

# Changes to OW and ODSP rules on earnings from work, training, or self-employment

The 2013 Ontario budget included a number of changes to social assistance.

ISAC has prepared several fact sheets on these changes to give information to people receiving support from Ontario Works (OW) and the Ontario Disability Support Program (ODSP), and the people who work with and support them.

This fact sheet explains changes to the “earned income exemption” rules. These rules apply to you if you are on OW or ODSP and you earn money from a job or your own business (i.e., you are self-employed), or you are paid as part of a training program. For our other fact sheets, please visit <http://www.incomesecurity.org>.

## What is changing? – A new \$200 flat rate “earnings exemption”

Starting in September 2013, the first **\$200** in net income you get from a job, your own business, or from a training program **will be exempt** from deduction from your OW or ODSP benefits. Any money you get over the first \$200 will then be deducted at 50%.

Net income is the money you get after regular deductions like Employment Insurance payments or taxes have been taken off.

## How is this a change?

As a general rule, both OW and ODSP reduce your monthly cheque by the amount of any income that you get from any source.

Some income, such as the money you earn from work, self-employment or training, is treated differently. Usually, money from these sources is only partially deducted from your cheque. In other words, some portion of the money you earn is “exempt” from being deducted.

## OW Rules Before Sept 2013

The old rules said that half (50%) of the net income you got from work or from a training program was deducted from your OW cheque. For example, a person on OW who made \$50 in net income from a job would have \$25 of that money deducted from their cheque. There was no deduction on the other \$25.

The old rules also said that the 50% exemption did not apply to net income from self-employment. That meant that 100% of money you got from your own business was deducted from your cheque.

## ODSP Rules Before Sept 2013

The old ODSP rules also said that half (50%) of your net income from a job or training program would be deducted from your cheque. But the old ODSP rules also said that the 50% deduction applied to net income from being self-employed.

## **New Rules as of September 2013**

In both OW and ODSP, there will be no deduction from your cheque for the first \$200 of income from work, self-employment, or training.

This can increase total monthly income by up to \$100 for people on OW or ODSP who work or get money from training, or for people on ODSP who have their own business. For people on OW who have their own business, their total monthly income will increase even more. The tables that start on page 3 show examples of how monthly income will change, using the example of a single person on either OW or ODSP.

The new rules come into effect starting in September 2013. This means the new rules will apply to money you report in September from work, self-employment, or training. You will actually see the impact of the change on the cheque you get for October.

You will still have to report your earnings every month, even if you earn less than \$200.

People on OW will still have to wait for three months before these exemptions will apply to them. Before three months, all their income from work, training or self-employment will be deducted. There is no three-month “waiting period” in ODSP like there is in OW.

### **Related issues in ODSP**

The standard expense deduction of \$100 on self-employment income for people on ODSP remains the same. People will still be required to claim the greater of the standard expense deduction or the actual business expenses.

The Work-Related Benefit (WRB) will still be available for people on ODSP. However, if you are on ODSP and you or your spouse is in secondary school full-time, your earned income is now fully exempt. Check with your caseworker about continuing WRB eligibility.

### **These rule changes will also impact eligibility**

Because the amount of money that is deducted from your cheque will be lower under the new \$200 exemption, this rule change will actually increase the amount of money that you can earn and still be eligible for OW and ODSP.

This is a very important impact, because it means that people on both OW and ODSP can earn more money and still be eligible for income support and/or additional benefits (like health benefits) from these programs.

### **Why are these changes being made?**

A problem that many people have raised with the government for a long time has been that the old 50% deduction was too high and didn't give people enough extra money to live or even afford to go to work.

Another obvious problem was that people on OW got no financial benefit from income they earned from self-employment.

## Tables: Examples of change in total income

### Single Person on OW

The table below compares the total income of a single person on OW, for different amounts of monthly income from work or training, under the old rules and under the new ones.

Impact of rule changes on total income – single person on OW with income from work or training								
Amount single person could qualify for from OW (maximum basic benefit)	Income from work or training (net income)	Old Rules: 50% of net income deducted from OW cheque			New rules: first \$200 in net income exempt, then 50% deducted			Change in total income
		Amount of income deducted from OW benefit	Amount person gets on OW cheque	Total income (Income from work or training + Amount on OW cheque)	Amount of income deducted from OW benefit	Amount person gets on OW cheque	Total income (Income from work or training + Amount on OW cheque)	
\$626	\$50	\$25	\$601	\$651	\$0	\$626	\$676	+ \$25
\$626	\$100	\$50	\$576	\$676	\$0	\$626	\$726	+ \$50
\$626	\$200	\$100	\$526	\$726	\$0	\$626	\$826	+ \$100
\$626	\$500	\$250	\$376	\$876	\$150	\$476	\$976	+ \$100
\$626	\$1,000	\$500	\$126	\$1,126	\$400	\$226	\$1,226	+ \$100

The table below compares the total income of a single person on OW, for different amounts of monthly income from self-employment, under the old rules and under the new ones.

Impact of rule changes on total income – single person on OW with income from self-employment								
Amount single person could qualify for from OW (maximum basic benefit)	Income from self-employment (net income)	Old Rules: 100% of net income deducted from OW cheque			New rules: first \$200 in net income exempt, then 50% deducted			Change in total income
		Amount of income deducted from OW benefit	Amount person gets on OW cheque	Total income (Income from self-employment + Amount on OW cheque)	Amount of income deducted from OW benefit	Amount person gets on OW cheque	Total income (Income from self-employment + Amount on OW cheque)	
\$626	\$50	\$50	\$576	\$626	\$0	\$626	\$676	+ \$50
\$626	\$100	\$100	\$526	\$626	\$0	\$626	\$726	+ \$100
\$626	\$200	\$200	\$426	\$626	\$0	\$626	\$826	+ \$200
\$626	\$500	\$500	\$126	\$626	\$150	\$476	\$976	+ \$350

## Single Person on ODSP

The table below shows the change in total income for a single person on ODSP, for different amounts of monthly income from work, training or self-employment, under the old rules and under the new ones.

Impact of rule changes on total income – single person on ODSP with income from work, training, or self-employment								
Amount single person could qualify for from ODSP (maximum basic benefit)	Income from work, training or self-employment (net income)	Old Rules: 50% of net income deducted from ODSP cheque			New rules: first \$200 in net income exempt, then 50% deducted			Change in total income
		Amount of income deducted from ODSP benefit	Amount person gets on ODSP cheque	Total income (Income from work, training or self-employment + Amount on ODSP cheque)	Amount of income deducted from ODSP benefit	Amount person gets on ODSP cheque	Total income (Income from work, training or self-employment + Amount on ODSP cheque)	
\$1,086	\$50	\$25	\$1,061	\$1,111	\$0	\$1,086	\$1,136	+ \$25
\$1,086	\$100	\$50	\$1,036	\$1,136	\$0	\$1,086	\$1,186	+ \$50
\$1,086	\$200	\$100	\$986	\$1,186	\$0	\$1,086	\$1,286	+ \$100
\$1,086	\$500	\$250	\$836	\$1,336	\$150	\$936	\$1,436	+ \$100
\$1,086	\$1,000	\$500	\$586	\$1,586	\$400	\$686	\$1,686	+ \$100