \$20,000) (Government of Canada 2025i). The HATC is non-refundable, which means it can only reduce federal income tax owing to zero and delivers no benefit to persons with little or no tax liability. An expense claimed under the HATC may also be claimed as a medical expense, though Budget 2025 proposed to eliminate this double-claiming as of the 2026 taxation year (Government of Canada 2025e).

Home Buyers' Amount

The Home Buyers' Amount is a non-refundable federal tax credit that allows eligible home purchasers to claim \$10,000 on their tax return, generating a maximum credit of \$1,500 (15 per cent of \$10,000). The credit is ordinarily available only to first-time home buyers, that is, persons who have not owned a principal residence in the current or preceding four calendar years. DTC certification waives this first-time buyer requirement: a person who holds a valid DTC certificate, or who is acquiring a home for the benefit of a related person who holds one, may claim the Home Buyers' Amount regardless of prior homeownership history, provided the home is more accessible or better suited to the needs of the person with the disability (Government of Canada 2026f). As a non-refundable credit, the Home Buyers' Amount is of limited direct value to low-income persons with disabilities.

Home Buyers' Plan (HBP)

The Home Buyers' Plan (HBP) allows eligible individuals to withdraw up to \$35,000 from their Registered Retirement Savings Plan (RRSP) on a tax-deferred basis for the purpose of purchasing or constructing a qualifying home, with the withdrawn amount required to be repaid to the RRSP over fifteen years (Government of Canada 2026g). The HBP is ordinarily restricted to first-time home buyers, defined as persons who have not owned a principal residence in the current or preceding four calendar years. DTC certification waives this restriction: a person who holds a valid DTC certificate, or who is acquiring a home for the benefit of a related person who holds one, may access the HBP regardless of prior homeownership history, provided the home is more accessible or better suited to the needs of the person with the disability.

Medical Expenses Tax Credit (METC) — expanded expenses

The METC is a non-refundable credit available to all tax filers who have paid qualifying medical expenses above a minimum threshold (the lesser of 3 per cent of net income or \$2,835 for 2025). DTC certification does not create a separate METC entitlement, but it does expand the range of eligible expenses that a person may claim. Specifically, DTC certificate holders may claim expenses that are available only to persons with prolonged medical conditions, including attendant care costs above \$10,000, expenses for therapy provided to DTC-eligible persons, and costs associated with a prescribed plan for life-sustaining therapy (Government of Canada 2026i).

Refundable Medical Expense Supplement

The Refundable Medical Expense Supplement (RMES) is a refundable tax credit available to low-income workers who have paid qualifying medical expenses above the Medical Expenses Tax Credit (METC) threshold. For the 2025 taxation year, the supplement is equal to 25 per cent of allowable medical expenses, up to a maximum of \$1,504, and is available to persons with earned income from employment or self-employment above a minimum threshold (approximately \$4,390 in 2025), phasing out as adjusted family net income rises above \$33,294 and reaching a value of \$0 at net income of \$63,374 (Government of Canada 2026h). Unlike most programs in Table 1, the RMES does not require DTC certification: it is available to any low-income worker with high qualifying medical expenses. However, the DTC is indirectly relevant: DTC certification expands the range of medical expenses eligible for the METC, including attendant care costs above \$10,000, therapy costs, and life-sustaining therapy expenses, thereby increasing the base on which the supplement is calculated.

Registered Education Savings Plan (RESP) — extended plan life

The RESP is an education savings vehicle that ordinarily permits contributions for up to 31 years following the plan's opening, with the plan itself required to be wound up by the end of the 35th year. DTC certification modifies these time limits: where a beneficiary holds a valid DTC certificate in the 31st year following the year the plan was opened and the RESP is a non-family (individual) plan, the contribution period may be extended to 35 years and the plan's maximum life extended to 40 years, provided the existing plan permits it (Government of Canada 2025k). The DTC does not alter the \$50,000 lifetime contribution limit per beneficiary, nor does it affect eligibility for the Canada Education Savings Grant or Canada Learning Bond. A further connection between the RESP and RDSP is worth noting: where an RESP has been in existence for more than 35 years and a beneficiary is DTC-eligible, accumulated investment income in the RESP may be rolled over into an RDSP on a tax-deferred basis, allowing families to redirect unused education savings toward long-term disability savings without immediate tax consequences (Government of Canada 2026j)

3.3 Summary

The DTC is, in design, a tax equity measure and not an income support instrument. Thus, its significance for persons with disabilities with low-income lies almost entirely in its gateway function. Table 1 outlined 13 programs for which the DTC operates as a gateway. The programs that matter for poverty reduction are the recently implemented CDB, along with, to a lesser extent, the previously-existing CWB Disability Supplement, the RDSP and its

attendant programs, and the Child Disability Benefit. Table 1 sharpens the observation that the CDB is, for the first time, a federal program explicitly designed to address low income among working-age persons with disabilities; however, it sits behind the DTC gate. Whether improved DTC access can meaningfully reduce low income for persons with disabilities therefore depends on who can obtain DTC certification and on whether the programs DTC certification unlocks are adequate. Sections 4 and 5 take up these questions in turn.

