



The Canadian  
Tax Observatory

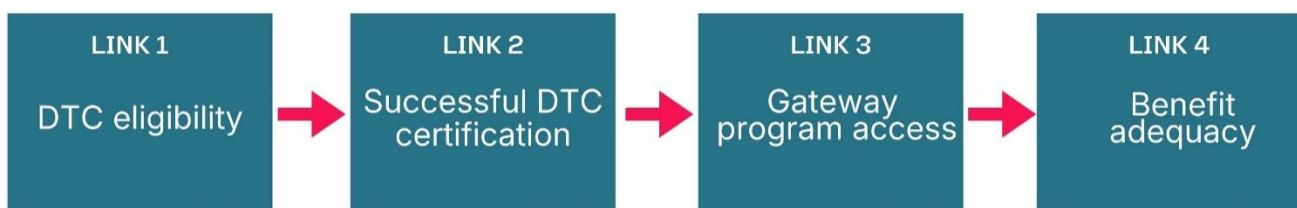
# Broken Links: Poverty and the limits of the Disability Tax Credit

## 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:

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?

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

1. 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?
2. 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?
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?

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, 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.

## **Publication Date**

April 22, 2026

## **Prepared By**

**Dr. Gillian Petit, PhD, JD**

## **Prepared For**

**Heather Scoffield**

CEO, The Canadian Tax Observatory