

Report on Income Tax Return Module Canadian Financial Diaries

August 2019
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The Canadian Financial Diaries seeks to understand the financial dynamics of low and moderate-income Canadians. Meeting with participants weekly for one year to monitor and record their financial diaries during Phase I of this project, this mixed methodology research reveals many layers of financial decision-making. In this report, we assess participants’ ideas on their understanding and use of tax returns.

We asked Financial Diaries participants to talk about preparing their tax return and their understanding of the Notice of Assessment (NOA). We wanted to know how participants filed their taxes and their experiences completing tax returns and receiving a refund (if applicable). This module was created by the field research team in consultation with Jennifer Robson of the academic team.

This qualitative survey identified that participants currently use two methods for filing taxes: a free CRA-approved web-based platform and free services offered through the Community Financial Counselling Services called the Community Volunteer Income Tax Program at the Norquay Building. Participants were generally pleased with the service they received from the volunteer program and with the time period in which they receive a return. In terms of the NOA, participants had varied levels of understanding, some confusion and minimal frustration in understanding this document.

Survey method

Between August 2018 and May 2019, the Financial Diaries field research team (Jerry, Jodi and Maya) interviewed seven participants about their experiences preparing income taxes. Prior to conducting the tax income module, we asked participants about their willingness to talk about filing taxes and requested that they bring their NOA to the next meeting. During the module interview, participants answered questions for 10 to 30 minutes. The interview questions are listed in the Appendix and include inquiring as to participants’ tax filing habits, their experience of filing, refund amounts if received, what they planned and what they did with the refund and about their understanding of the NOA. While talking about the NOA we wanted to sense their understanding of this document and allow them to voice their thoughts and feelings about the NOA.

Participants

Interview participants were culled from our list of regular Diaries participants and information on their gender, age, race, family size, length of time in Canada, occupation, household income and reported assets is provided. Of the seven participants, there were two men and five women ranging in age from 19-63. The average age was 42 years old. Four participants were born in Canada and these three participants had been in Canada for 2, 4 and 29 years.

	Gender	Age	Race or ethnicity	Family size	Immigrant or refugee and length of stay	Occupation	Household income as reported	Reported assets
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					in Canada		during interview	
1	Female	35	White	1		Seasonal nursery work	\$22,237	\$28,584
2	Female	19	Black	1	4 years	Student	\$4,000	\$4,353
3	Female	53	White	1		Server	\$10,427	\$0
4	Female	63	Indigenous	1		EIA	\$7,000	(Not in file—LL1)
5	Female	37	White	2	2 years	Husband works at pawn shop	\$32,015	\$9,188
6	Male	59	Black	1	29 years	EIA/Disability	\$10,000	(Not in file GK1)
7	Male	30	White	1		Bike mechanic	\$26,000	Not in file GA1

Methods of income tax preparation

Participants reported that in the past they had filed using three different methods: for-profit companies, CRA approved web-based entities and not for profit agencies. The for-profit companies included H & R Block, Liberty Tax and Turbo Tax (which is also an online platform). The other CRA approved web-based entity available for no fee is Simple Tax. The nonprofit agency which coordinates the volunteer income tax preparation program is Community Financial Counseling Services (CFCS). CFCS is staffed by CRA-trained volunteers and operates several different Manitoba locations. The largest Winnipeg volunteer location is known as the Norquay Clinic as it is located in the Norquay building in downtown Winnipeg. In 2019, CFCS filed 11,688 returns for people with low-income. CFCS also provides volunteer support for the tax services offered through the Society for Manitobans with Disabilities (SMD). SMD filed 347 tax returns in 2019.

In 2018, four participants completed their tax return at Norquay, one at SMD and two filed their taxes online through SimpleTax. No participant reported using a for-profit company in recent years. Most participants (6) received a refund while one person reported that she owed CRA for several years when she did not file taxes. Below see a table outlining the types of service, the number of participants utilizing that service, their average return amount and comments about the service offered.