Section 4: Existing Analysis of the DTC's Effectiveness

The preceding sections established that the DTC functions less as an income support instrument and more as an administrative gateway — one whose value is contingent on obtaining certification. This section synthesizes the existing evidence on the DTC's effectiveness by addressing four interrelated questions: How many eligible persons obtain DTC certification? Who gets certified and who does not? What barriers prevent eligible persons from obtaining certification? And how does the non-refundable design limit the credit's value as a direct income support even for those who do obtain it?

4.1 Uptake

To understand how effective the DTC is as a gateway to other programs, we must first understand, of those with disabilities, who actually applies and obtains the DTC certificate (whether or not the DTC itself benefits them). This is otherwise known as “uptake”. Estimating uptake is complicated by the absence of a definitive administrative register of all eligible persons — a limitation the Office of the Auditor General of Canada (2022) identified, finding that the CRA and ESDC did not have a reliable picture of non-participation and had, in some analyses, overstated take-up rates (p. 5). The most recent estimates comes from Leamage, Sung-Hee, and Arim (2025) who linked the 2017 Canadian Survey on Disability to 2015-to-2017 tax administrative data and found that only 15.6 per cent of CSD-identified persons with disabilities had been approved for the DTC Certificate and only 13 per cent of CSD-identified persons with disabilities had actually claimed the DTC on their taxes. Likewise, Dunn and Zwicker (2018), drawing on 2012 CSD data, estimated that 40 per cent of working-age adults with qualifying disabilities had successfully applied for a DTC certificate. The divergence between these estimates reflects, at least in part, methodological differences: Leamage, Sung-Hee, and Arim (2025) uses in their denominator all persons with disabilities while Dunn and Zwicker (2018) use in their denominator working-age persons with disabilities that make them DTC-eligible. Regardless, together, the evidence establishes that the majority of persons with disabilities are not DTC certified.

4.2 Who Gets Certified and Who Does Not

Aggregate uptake figures conceal variation in who the DTC reaches. The evidence is consistent across sources that uptake is systematically lower among precisely those groups with the greatest financial need. First, with respect to sex/gender, the Senate Standing Committee on Social Affairs, Science and Technology (Eggleton, Petitclerc, and Seidman 2018) found that DTC claimants are roughly equally distributed by gender, yet women comprise over 56 per cent of those reporting severe and very severe disabilities in the CSD, suggesting that women with the most serious disabilities are underrepresented among those who successfully claim the credit. Likewise, Leamage, Sung-Hee, and Arim (2025) find that

only 13.7 per cent of women with disabilities successfully become DTC certified compared to 18.2 per cent of men with disabilities.

Disability type is also a consistent predictor of DTC certification. Administrative data from the CRA show that applications based on mental function limitations, representing approximately 27 per cent of approved claims in 2016–2017, had consistently the lowest approval rates of any activity category, falling to 81 per cent in 2016–2017, compared to approval rates of 94–97 per cent for physical limitations such as feeding and dressing (Eggleton, Petitclerc, and Seidman 2018). Leanage, Sung-Hee, and Arim (2025) estimate that only 16.6 per cent of persons with mental-health disabilities and 16.4 per cent of persons with a pain-related disability have a DTC certificate compared to 47.3 per cent of persons with a developmental disability and 28 per cent of persons with a dexterity-related disability. The eligibility criteria for mental and pain functions present distinct structural barriers as discussed in section 3: the impairment must restrict the relevant function at least 90 per cent of the time and for a continuous period of at least 12 months. These thresholds may be poorly suited to conditions characterized by variable or episodic severity.

Persons with episodic disabilities face a distinct structural barrier: the DTC's "prolonged" criterion requires a disability to have lasted or be expected to last for a continuous period of at least twelve months. This requirement systematically excludes persons whose conditions, such as Multiple Sclerosis, certain mental health conditions, and other chronic episodic illnesses, that are characterized by periods of severe impairment alternating with periods of relative stability (Eggleton, Petitclerc, and Seidman 2018).

Finally, persons with low income have low DTC certification rates. Leanage, Sung-Hee, and Arim (2025) estimate that only 17.3 per cent of persons with disabilities with income in the lowest quintile have a DTC certificate. While this is not statistically significantly lower than the per cent of persons with a DTC certificate in the second and third quintile, it is still low given that the DTC is a gateway to the CDB, a program that has the potential to address low-income.

