



# Trump's Big Beautiful Bill Means Canada Falls Further Behind in Race to Attract Top Talent

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This study was commissioned by the Centre for Civic Engagement. The CCE is a non-partisan Canadian charity dedicated to conducting original research on public policy issues related to Canadian prosperity, productivity, and national flourishing. The CCE's research informs an active program of policy seminars, events, conferences, and lectures all aimed at providing the policy making community with actionable insights that encourage informed decision making on issues that matter to Canadians.

# Introduction

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The United States Congress recently passed President Trump's Big Beautiful Bill,<sup>1</sup> which among things extended and made permanent the income tax rate reductions and revised tax brackets first implemented in the 2017 Tax Cuts and Jobs Act.<sup>2</sup> This should raise alarm bells for policymakers north of the border as Canada will continue to have uncompetitive personal income tax rates compared to our American counterparts, and fall even farther behind in the race to attract entrepreneurs, professionals, investors and top talent.

Jurisdictions around the world compete to attract and retain top talent including entrepreneurs, engineers and doctors, who contribute significantly to the economy. While taxes are one of many factors these professionals consider when deciding where to live and work, jurisdictions with relatively low taxes generally enjoy a competitive edge in attracting these individuals.

According to research, taxes have the largest effect on mobility for high-skilled individuals. For example, relatively high personal income tax (PIT) rates in one jurisdiction incentivize workers to reduce their tax burden by relocating to a lower tax jurisdiction. This creates competition between jurisdictions, as the lowest tax jurisdictions are typically more successful at attracting and retaining professionals, businessowners and entrepreneurs.

Indeed, according to Moretti and Wilson (2017), the number of "star"<sup>3</sup> scientists in a state increases by 0.4 per cent annually if the after-tax income in that state increases by 1 per cent due to a reduction in PIT rates. Put differently, high-income scientists are acutely sensitive to personal income taxes and make decisions about where to work in part based on the level of taxation in a given jurisdiction. Similarly, Agrawal and Feremny (2018) found workers in finance, real estate and health care are more sensitive<sup>4</sup> to taxes and more likely to migrate than other professionals.

Research from Akcigit et al. (2015) similarly discovered "superstar" inventors<sup>5</sup> are significantly affected by top tax rates when deciding where to locate. Another study<sup>6</sup> (Iqbal, 2000) on international mobility examined the exodus of Canadian professionals to the U.S. and determined that high-skilled Canadians respond strongly to tax rates—specifically that a "1 percent increase in the existing tax gap (measured by the ratio of total tax revenue to GDP) can push 2 percent more Canadians toward the United States."

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<sup>1</sup> Brandon Drenon and Nadine Yousif, "What are the key items in Trump's sprawling budget bill?," *BBC.com*, July 4, 2025, <https://www.bbc.com/news/articles/cOeqpz23l9jo>.

<sup>2</sup> "Details and Analysis of the 2017 Tax Cuts and Jobs Act," *Tax Foundation* no. 239 (2017).

<sup>3</sup> Enrico Moretti and Daniel J. Wilson, "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists," *The American Economic Review* 107, no. 7 (2017): 1858–1903.

<sup>4</sup> David R. Agrawal and Dirk Foremny, "Relocation of the Rich: Migration in Response to Top Tax Rate Changes from Spanish Reforms," *CESifo Working Paper* no. 7027 (2018).

<sup>5</sup> Ufuk Akcigit, Salomé Baslandze and Stefanie Stantcheva, "Taxation and the International Mobility of Inventors," *Working Paper* no. 21024 (2015).

<sup>6</sup> Mahmood Iqbal, "Brain Drain: Empirical Evidence of Emigration of Canadian Professionals to the United States," *Canadian Tax Journal* 48 no.3 (2000): 674–688.

The effect also shows up in international professional sports. Henrik Kleven and his colleagues (2013) examined data<sup>7</sup> on European soccer players and found countries with low taxes attract more “high ability players” that have high rates of compensation. Among NHL fans and pundits, there’s been recent discussion<sup>8</sup> about the Florida Panthers having an advantage in attracting the most talented hockey players because the players do not pay state-level income taxes.