Participants seemed pleased with the way in which they currently complete their tax refund and receive a refund. Participants who filed through the Norquay income tax clinic, voiced positive comments and general thankfulness about this service. Participants noted that they learned more about taxes by filing with the Norquay clinic. The two participants who filed using online platforms

appreciated this no-cost approach. The participant who had his taxes done at SMD, which is an offshoot of the Norquay Clinic and also supported by Community Financial Counseling Services, reported that he would use SMD again as it was “No headache, no arguing and no harassing.”

Income Tax Preparation 2018

Type of service	Number	Return size: average and range	Comments on service
CRA approved and web based— Simple Tax	2	\$2,000- \$2,198 Average: \$2099	Turbo Tax might be better but does not want to pay for the service. Another said that it was easy to use and provides helpful suggestions to consider when filing such as working income tax benefit and climate action incentive. The no-cost approach is good.
Not for profit	5	\$150- \$3474.38 Average: \$1647	“Great.” They do a good job and are trustworthy. They are well-trained by CRA and are familiar faces. The waiting time is not a disincentive. The person doing the taxes explained the process and she could ask questions. She thought they completed the work quickly and that her taxes were well done and would go again next year. “It is free, the place is good and the people are nice.” We learn more about our taxes by filing at Norquay. The person doing her taxes explained the process, talked to her and she could ask questions. They completed the work quickly. I will tell others about the good service at

			Norquay. I would use SMD again as it was “No headache, no arguing and no harassing.”
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Refund amounts

The range of participants’ refunds was \$150 to \$3,474. The average of all reported participants’ refund was \$1,841. The range of annual income from these seven participants was \$4,000 to \$32,000 and the average annual income was \$22,244. Participants reported that they received their refund from one week to one month after filing. Only one person reported that one week seemed like a long time. Otherwise participants were pleased with the timeline with which their refunds were deposited.

Participant	Reported Household Annual income	Amount of tax return (\$)	Time to receive return
1	\$22,237	\$2,198	Within 10 days
2	\$4,000	\$150	1 week
3	\$10,427	\$1387	2 weeks
4	\$7,000	n/a	n/a
5	\$32,015	\$3,474.38	Less than a month
6	\$10,000	unsure	unsure
7	\$26,000	2,000	Less than one week

Plans for the refund and rationale for completing a tax return

The plans that participants had for the refund included saving, using the money to apply for permanent residency, incorporating the refund into daily expenses, and saving for future travel. One participant was unsure of their plans and one participant had no plans at all. In the end, three participants saved the refund while three participants incorporated this money into their regular accounts and expenses.

Participants shared two main perspectives about why they file taxes. Three persons reported that filing is mandatory and they did not want to get in “trouble” with the CRA. Two persons reported that they filed their taxes because they knew that they would receive a refund. Two persons did not report on why they filed taxes.

	Why file	Plan for the refunded amount	How used refund
1	Does not want to get into trouble. Usually gets money back; motivated for refund	No plan. She did not want to anticipate something that she might not get.	Deposited into savings
2	Did not respond	Save for future travel to the U.S. and for skydiving.	Deposited into savings
3	Did not respond	Cover daily expenses	Daily expenses
4	Does not want to get into trouble or go to jail	N/A	N/A
5	We got money back when my husband had only worked for 8 months.	Pay fees for Provincial Nominee program to immigrate	Some savings, some college bills and some daily expenses
6	Did not respond	Unsure	Mixed in with other money in chequing account.
7	For the refund	Deposit into savings so that can purchase GIC	Deposited into savings

Understanding the CRA Notice of Assessment

Participants had a wide range of understanding of the Notice of Assessment (NOA). These experiences ranged from well understood to confused and frustrated.

One participant showed a high level of conceptual understanding; another showed a low level of understanding and interest; two persons showed some confusion and frustration (especially in being able to communicate with CRA); and three persons showed some understanding and no frustration. Most participants do not understand all the items on the NOA but they are not concerned with what they do not know or understand.