4.3 Barriers to Access

The evidence identifies four overlapping barriers to DTC access.

The first is the certification process itself. The T2201 form is a 16-page document requiring the applicant to navigate complex eligibility criteria and engage a qualifying medical practitioner to complete Part B. The ESDC evaluation of the Canada Disability Savings Program found that approximately a third of RDSP applicants reported the DTC application forms and related documents to be somewhat or very difficult to understand. The most commonly cited difficulties included excessive bureaucracy, being told the disability was not severe enough to qualify, delays, and the need to obtain additional information from a physician (Employment and Social Development Canada 2025). In 2023, the CRA launched a fully digital DTC application process, which has reduced some procedural friction; however, digital access itself can be a barrier for elderly persons and those with limited digital literacy or internet access.

The second barrier to DTC certification is the financial cost. Medical practitioners are not compensated by the health system for the time required to complete the T2201 form or the

follow-up clarification letters that CRA frequently requests. Many practitioners charge a fee, which the Senate committee heard can be prohibitive for low-income applicants (Eggleton, Petittclerc, and Seidman 2018). The persistence of a market of for-profit firms specializing in DTC applications and charging a fee-for-service provides further evidence that many eligible Canadians find the application process too demanding to manage on their own (Robson and Tedds 2024). For low-income persons with disabilities who have little or no tax liability, this is ironic: the direct value of the DTC itself may be negligible, yet the costs of obtaining certification must still be borne in order to access the gateway programs that provide income support.

The third barrier to DTC certification is the CRA's administrative culture and adjudication practices. Robson and Tedds (2024) note that the CRA is the adjudicator of DTC claims despite having no institutional expertise in disability policy, research, or stakeholder engagement. The Department of Finance's own analysis indicates that reassessment of initially rejected claims results in approximately a 20 per cent annual increase in the number of approved claimants: a figure that implies a substantial share of initial rejections are erroneous and are only corrected when applicants undertake the further effort of requesting review (Robson and Tedds 2024). The appeals process has been criticized for opacity. The CRA's notice of determination does not include the reason a DTC claim is denied nor the information provided by the certifying practitioner, even though such information is required to formulate an appeal (Eggleton, Petittclerc, and Seidman 2018). The Office of the Auditor General of Canada (2022) concluded that CRA and partner departments continue to struggle to deliver benefits to eligible vulnerable Canadians, including persons with disabilities.

A fourth barrier is tax filing itself. While tax filing is not in and of itself a requirement for the DTC, it is a requirement for many of the programs the DTC is a gateway to. Many Canadians, and particularly low-income persons do not file income taxes (Robson and Schwartz 2020). The 2025 federal budget acknowledged this barrier in committing to automatic tax-filing for Canadians with "simple" tax returns (Government of Canada 2025e). How this will impact persons with disabilities, particularly those with low-income, remains to be seen, and will depend on the design (Petit 2025).

4.4 The Non-Refundable Design and Its Distributional Consequences

As established in Section 3, the DTC is non-refundable: it can only reduce federal income tax liability to zero and generates no refund when tax liability is already low or absent. Simpson and Stevens (2016) provide the most detailed empirical analysis of this distributional consequence, finding that DTC-eligible families with incomes below the low-income threshold received an average of just \$29 per year from the credit, compared to an average benefit of \$1,006 for DTC-eligible families with incomes at three times the low-income threshold. The CRA's Disability Advisory Committee (2024) reports that only 64 per cent of DTC certificate holders actually claimed the credit in 2022, and notes that the credit is most beneficial for those earning between \$35,000 and \$39,999. Estimates cited before the Senate committee suggest that between 60 and 66 per cent of persons who would be eligible on the basis of disability are in low income and not paying income tax, meaning that, for the majority of the eligible population, the DTC as a direct credit delivers no benefit whatsoever (Eggleton, Petittclerc, and Seidman 2018).

As Smart and Stabile (2006) established in their economic analysis, and as Philipps (2001) argued in a rights-based critique, non-refundable credits cannot address “social policy” issues, such as income support to low-income populations. Simpson (2024) extends this analysis in light of the CDB, arguing that converting the non-refundable DTC to a refundable credit would improve income outcomes for persons with disabilities in the lowest income families.

4.5 Summary

The evidence synthesized in this section establishes four findings. First, DTC uptake is low: the large majority of eligible persons did not have DTC certification in the near past and thus DTC gateway programs that depend on DTC certification remain inaccessible to them. Second, the gaps in uptake are not random: they fall disproportionately on women, persons with mental health disabilities, and persons with episodic conditions. Third, the barriers to access are multiple: a burdensome certification process, costs of engaging a practitioner, an opaque administrative adjudication culture, and the foundational barrier of tax non-filing. Fourth, the DTC's non-refundable design means that even successful certification delivers little or no direct financial benefit to those in greatest financial need. The significance of the DTC for low-income persons with disabilities therefore lies almost entirely in its gateway function. Section 5 now turns to an assessment of what that gateway can realistically deliver.