Florida certainly has wonderful beach weather and other luxuries, but its advantage in tax rates give professional hockey teams such as the Panthers and Tampa Bay Lightning a competitive edge in recruiting top talent. Big names such as Sam Bennett, Aaron Ekblad and Brad Marchand recently re-upped with the Panthers on bargain contracts, in part due to relatively low tax rates. Another big name, Mitch Marner, left Toronto this summer for greener pastures and substantially lower taxes (with sunny weather) in Nevada by signing a lucrative eight-year contract with the Las Vegas Golden Knights.

Moreover, five of the last six Stanley Cup-winning teams have come from U.S. states that do not impose state level income taxes (the Colorado Avalanche being the only exception). And again, although taxes are not the sole factor in any player’s career decisions, they are undoubtedly a key reason why these teams successfully manage the salary cap and build the best possible roster.

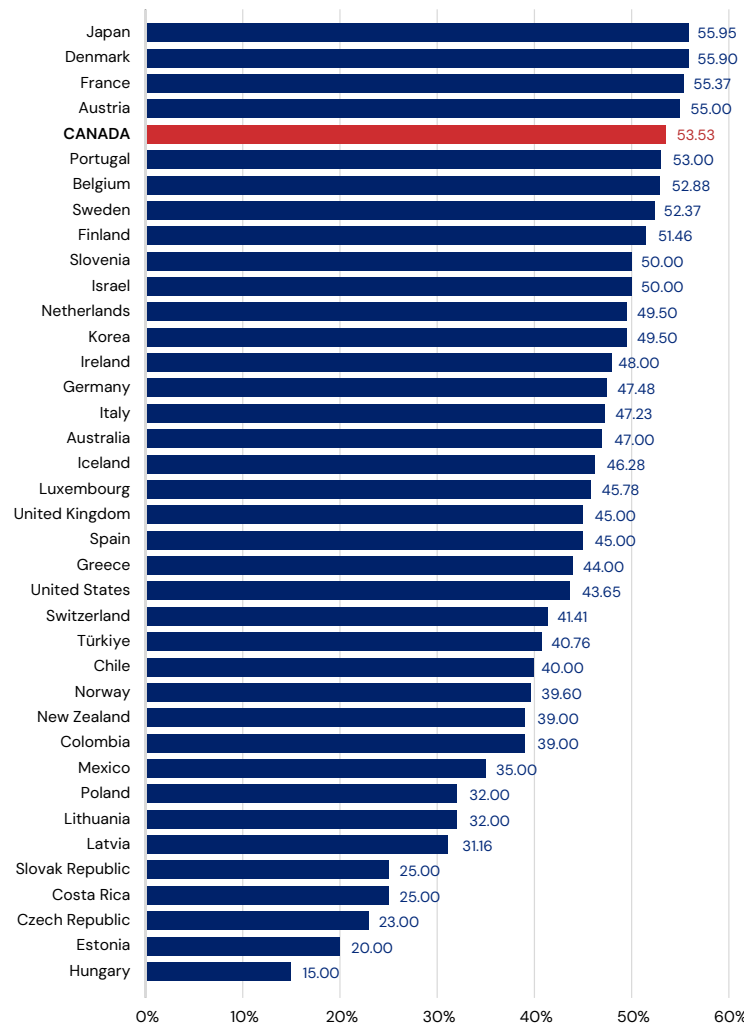
<sup>7</sup> Henrik Jacobsen Kleven, Camille Landais, and Emmanuel Saez, “Taxation and International Migration of Superstars: Evidence from the European Football Market,” *The American Economic Review* Vol. 103, no. 5 (2013): 1892–1924.

<sup>8</sup> “NHL’s state income tax debate heats up with Panthers back in SCF,” *TSN.ca*, June 11, 2025, <https://www.tsn.ca/nhl/nhl-s-state-income-tax-debate-heats-up-with-the-florida-panthers-back-in-the-stanley-cup-final-1.2319607#:~:text=The%20Panthers%2C%20Tampa%20Bay%20Lightning,does%20not%20share%20that%20thinking>.