Gender	Age	Race or ethnicity	Immigrant or refugee and length of stay in Canada	Highest education attained	Level of understanding
Female	35	White		University	Some confusion and frustration. She is frustrated with how difficult it is to

				graduate	communicate with CRA due to long holds on the phone. NOA notified her that she was getting twice as much as she thought. Also, she saw a note about getting federal education amount when she has not gone to school in several years.
Female	19	Black	4 years	University student	Some understanding, no frustration.
Female	53	White		High school graduate	Some understanding, no frustration. She trusts CRA.
Female	63	Indigenous		Grade 11 completion	Some understanding, no frustration about NOA. Frustrated about removal of rent benefit. Indicates that completing tax return as individual on own is difficult but understands NOA.
Female	37	White	2 years	Some college experience	Minimal confusion. She reports that tax preparation is different than in her home country. She is in school but her husband got the tax credit and she wonders about that. She also reports that the tax clinic does not explain the NOA.
Male	59	Black	29 years	Grade 9	Low level of understanding and interest
Male	30	White		University graduate	High level of conceptual understanding. No frustration.

Discussion

The data presented in this report shows that Financial Diaries participants complete a yearly tax return using free services. Since the Financial Diaries project recruited many participants through the Norquay Clinic, this is not a surprising finding. The high level of satisfaction with the services at Norquay and the lack of complaints about the wait time is perhaps more significant for the field research team who observed waiting rooms filled to capacity and long wait times for some.

In terms of the assessment regarding the NOA it is important to note that the majority of interviews took place several months prior to tax filing season. Some participants had misplaced or forgotten to bring their NOA and instead were provided with a sample NOA. Also, emotions about taxes were not heightened in this mid-season. It is likely that both positive and negative emotions may have been more intense closer to the time of filing. Thus for the most accurate reading of participant

understanding and satisfaction with tax preparation, I would suggest completing this survey shortly after taxes have been filed.

Conclusion

Financial Diaries participants report that completing their taxes is a regular part of their yearly experience and all use a free service with which they are relatively pleased to complete their returns. Most participants receive a refund and use this money to cover expenses while some save their refund. The NOA causes minimal confusion and frustration and yet participants are not strongly concerned with what they do not understand. Their frustration regarding CRA is in regard to communicating with them and removal of rent as a benefit. Thus, this report concludes that FD participants are accessing free and helpful tax preparation services.

Appendix: Income tax return and refund module

10 August 2018

1. Filing tax returns

- a. When tax filing season comes, what do you usually do?
- b. If file: How do you usually file?
 - i. Do you get help?
 - ii. Do you pay for that assistance? If pay, how much do you pay?
 - iii. What are some of your motivations for filing a return?
- c. If don't file: How long has it been since you filed a return?
 - i. Why don't you file? Are you concerned about not filing?

2. Income Tax return

- a. Did you complete your income tax return for 2017?
- b. How did you complete your income tax return this year?
- c. If you have completed your taxes with a business in the past, what are some differences you saw or experienced when you did taxes with a business versus when you did your taxes at the Tax Clinic?
- d. Would you do your taxes at the tax clinic again or would you prefer another way of doing your taxes?
- e. Did you receive a refund this year?
- f. How much?
- g. What is your annual income?
- h. If you got a return, approximately how many days or weeks after you submitted the return did you receive the refund?
- i. Before you received the refund, did you have particular plans for how you would spend or save it?
- j. What have you done with the refund?
 - i. If you spent it, explain how.
 - ii. If you saved it, explain how and possible purpose of this savings.

3. Notice of Assessment (NOA):

- a. Could you explain the information on the NOA to me, as you understand it? There's no right or wrong answer.
 - a. If confident, it seems that you find the NOA useful/easily understandable. Has it always been that way or was there an experience or person that assisted in that process?
 - b. If seems frustrated, it seems that the form is kind of frustrating for you, is that right? (Pose question so that they talk about impressions of the form and their opinions and/or share a story).
- b. If you could give CRA feedback about the NOA, what would you tell them?