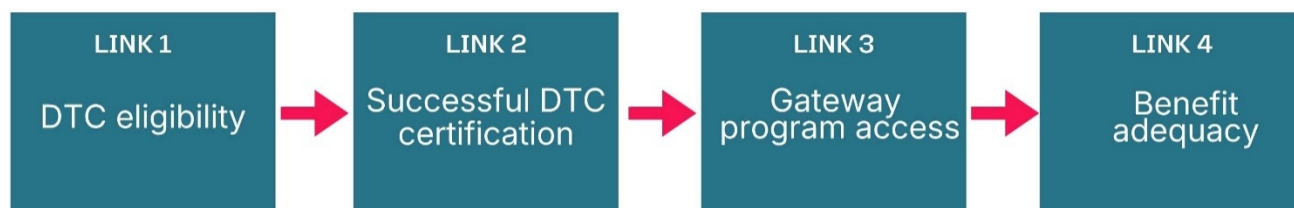
Section 5: What Can Improved DTC Access Contribute to Addressing Low Income Among Persons with Disabilities?

The preceding sections have documented the scope and depth of disability poverty in Canada (Section 1), the architecture of income supports available to persons with disabilities (Section 2), the DTC's design and gateway function (Section 3), and the evidence on low uptake, uneven access, and distributional limitations of the DTC as a direct credit (Section 4). This section draws those threads together to answer: if the barriers to DTC access discussed in Section 4 were meaningfully reduced, what could improved access realistically contribute to reducing low income among persons with disabilities? Note that this question does not ask whether the existing system is adequate — the evidence in Section 1 makes clear it is not — nor does it attempt a causal simulation of the poverty effects of a specific policy intervention. I am instead asking what the DTC's architecture and the programs it unlocks can, at the best, be expected to do. The analysis proceeds in four subsections. Section 5.1 presents a transmission mechanism through which improved DTC access could affect poverty outcomes, identifying where that chain is strong and where it breaks down. Section 5.2 examines heterogeneity in who would benefit, showing that the groups most likely to gain from improved access are not uniformly distributed across the population of persons with disabilities. Section 5.3 situates Canada within an international comparative framework, identifying the structural features that distinguish systems that have demonstrably reduced disability poverty from those that have not. Section 5.4 synthesizes the foregoing analysis into a frank assessment of what improved DTC access can and cannot contribute, and what a more adequate policy agenda would require.

5.1 The DTC-to-Poverty Reduction Transmission Mechanism

Understanding what improved DTC access can deliver requires mapping the full chain of steps between obtaining a DTC certificate to seeing a reduction in low income. I identify four links in that chain: (1) DTC eligibility; (2) successful DTC certification; (3) gateway program access; and (4) benefit adequacy. Each link represents a necessary condition for the next, and each is a potential point of failure.

Figure 5: The DTC-to-Poverty Transmission Mechanism



The first link, DTC eligibility, is the definition of “disability” used by the DTC. As established in Section 4, the DTC’s eligibility criteria require that an impairment be severe (restricting a basic activity of daily living at least 90 per cent of the time) and prolonged (expected to last at least twelve months). Persons whose conditions are episodic, progressive, or primarily characterised by chronic pain face structural barriers at this first stage.

The second link is successful DTC certification. As identified in Section 4, barriers at this link include the T2201 application process, the financial cost of engaging a medical practitioner, and the CRA’s adjudication culture. Together, these produce a system in which only 15.6 per cent of persons with disabilities identified in the CSD hold a DTC certificate (Leanage, Sung-Hee, and Arim 2025).

The third link — gateway program access — is where the DTC’s gateway function becomes consequential. Obtaining a certificate is a necessary but not sufficient for accessing the programs outlined in Table 1. In addition to DTC certification, each program has its own additional eligibility criteria. This means that even among persons who successfully obtain DTC certification, not all will qualify for every gateway program, though DTC certification is a necessary first step.

The fourth link, benefit adequacy, is where the limitations of the current system are most acute. Even complete transmission through the preceding three links does not guarantee that benefit receipt will lift a person with disabilities out of poverty. Of programs which require DTC certification, the CDB is the program with the most potential to reduce low-income amongst persons with disabilities. However, as identified in Section 2.5, the evidence shows that the CDB will lift only 10,000 of the roughly 911,000 working-age Canadians with disabilities in low income out of poverty (Scott and Macdonald 2024).

