
ECONOMIC BENEFITS OF AN ADULT FITNESS TAX CREDIT

Prepared by



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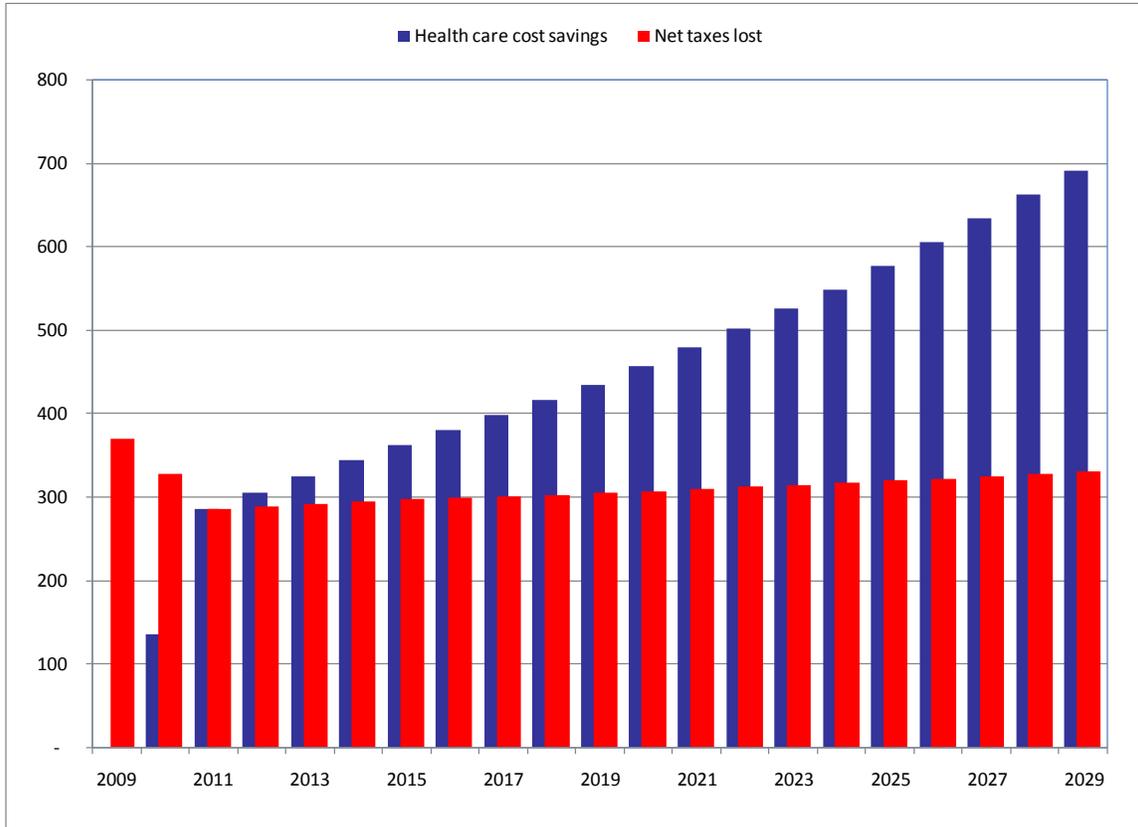
ECONOMIC BENEFITS OF AN ADULT FITNESS TAX CREDIT

HIGHLIGHTS

- An adult tax credit could increase the number of physically active adult Canadians by almost 1 million people if only the federal government participates in implementing the credit. The number could increase by 1.5 million if both the federal and provincial governments participate.
- This would have a significant impact on health care costs. If only the federal government participates, the health care cost savings would reach \$135 million in 2010, \$286 million in 2011, gradually increasing to \$692 million by the year 2029. If both the federal and provincial governments participate the health care savings would be \$220 million in 2010, \$465 million in 2011 and \$1.1 billion by 2029.
- The proposed tax credit would obviously also reduce the personal income taxes collected by the federal and provincial governments if either or both levels participate. If the federal government only implements the tax credit total personal income taxes collected by both levels would decline by about \$370 million in 2009 increasing gradually to \$448 million in 2029. If both the federal and provincial governments participate total personal taxes collected by both levels would decline by \$648 million in 2009 rising gradually to \$767 million in 2029.
- The health care cost savings significantly outweigh the net personal tax losses incurred by the federal and provincial governments over time whether only the federal government participates or if both orders of government participate (see Exhibits S-1 and S-2).
- Over the projection period the cumulated net benefit in the case of federal participation only is \$2.5 billion representing cumulated health care savings of \$9.1 billion and cumulated net personal tax losses of \$6.6 billion.
- The cumulated net benefit in the case of federal and provincial participation is \$5.4 billion representing cumulated health care savings of \$14.8 billion and cumulated net personal tax losses of \$9.4 billion.
- The net benefits exceed the net costs in both cases of government participation starting in either 2011 (both) or 2012 (federal only) and expanding significantly in both cases each year thereafter.
- The adult fitness tax credit could be expected to reduce the likelihood that workers would miss work due to illnesses related to physical unfitness. The report shows that, in the case of federal participation only, personal income taxes collected as a result of less lost time would be higher by \$41 million in 2010, \$83 million in 2011, climbing to \$118 million in 2029 due to a lowering of lost time. In the case of both federal and provincial participation the report shows that personal income taxes collected would be higher by \$108 million in 2010, by \$219 million in 2011 and by \$312 million by 2029.

