



The Canadian
Tax Observatory

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

Frequently Asked Questions

What is this report about – in simple terms?

Broken Links is about understanding why so many people with disabilities are trapped in poverty, despite a maze of social programs meant to support them.

The Disability Tax Credit is at the centre of this maze. It has become a gateway to the most important income supports.

But 84 per cent of people with disabilities are not certified, preventing them accessing the benefits that are make-or-break for many households.

What is the most important finding (s)?

The author of the report, Gillian Petit, breaks down the system around the DTC into four key parts, and each one of them has deep flaws that prevent or discourage hundreds of thousands of people from navigating their way to benefits.

The eligibility criteria are narrow and exclude episodic disabilities and mental health.

The certification process is costly and cumbersome, requiring the stamp of approval of a medical practitioner. Women, people with mental health and episodic disabilities, and those in the lowest income quintile are routinely squeezed out.

Fixing these problems is possible and helpful, but not sufficient in confronting poverty.

Hasn't the federal government already acted by creating the Canada Disability Benefit?

The Canada Disability Benefit started flowing in July 2025 and it was the first-ever federal support meant specifically to alleviate poverty among low-income people with disabilities. It was designed to fill gaps in the patchwork system of provincial and disability supports.

The problem is, to get the benefit, a person with disabilities needs certification for the Disability Tax Credit, and that's really hard – if not impossible – for almost everyone.

Just 16 per cent of people with disabilities qualify.

Even if they do manage to qualify, it's a convoluted, lengthy and costly process that can be demeaning for those who try.

For those who do make it through the links in the chain, at \$200 a month tops, the benefit doesn't amount to much, especially for those who are really poor and face high costs managing their disabilities.

If the DTC isn't working for so many Canadians, should the government get rid of it altogether and replace it with something else?

That's a good question and requires some long-term reflection.

The DTC was not meant for poverty alleviation. It was designed for tax equity, to offset some of the higher costs that people with disabilities face on a day-to-day basis. Since it's a non-refundable tax credit, you need a certain level of income to get any kind of financial benefit directly from the DTC. It's most beneficial as a tax credit if you're making between \$35,000 and \$39,999, studies show.

However, the DTC is not just a tax credit. It has morphed into a gateway to other benefits, and that's the system the federal government seems devoted to for now. Our question in this research is how to make do with what we have in front of us and how, in a practical way, to improve the existing system so that it can work better.

Why do so few people qualify for the DTC?

There are many, many barriers to obtaining certification for the DTC.

To be eligible, a person needs to prove severe and prolonged impairments in physical or mental functions that prevent the ability to perform basic activities 90 per cent of the time.

A medical practitioner has to sign off on those conditions. Together, the applicant and the medical practitioner need to fill out a 16-page form and submit it correctly.

The process often takes a long time. And certificates can expire, requiring applicants to repeat the process again and again.

In short, the process is overwhelming for many.

Some groups have higher DTC certification rates. Doesn't that suggest the system works for them?

Not really. People with developmental disabilities qualify at a rate that is higher than other types of disabilities, but it's still below 50 per cent, despite that group being very much in need of many government supports.

Like other people with disabilities, the system breaks down around lack of awareness, perceived lack of need, not being able to afford the doctor costs to apply, rejected applications, and not filing income tax returns.

If the government takes steps to improve the DTC eligibility, will that solve disability poverty?

Fixing the DTC process and turning it into a proper gateway is something that can be done immediately and with practical results. But it won't resolve the persistent poverty among people with disabilities.

Fixing the DTC is a necessary but insufficient part of confronting the high rates of poverty among people with disabilities. If the DTC can be repaired to be a functioning gateway to other supports, that's a first step.

But the other supports also have qualifying criteria that are difficult to navigate.

And the leading anti-poverty measure, the Canada Disability Benefit, is \$200 a month – not enough to solve poverty by itself.

Does the report call for new government spending?

This report does not call for any new government spending. It focuses on the use of the tax system as a tool to issue benefits.

The DTC was originally designed as a tax equity measure, meant to confront the higher cost of living that people with disabilities face on a day-to-day basis. Later, the DTC was turned into a gateway to other disability benefits, but the results have been dismal.

Essentially, the report finds that the DTC doesn't work well as a gateway.

The report does not address the adequacy of benefits that could be accessed, even if the DTC did function well as a gateway.

How does DTC reform connect to this government's priorities and legislative agenda?

Prime Minister Mark Carney has repeatedly spoken about the need for Canada to be strong, and to focus on what it can control in strengthening its economy to deal with the faltering of its relationship with the United States.

An efficient use of tax tools to better confront a structural poverty issue makes sense in this context.

There is all sorts of good will in federal and provincial governments past and present to better support people with disabilities, and the current federal government is well aware that the current system leaves out too many people, often the most vulnerable.

Mr. Carney's government has an opportunity next week in the Spring Economic Update to enact practical, low-cost changes that could make a tangible difference to hundreds of thousands of people.

Is the government currently reviewing the issues raised in the report?

Government officials have indicated an openness to discussing ways to improve the way the DTC functions.

They have informally invited feedback and ideas from advocacy groups and have signalled that they are open to technical changes, even as soon as next week in the Spring Economic Update.

In that spirit, and because no one in Canada likes to see poverty persist in such a systematic way, we undertook this study and are positioning ourselves to do further research.

Who wrote this report and why?

The Canadian Tax Observatory worked together with researcher Gillian Petit to write this report.

Gillian is an accomplished economist with the University of Calgary, who focuses her research on income and social supports.

The Canadian Tax Observatory is a think-tank focused on research and public engagement towards a tax system that is pro-growth, pro-equality and pro-simplicity.

With the government's openness to improving the tax system for people with disabilities, the time is now for the Observatory to dig into the facts and figures, present a thorough analysis and propose a practical way forward.

The report is released; what happens next?

Now that the report is released, we hope that officials, advocacy groups and stakeholders seize on its findings and use them to inform their next steps.

As for the Observatory, the next step is to go about answering some of the questions posed by the report.

Who would benefit from expanding eligibility criteria, and would that change affect prevalence of low income? Who would benefit from making eligibility more automatic, if those who already qualified for other disability assistance programs were deemed eligible? How effective would government covering the costs of practitioner certification be? Who would benefit from proactive outreach and simplified administrative processes?

Basically, we need to look specifically at the low-income people with disabilities to see if they would benefit long-term from practical changes made to the system surrounding the DTC.

What is one take away you want the government to take away from this report?

Our main message is simple: The DTC is failing as a gateway to benefits meant to alleviate poverty, but it can be repaired. Let's fix it.