# Why Is This Relevant for Canada?

Our personal income tax (PIT) rates are uncompetitive compared to other advanced countries that we directly compete with for talented people, particularly the U.S. Among 38 countries within the Organisation for Economic Cooperation and Development (OECD), Canada's personal income tax system is ranked the 8th-least competitive.<sup>9</sup> And Canada's top combined (federal and provincial) PIT rate was the fifth-highest among those same 38 high-income countries in 2024 as illustrated in the chart below. The country's combined PIT rate is higher than in countries such as Australia (17th), the United Kingdom (20th) and the U.S. (23rd). Again, this makes Canada less attractive to professionals, entrepreneurs and businessowners who drive innovation, investment and private-sector job creation—all things fundamental to the economy.

Figure 1: Top Combined Statutory Marginal Income Tax Rates in OECD Countries, 2024



Note: (1) The graph shows the highest combined statutory personal income-tax rate that is applied on earned income, taking into account that some personal income taxes may be deductible from the base of other personal income taxes, but before any other tax deductions. The top statutory tax rates are the combined rates of the national and subnational governments. (2) For countries with subnational and/or local personal income tax rates, the OECD calculates the combined rate by either taking an average of the subnational/local rates or selecting a jurisdiction that OECD considers representative. In Canada's case, the "representative" jurisdiction is Ontario; in the case of the United States, it is Detroit, Michigan.  
Source: OECD (2025).

<sup>9</sup> Alex Mengden, "International Tax Competitiveness Index 2024," *Tax Foundation* (2024).

Over the last decade, tax hikes at the federal and provincial levels have increased top PIT rates in every province.<sup>10</sup> For example, the Trudeau government in 2015 raised the top federal PIT rate<sup>11</sup> from 29 per cent to 33 per cent. Provinces such as Alberta, British Columbia, and Newfoundland and Labrador followed suit.

The Carney government has shown little interest in correcting this problem. While the prime minister cancelled Trudeau's planned capital gains tax hike, Prime Minister Carney has done little else to attract or retain top talent, despite the recent change to the bottom federal PIT rate from 15 per cent to 14 per cent<sup>12</sup> on income below \$57,375. While this move may slightly help improve Canada's competitiveness for lower- and lower-middle-income workers, it does almost nothing to make the country more attractive to doctors, scientists, engineers and entrepreneurs (and yes, athletes).