The transmission mechanism reveals that improved DTC access operates meaningfully at the first and second link but is constrained at links three and four by factors that DTC reform alone cannot address. Easing eligibility conditions and reducing administrative barriers to certification would expand the pool of persons who can access gateway programs, but the benefit adequacy of those programs is a constraint on poverty reduction. This is not an argument against improving DTC access; it is an argument for understanding what that improvement can and cannot do on its own.

5.2 Who Would Benefit? Heterogeneity Among Persons with Disabilities

DTC uptake statistics mask variation in who would benefit from improved DTC access. Consider first persons with physical disabilities that are clearly severe and demonstrably prolonged such as mobility impairments, permanent sensory limitations, and developmental disabilities. These conditions map most directly onto the DTC's eligibility criteria and the evidence confirms this: Leanage, Sung-Hee, and Arim (2025) find that 47.3 per cent of persons with developmental disabilities hold a DTC certificate, and 28 per cent of those with dexterity-related disabilities, compared to 15.6 per cent of persons with disabilities overall. For these groups, administrative barriers mean that many eligible individuals still lack certificates, but the DTC eligibility criteria do not systematically exclude them. Improved access processes may increase certification rates for this population.

For persons with mental health conditions, chronic pain, and episodic disabilities, the situation is different. Leanage, Sung-Hee, and Arim (2025) estimate that only 16.6 per cent of persons with mental health disabilities and 16.4 per cent of those with pain-related disabilities hold a DTC certificate — rates roughly half those for developmental and dexterity conditions. For persons with mental health conditions, chronic pain, and episodic disabilities, the problem is not administrative but definitional: the DTC's requirement that an impairment be continuous for at least twelve months and the CRA's interpretation that the impairment exist 90 per cent of the time excludes conditions characterised by fluctuating severity as documented by the Senate committee (Eggleton, Petitclerc, and Seidman 2018). For this population, improved DTC access would require not better administration but eligibility criteria reform.

Gender overlaps both patterns. Women comprise over 56 per cent of those with severe and very severe disabilities in the CSD, yet only 13.7 per cent of women with disabilities hold a DTC certificate compared to 18.2 per cent of men (Leanage, Sung-Hee, and Arim 2025). The gap likely reflects a combination of factors: women are over-represented among those with mental health conditions (Shahidi et al. 2023) and women with disabilities may also face higher financial barriers to certification given their lower average incomes (McDiarmid 2023). Simpson (2024), summarizing earlier regression analysis, notes that the earnings disadvantage for women with disabilities relative to women without disabilities is larger than for men, with consequences for their financial security and eligibility for income support programs. This suggests compounding income barriers that make the non-refundable DTC less accessible for women. Administrative reforms that reduce certification costs and simplify the application process would help, but they will not close the gender gap if the eligibility criteria continue to disadvantage the conditions more prevalent among women.

Income-based heterogeneity is the most directly relevant dimension for the poverty question. As discussed in Section 4, persons with disabilities in the lowest income quintile have DTC certificate rates of only 17.3 per cent (Leanage, Sung-Hee, and Arim 2025). That is, the group for whom the gateway programs are most consequential have a low probability of holding a certificate. This non-access among the poorest eligible persons with disabilities reflects both the financial and time and effort cost of certification, and the disproportionate low benefit of the DTC as a credit to this population. Improved administrative access, including reduced practitioner fees, simplified forms, or, more -boldly, expanding the DTC to all provincial social

assistance recipients on disability assistance and/or CPP-D, would address some of these barriers.

5.3 Comparative Evidence on Benefit Adequacy and Eligibility Architecture

To evaluate what improved DTC access can realistically contribute, it is useful to situate Canada's system within a broader comparative frame. I examine two central features. The first is benefit adequacy: whether approved recipients receive income sufficient to constitute a meaningful standard of living, rather than a partial supplement to be stacked on top of other inadequate income sources. The second is eligibility: whether eligibility is embedded in a system that provides genuine intermediate supports and routes persons with partial work capacity accordingly, or whether it functions primarily as a rationing mechanism.

Denmark provides the clearest benchmark on both dimensions. The *førtidspension* (disability pension) is available only to persons whose capacity for sustained employment has been permanently and substantially reduced to the point that they cannot maintain even a subsidised *fleksjob* position. Eligibility is determined via *ressourceforløb* — a mandatory, interdisciplinary resource clarification process, administered through municipal job centres, that assesses the individual's employment potential, health support needs, and rehabilitation options before a pension determination is made (Life in Denmark 2026). Persons participate in *ressourceforløb* for one to five years before an eligibility determination for *førtidspension* or *fleksjob* is made. The *fleksjob* scheme is for persons whose work capacity is permanently reduced but not to zero: municipalities facilitate wage-subsidised employment in which a public subsidy is calibrated to assessed work capacity (Finansforbundet ND).