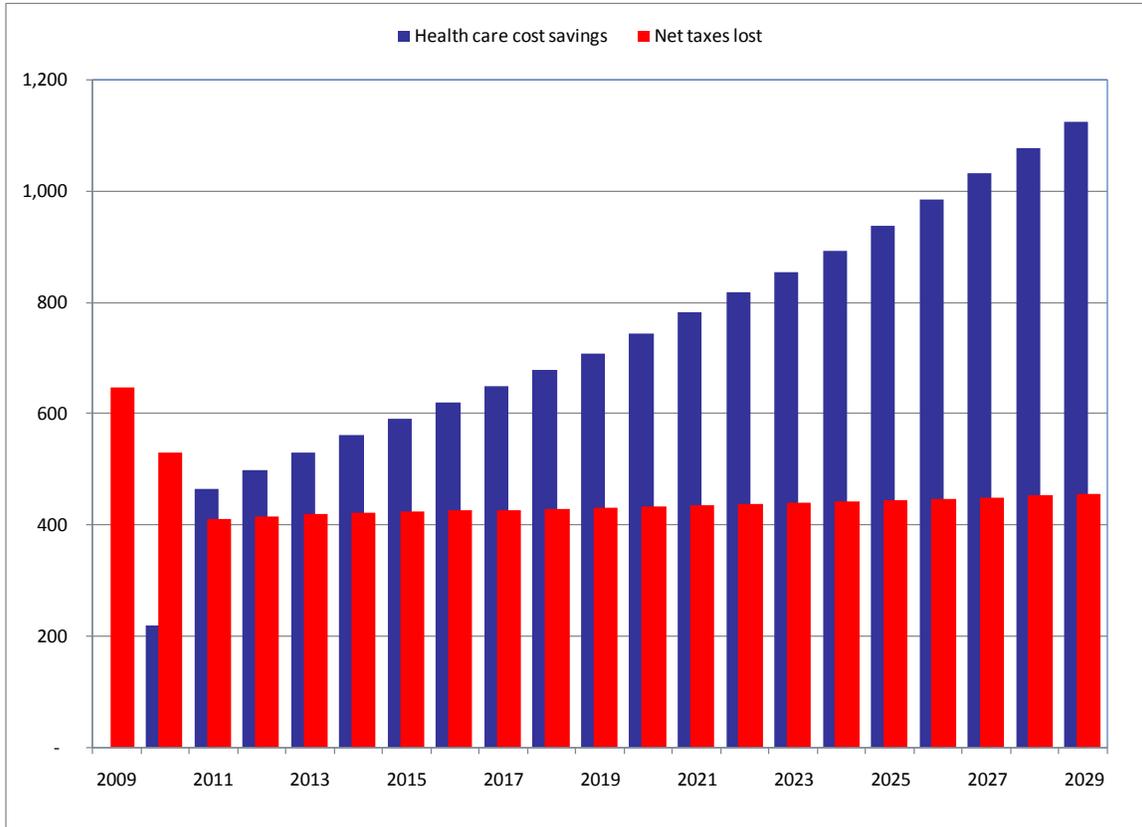
- The personal taxes recovered as a result of the improved rates of absenteeism and presenteeism would reduce the net personal income tax loss to \$331 million per year by 2029 in the case of federal participation only and to \$455 million per year in 2029 in the case of both federal and provincial participation.
- Research consistently shows that a physically active person is more likely to have better health outcomes than a non-active person. Regular physical activity is effective in the prevention of several chronic diseases, including cardiovascular disease, type 2 diabetes, cancer, hypertension, and osteoporosis.
- Physical activity is important in *primary* prevention (i.e. prevention of the diseases from developing), and *secondary* prevention (e.g. extending the life of those experiencing the disease/condition, and management of the condition).
- Different types of costs are associated with physical inactivity, such as medication, hospital stays, physician compensation, workers' compensation, and lost productivity. These costs are typically divided into direct costs (i.e. medical treatment of the disease) and indirect costs (typically lost productivity).
- Based on the literature review and on detailed projections of the Canadian population by age and gender the report develops projections over the next two decades of physical activity, obesity and health outcomes.
- Most of the growth in Canada's population by age over the next two decades will occur among those over the age of 50. The *life-cycle nature* of physical activity and obesity means the diseases and conditions that will increase the most in the decades ahead are those whose rates are highest among older persons. The report projects that by 2027 the total direct and indirect health costs associated with physical inactivity will be just over \$20.6 billion in Canada, up from an estimated \$7.3 billion in 2007.
- Males 15 to 24 and over the age of 55 are significantly more likely than females of the same age to be physically active. Rates of physical activity among females are equal to those of males only in the 25 to 54 year age groups, and at no age level are females more active than males. Both males and females exhibit similar *life-cycle* patterns in their levels of activity with physical activity at its highest when young, and dropping significantly beyond the age of 75 years.
- Persistently low fertility rates and an aging population mean that the net natural change in population (births less deaths) is declining rapidly throughout Canada. Net immigration today accounts for the lion's share of Canada's annual gain in population and is projected to continue to do so over the next several decades. A lower proportion of immigrants to non-immigrants in Canada rate their health as very good or excellent for both men and women. Immigrants are less likely than non-immigrants to be classified as physically active or moderately active, and are more likely to report being physically inactive during their leisure time.

**Exhibit S-1
Federal Participation Only
Health Care Cost Savings and Net Personal Tax Revenue Losses
2009 to 2029**



Source: The Centre for Spatial Economics

Exhibit S-2
Federal and Provincial Participation
Health Care Cost Savings and Net Personal Tax Revenue Losses
2009 to 2029



Source: The Centre for Spatial Economics