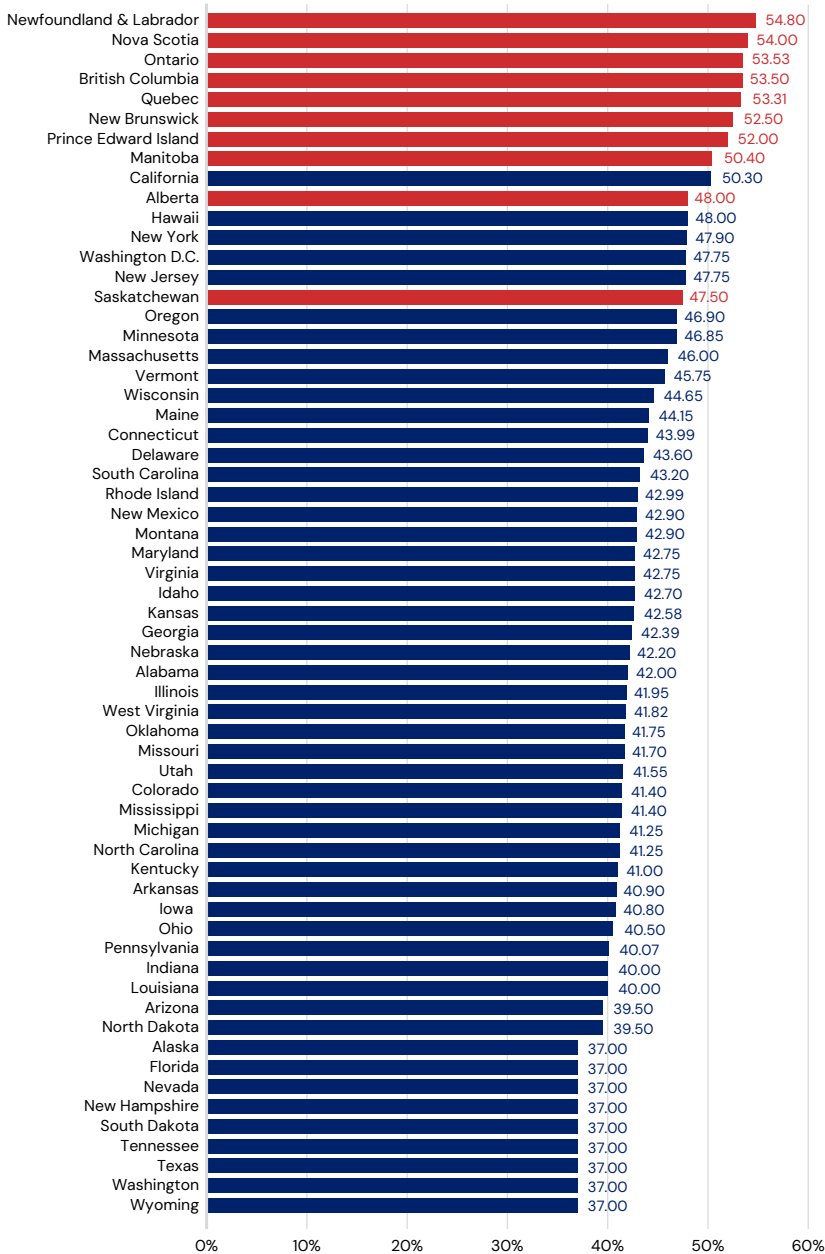
When Trump's Big Beautiful Bill helped solidify the U.S. advantage, it exacerbated Canada's competitiveness problem. If we compare PIT rates in the 10 Canadian provinces to the 50 U.S. states and the District of Columbia, the scale of our problem becomes apparent (see second chart below). Specifically, when ranking the top combined (federal and provincial/state) PIT rates in 2025, Canadian provinces hold nine of the top 10 highest rates among the 61 North American jurisdictions. Saskatchewan (at 15th highest) is the only province to escape the top 10.

<sup>10</sup> Jake Fuss and Grady Munro, "Trudeau's legacy includes larger tax burden for middle-class Canadians," *Fraser Institute* online, January 10, 2025, <https://www.fraserinstitute.org/commentary/trudeaus-legacy-includes-larger-tax-burden-middle-class-canadians>.

<sup>11</sup> Ibid.

<sup>12</sup> Jake Fuss and Grady Munro, "Carney government's proposed tax cut misses the mark—twice," *Fraser Institute* online, May 26, 2025, <https://www.fraserinstitute.org/commentary/carney-governments-proposed-tax-cut-misses-mark-twice>.