While eligibility for *førtidspension* is time-consuming, benefits once on *førtidspension* are relatively high. For a single recipient in 2026, the benefit is DKK 22,053 per month (DKK 264,636 per year; approximately CAD \$55,700), a flat-rate payment independent of prior earnings (Life in Denmark 2026) and is approximately 2.4 times the poverty threshold. This is an example of a disability income benefit with a restrictive eligibility criteria; however, what lies behind it is comparatively adequate. Further, there is an intermediate tier (*fleksjob*) that is adequately resourced.

Denmark tops the OECD in public spending on incapacity benefits, including sickness, disability, and occupational injury, both cash and in-kind, and maintains active labour market spending of approximately 1.96 percent of GDP, well above the OECD average of 0.51 percent (OECD 2021, cited in Hwang, Jensen, and Wadiwel (2023)).

Sweden offers a contrast on both benefit adequacy and eligibility architecture, and on both dimensions it illuminates a different set of problems than Denmark does. The *sjukersättning* (sickness compensation) program provides income-related benefits of up to SEK 23,777 per month (approximately CAD \$42,660 per year) for recipients with sufficient prior earnings, a level 2.4 times the at-risk-of-poverty threshold (Forsakringskassan 2026). However, a growing share of recipients receive only the guarantee benefit (*garantiersättning*), available to those with insufficient or no prior earnings, of SEK 13,622 per month (approximately CAD \$24,444 per year), which sits at only 1.2 times Sweden's at-risk-of-poverty threshold. This is a meaningful income floor by Canadian standards but it is modest relative to Denmark's *førtidspension* at 2.4 times the poverty threshold.

Guarantee benefit receipt has grown sharply: in 2024, one in three *sjukersättning* recipients received only the guarantee benefit, up from one in ten in 2004, with 53 per cent having a psychiatric diagnosis (Forsakringskassan 2025). This composition shift reflects both the tightening of income-related eligibility and the growing proportion of recipients who have never had substantial labour market attachment — a population structurally similar to the low-income persons with disabilities for whom the DTC’s gateway function is most consequential in Canada.

Sweden’s eligibility reforms since 2003 also produced an outcome that is directly relevant to the Canadian debate. Centralizing work-capacity assessments and introducing mandatory front-loaded checkpoints at three, six, and twelve months reduced *sjukersättning* recipiency rates from 10.2 per cent of the working-age population in 2007 to 5.8 per cent in 2018 (McVicar, Wilkins, and Ziebarth 2022). A reduced caseload, however, does not indicate a better-functioning system if those who remain are increasingly concentrated at the guarantee level.

Sweden also illuminates a structural problem that Canada’s DTC shares but resolves differently: the treatment of episodic and fluctuating conditions. The DTC excludes episodic conditions through its frequency and continuity requirements. Sweden’s *sjukersättning* excludes episodic conditions through a different mechanism: a permanence requirement. Following the 2008 reforms, work-capacity impairment must be *permanently* reduced for a recipient to qualify; the earlier possibility of a time-limited benefit for up to three years was abolished (Blomberg 2013). For persons with relapsing-remitting conditions such as Multiple Sclerosis, lupus, Crohn’s disease, or serious mental health conditions with episodic presentation, a physician may not be able to certify permanent impairment. Such individuals cannot access the stable long-term income floor that *sjukersättning* provides.

Sweden does, however, possess one instrument with no Canadian analogue that is directly relevant to episodic conditions in the employment context: the *särskilt högriskskydd* (special high-risk protection). Administered by Försäkringskassan, this mechanism compensates employers for the full sick-pay costs of employees who are medically documented as likely to have repeated or extended absences due to illness or disability and waives the qualifying waiting period for the employee (Forsakringskassan 2025). It is triggered by exactly the profile of an episodic disability and functions as an employment-retention instrument, reducing the financial disincentive employers would otherwise face in retaining workers with fluctuating health. There is no equivalent instrument in Canada’s federal disability income architecture.

The comparative evidence sheds light on the DTC’s restrictiveness. In Denmark, a restrictive gateway is plausibly defensible because what lies behind it is relatively adequate and there is an intermediate tier. Canada’s system inverts this logic. The DTC functions as a restrictive gateway to the CDB and the RDSP, yet neither program delivers adequate income support and there is no intermediate employment tier analogous to the *fleksjob*. In this sense, DTC restrictiveness does not protect access to an adequate benefit: it restricts access to inadequate ones. Sweden, by contrast, illustrates the consequences of eligibility tightening without commensurate benefit adequacy: recipiency rates fell sharply following eligibility restrictions yet the growing concentration of recipients at the relatively inadequate guarantee benefit level suggests that reduced caseloads did not translate into reduced poverty among persons with disabilities. Canada’s system more closely resembles the Swedish trajectory than the Danish one in that there is a restrictive gateway without adequate benefits, with the

additional problem that benefit levels are even lower in Canada and Canada does not have a program to fill in the gap for those with episodic disabilities.

