

Ontario Disability Support Program (ODSP) Earned Income Exemptions: Impact of Proposed Changes

On November 14, 2022, the *Ontario Economic Outlook and Fiscal Review* proposed changes to how earned income will be deducted from benefit cheques of people on the Ontario Disability Support Program (ODSP) only. These changes do not apply to Ontario Works (OW) clients.

The government announced that the ODSP monthly flat rate earnings exemption – the amount people can earn without any deductions from their benefits – will increase from \$200 to \$1000. The amount that is deducted on income above the exemption amount will increase, from 50% to 75%.

Our analysis shows that:

- The proposed changes will improve the incomes of people on ODSP who earn up to \$2600 net each month. This will help those who can work. However, for those who cannot work, these proposed changes will have no impact on incomes.
- The proposed rules will mean that people become ineligible for the ODSP at a lower income point. They will “earn their way off” the program \$224 earlier per year (\$18.67 per month). At this point, they will no longer have access to associated supports that cover some disability costs such as prescription drug coverage, assistive living devices, or the Guide Dog Benefit.

Less Benefit at Higher Earnings: Examples

- **Samuel** works part-time at a fast food restaurant. He makes \$400 a month net (after taxes and deductions). As a single person with rent over \$522, he is entitled to \$1228 in benefits from ODSP (the current maximum basic needs and shelter benefits for a single person).

Under the current rules, he would keep the first \$200 without any benefit deductions. For the remaining \$200, his benefits would be reduced by 50%, or \$100. His total income would be the \$400 he got from work plus \$1128 in ODSP benefits, for a total of \$1,528.

Under the new rules, he would keep all of the \$400 he earned from work. His total income would be the \$400 he earned from work, plus \$1228 in benefits, or \$1,628. **Samuel would be \$100 better off under the proposed new rules.**

- **Fatima** tutors math to kids and is paid \$2650 a month net (after taxes and deductions). Just like Samuel, she is entitled to \$1228 in benefits from ODSP.

Under the current rules, she would keep the first \$200 of her earnings without any deductions from her benefits. For the remaining \$2450, her benefits would be reduced by 50%, or \$1225. Her total income would be \$2650 from work plus \$3 in ODSP benefits, or \$2653.

Under the new rules, Fatima’s flat rate exemption would go up to \$1000 per month. For the remaining \$1650, her benefits would be reduced by 75% or \$1237.50. Because her benefits would be reduced by more than \$1228, Fatima would no longer be eligible for ODSP under the

proposed new rules. Her total income would be \$2650 from earned income. ***Fatima would be \$3 worse off and would no longer be eligible for ODSP benefits.¹***

The table below shows the impact of the difference between the current rules and the proposed new rules for a single person on ODSP and for different amounts of earnings.

As a result of the proposed new rules, people who are able to “earn their way off” ODSP– by working so much that they are no longer financially eligible – will do so at a total income of \$224 less per year (\$18.67 less per month) than under the current rules.

Impact of rule changes on total income – single person on ODSP with income from work								
Amount single person eligible for from ODSP (basic needs and maximum shelter)	Income from work (net income)	Current Rules: first \$200 in net income exempt, then 50% deducted			Proposed Rules: first \$1000 in net income exempt, then 75% deducted			Change in total income
		Amount deducted from ODSP benefit	Amount person gets from ODSP	Total income (Income from work + Amount from ODSP)	Amount deducted from ODSP benefit	Amount person gets from ODSP	Total income (Income from work + Amount from ODSP)	
\$1228	\$100	\$0	\$1228	\$1328	\$0	\$1228	\$1328	\$0
\$1228	\$200	\$0	\$1228	\$1428	\$0	\$1228	\$1428	\$0
\$1228	\$300	\$50	\$1178	\$1478	\$0	\$1228	\$1528	+ \$50
\$1228	\$400	\$100	\$1128	\$1528	\$0	\$1228	\$1628	+ \$100
\$1228	\$500	\$150	\$1078	\$1578	\$0	\$1228	\$1728	+ \$150
\$1228	\$600	\$200	\$1028	\$1628	\$0	\$1228	\$1828	+ \$200
\$1228	\$700	\$250	\$978	\$1678	\$0	\$1228	\$1928	+ \$250
\$1228	\$800	\$300	\$928	\$1728	\$0	\$1228	\$2028	+ \$300
\$1228	\$900	\$350	\$878	\$1778	\$0	\$1228	\$2128	+ \$350
\$1228	\$1000	\$400	\$828	\$1828	\$0	\$1228	\$2228	+ \$400
\$1228	\$1500	\$650	\$578	\$2078	\$375	\$853	\$2353	+ \$275
\$1228	\$2000	\$900	\$328	\$2328	\$750	\$478	\$2478	+ \$150
\$1228	\$2500	\$1150	\$78	\$2578	\$1125	\$103	\$2603	+ \$25
\$1228	\$2600	\$1200	\$28	\$2628	\$1200	\$28	\$2628	+/- \$0
\$1228	\$2638	\$1219	\$9	\$2648	\$1250	\$0	\$2638 ²	-\$0.50
\$1228	\$2656	\$1228	\$0	\$2656				
No longer eligible at \$31,872 annual net earnings					No longer eligible at \$31,648 Net annual earnings			

¹ In cases where a person is no longer eligible for ODSP income support because of earned income but they have high health costs, they may still qualify for the Extended Health Benefit (EHB) or the Transitional Health Benefit.

² The point at which monthly earnings equals \$1228 is actually \$2637.33.