**Figure 2: Top Combined Statutory Marginal Income Tax Rate in Canadian Provinces and U.S. States, 2025**



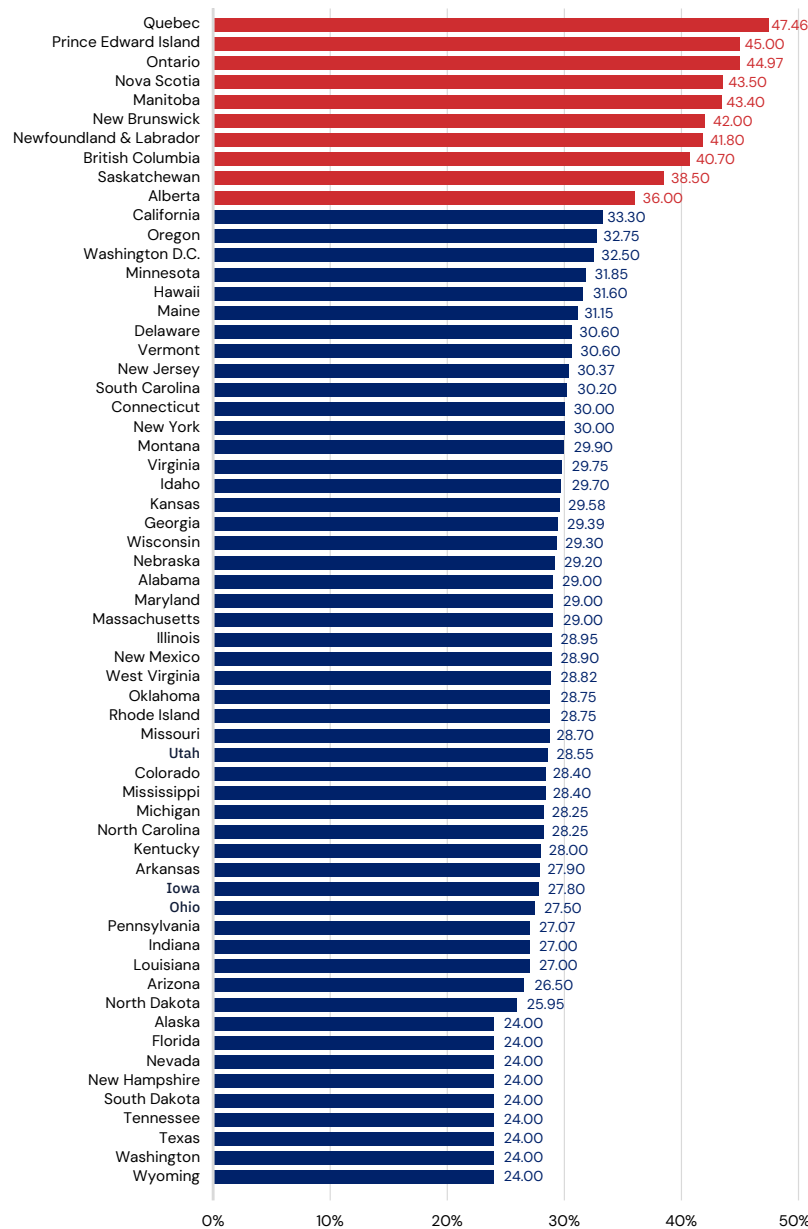
Note: (1) Personal income tax rates include surtaxes where applicable. Quebec's tax rate is adjusted for the federal abatement. (2) For U.S. states, local income taxes are excluded.  
 Sources: CRA (2025); Revenu Quebec (2025); Yushkov and Loughead (2025); Durante (2024); TD Economics (2025); calculations by authors.

Newfoundland and Labrador has the highest top PIT rate (54.80 per cent) among Canadian and U.S. jurisdictions followed by Nova Scotia (54.00 per cent), Ontario (53.53 per cent), Quebec (53.31 per cent) and New Brunswick (52.50 per cent) compared to top PIT rates as low as 37.00 per cent in Texas, Florida, Nevada, Washington and Tennessee, which impose no state-level personal income taxes.

In addition to the rate differences, there are also differences in income thresholds. For instance, in Ontario the top combined PIT rate (53.53 per cent) kicks in at C\$253,414 compared to C\$1,384,538 in California, a notorious high-tax state. That difference in the income threshold matters for professionals, businessowners and entrepreneurs when deciding where to live.

In addition to top earners, Canada's PIT rates are also uncompetitive at other income levels. At C\$150,000, Canadians in all 10 provinces face higher PIT rates than Americans in every U.S. state (see chart below), with the highest rates in Quebec (47.46 per cent), Prince Edward Island (45.00 per cent) and Ontario (44.97 per cent). While Albertans enjoy the lowest rate (36.00) in Canada, it's still higher than in California (33.30 per cent). And at C\$150,000, nine U.S. states have combined (federal and state) income tax rates at 24.0 per cent.