The lesson for DTC reform is not that Canada should replicate Denmark or avoid Sweden's trajectory as neither system is without its problems and no jurisdiction has fully resolved the challenge of providing broad-based and adequate income security to persons with disabilities who lack labour market attachment. What the comparison clarifies is the structure of the risk: DTC reform that expands eligibility without a commitment to improve benefit adequacy risks delivering persons with disabilities to a more accessible gate that opens onto benefits still insufficient to lift them out of poverty. Section 5.4 takes up what DTC-specific reforms can realistically deliver within that constraint, and what they cannot deliver without changes that lie beyond the DTC itself.

5.4 What the Evidence Suggests for Further Research

The three preceding subsections established the analytical foundation for thinking about what improved DTC access realistically contributes to addressing low income among persons with disabilities in Canada. Improved DTC access operates differently at each of the four links from Figure 5 and will impact different groups. Understanding where improved DTC access can and cannot make a difference, and for whom, is essential to a realistic appraisal. With that in mind, the evidence suggests that answers to the following questions at each DTC-specific link would be useful for considering how to most effectively reform the DTC to improve access.

At **Link 1 (DTC Eligibility)**, the DTC's eligibility criteria structurally exclude persons with episodic conditions and create systematically higher barriers for those with mental health and pain-related disabilities. These gaps are definitional, not administrative, and would require legislative change or CRA interpretation reform to address. The priority research questions are:

1. What would expanding the eligibility criteria to better accommodate episodic, mental health, and pain-related conditions look like? How would it affect DTC certification rates and low-income rates across disability types? What would be its distributional impacts and who would remain ineligible even after reform?
2. What would automatically granting DTC eligibility to persons already certified under CPP-D, provincial disability assistance programs, and Veterans Affairs disability benefits look like? How would it affect DTC certification rates and low-income rates across disability types? What would be its distributional impacts and who would continue to be ineligible?

Each of these programs applies its own disability determination process. CPP-D requires a finding of severe and prolonged disability that prevents substantially gainful employment. This is a rigorous federal adjudication that should, in principle, be sufficient to establish DTC eligibility without requiring a separate CRA certification process (Government of Canada 2025d). Provincial disability assistance programs similarly require a determination of severe and prolonged disability, adjudicated by provincial social service agencies. Veterans Affairs disability benefits rest on medical assessments conducted by that department. In each case, a person has already been assessed and found to have a qualifying disability by a federal or provincial authority.

Requiring them to navigate a separate CRA certification process imposes duplicative administrative burden on persons whose disability status has already been established. Malhotra (2024) argues that the more straightforward path to expanding CDB access is federal-provincial cooperation to ensure that provincial disability assistance recipients are automatically granted access to the federal benefit, without routing eligibility through the DTC at all (p. 391). Automatic DTC eligibility for persons already certified under provincial programs would achieve a similar outcome while remaining within the existing DTC-as-gateway architecture and would extend that access to the RDSP and other DTC-gated programs that federal-provincial cooperation on CDB eligibility alone would not reach.

The evidence suggests that the scale of the access gap this reform would close is substantial. Scott and Macdonald (2024) calculate that DTC-only eligibility for the CDB reaches approximately 204,650 persons, compared to an estimated 798,000 who would benefit if CPP-D and provincial social assistance were also recognized as qualifying criteria — a gap of nearly 600,000 persons. Leanage, Sung-Hee, and Arim (2025) find that only approximately 16 per cent of persons with disabilities in the CSD held a DTC certificate, while a further share held CPP-D or QPP-D benefits but not the DTC, confirming that the two eligibility streams reach meaningfully different populations. The heterogeneity analysis in Section 5.2 shows that the persons most likely to be on provincial social assistance but not hold a DTC certificate are precisely those in the lowest income quintile — the group for whom the CDB is most consequential and for whom the cost and navigational demands of the T2201 process are most prohibitive. Automatic recognition of provincial social assistance disability certification would reach this population without requiring them to bear any additional burden of proof.

There is a precedent within the federal system for this kind of cross-program eligibility linkage. Mendelson et al. (2010) proposed that eligibility for CPP-D should carry automatic DTC eligibility (p. 19), and the Standing Senate Committee on Social Affairs (Eggleton, Petitclerc, and Seidman 2018) recommended broadening RDSP eligibility beyond the DTC to include persons receiving provincial and territorial disability support programs (p. 22). Neither recommendation has been implemented, but both reflect the idea that a system requiring persons with already-adjudicated disabilities to repeatedly re-prove their eligibility to different agencies is administratively irrational and inequitable in its effects. The comparative evidence in Section 5.3 reinforces this point: Sweden's eligibility tightening without commensurate administrative support produced a reduced caseload concentrated at inadequate benefit levels, not a better-functioning system. Canada's current architecture produces a version of the same outcome — not through explicit tightening, but through the attrition of persons who qualify but never reach the gate.

At Link 2 (Successful DTC Certification), administrative barriers fall hardest on those with the greatest financial need: persons in the lowest income quintile, women, and those with mental health and episodic conditions hold certificates at systematically lower rates. These barriers are addressable through administrative reform. The priority research questions are:

1. How would a program subsidizing the financial cost of practitioner certification be designed and implemented? Given that Budget 2025 proposed a one-time \$150 supplemental payment whose adequacy relative to typical charges is unestablished,

who would benefit most from reducing or eliminating this cost, and by how much would certification rates and low-income rates improve?

2. What would proactive outreach and simplified administrative processes for persons already receiving CPP-D or provincial disability assistance look like, and what would they deliver? How much would certification uptake improve, and for whom?
3. Could the Community Volunteer Income Tax Program, or another in-community CRA-funded program, be expanded to support DTC applications? How much additional resourcing would be required, how much would certification rates and low-income rates improve, and for whom?

Links 3 and 4 — gateway program access and benefit adequacy — lie beyond the reach of DTC reform but set the ceiling on what reforms at Links 1 and 2 can deliver. Tax non-filing rates among low-income persons with disabilities mean that some who obtain DTC certification will still be unable to access the programs it unlocks. And as Section 5.3 establishes, no comparator jurisdiction has fully resolved the adequacy problem: even Sweden's guarantee benefit floor, modest relative to Denmark's *førtidspension*, exceeds the CDB at its current level. Without meaningful increases in benefit adequacy and resolution of provincial claw back provisions, improved access to the DTC delivers persons with disabilities to a gate that opens onto very little.

Conclusion

This report set out to answer a question raised by the federal government's review of the DTC application process: what can improved access to the DTC, and to the programs it unlocks, realistically contribute to reducing low income among persons with disabilities in Canada? The evidence assembled across the preceding sections supports a clear answer, with two parts.

The first part is that the case for improving DTC access is strong. Disability poverty in Canada is persistent, deep, and structural. Working-age adults with disabilities face low-income rates that have remained roughly double those of their non-disabled peers for nearly a decade, and among those who are low-income, incomes fall on average one-third below the poverty threshold. Against this backdrop, the majority of persons with disabilities who are potentially eligible for the DTC do not hold a DTC certificate. The gaps in certification are not random: they fall disproportionately on women, persons with mental health and episodic disabilities, and those in the lowest income quintile — the groups for whom the gateway programs the DTC unlocks are most consequential. These gaps have two sources. The first is definitional: the DTC's eligibility criteria structurally exclude episodic conditions and create systematically higher barriers for mental health and pain-related disabilities through a combination of the 90 per cent of the time threshold, the 12-month continuous duration requirement, and the exclusion of work as a basic activity of daily living. Addressing this would require legislative change. The second is administrative: the certification process imposes regressive financial costs, navigational demands, and an opaque adjudication culture on persons least equipped to bear them. Addressing this would require administrative reform. Both are within reach of the current federal review.

The second part is that DTC reform alone is not sufficient. The transmission mechanism framework developed in this report makes clear why. DTC reform operates at Links 1 and 2:

DTC eligibility and DTC certification. But the chain does not end there. Even persons who successfully obtain DTC certification face additional eligibility barriers to the gateway programs. And even persons who clear those barriers arrive at benefits, particularly the CDB, whose adequacy is limited. No DTC reform, however well-designed, can reach past these constraints.

Focusing on the DTC, the research agenda identified in Section 5.4 follows directly from the evidence. Quantifying the effects of eligibility expansion, automatic cross-program recognition, practitioner fee subsidies, proactive outreach, and CVITP expansion would allow policymakers to assess not only whether these reforms increase DTC certification rates, but who benefits, by how much, and who remains unreached even after reform. That evidence is necessary to make the case for adequacy reform credibly: demonstrating that expanded access delivers persons with disabilities to inadequate benefits is a more powerful argument for raising those benefits than the current system, in which many eligible persons never reach the gate at all. Improving DTC access and improving what the DTC opens onto are not sequential priorities - they are complementary ones, and the research this report identifies is designed to support both.

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