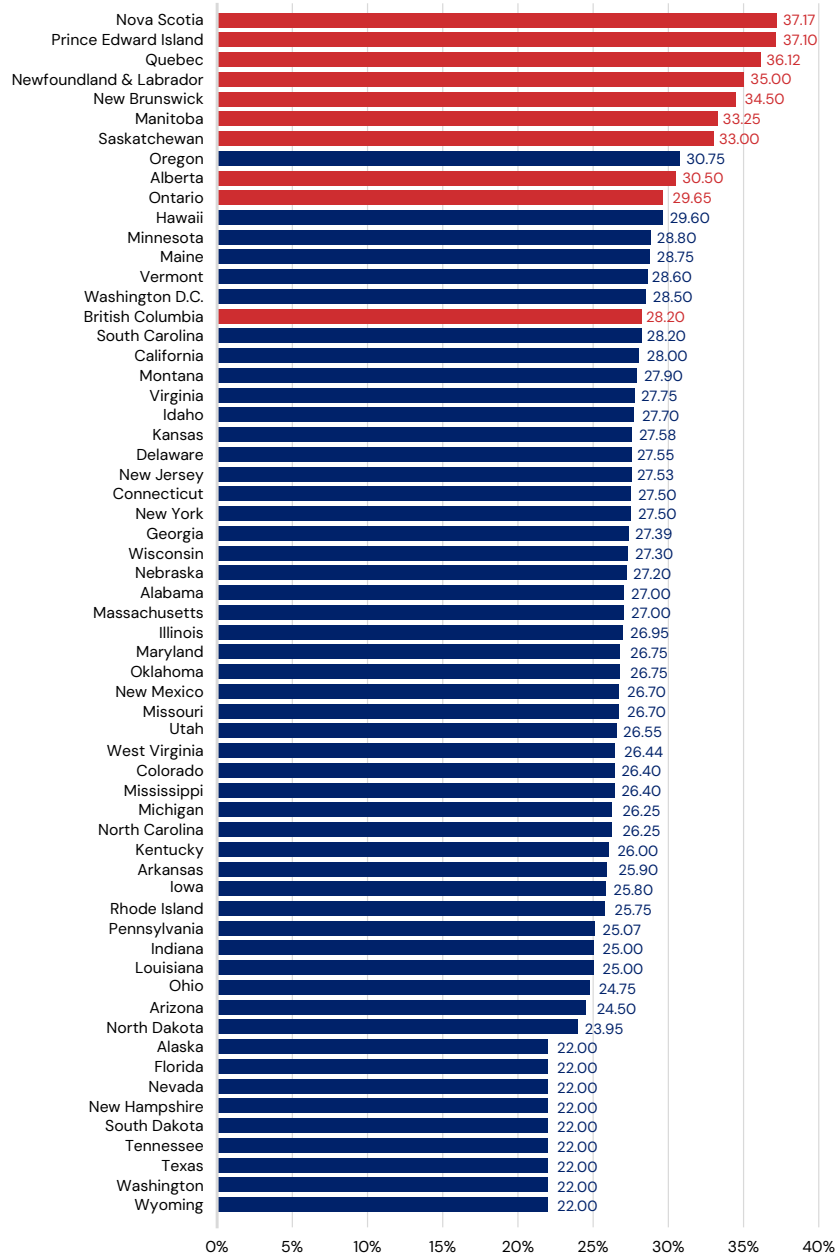
**Figure 3: Combined Statutory Marginal Income Tax Rate at CA\$150,000 in Canadian Provinces and U.S. States, 2025**



Note: (1) Personal income tax rates include surtaxes where applicable. Quebec's tax rate is adjusted for the federal abatement. (2) For U.S. states, local income taxes are excluded. (3) The 2025 exchange rate for converting Canadian dollars to U.S. dollars in 2025 is 1.3845, which is estimated by the TD Economics (2025) average quarterly projection. At this rate, \$150,000 CAD is equivalent to \$108,339 USD. Sources: CRA (2025); Revenu Quebec (2025); Yushkov and Loughead (2025); Durante (2024); TD Economics (2025); calculations by authors.

If we move down the income ladder to C\$75,000 (see chart below), Canadian provinces hold nine of the top 10 highest PIT rates, starting with Nova Scotia (37.17 per cent), P.E.I. (37.10 per cent) and Quebec (36.12 per cent). Americans living in geographically similar states such as New Hampshire (22.00 per cent), Vermont (28.60 per cent) and Maine (28.75 per cent) all face significantly lower PIT rates than their Canadian counterparts in the Atlantic region. Oregon (30.75 per cent) is the only U.S. jurisdiction in the top 10 and B.C. (28.20 per cent) is the only Canadian province outside of the top 10.

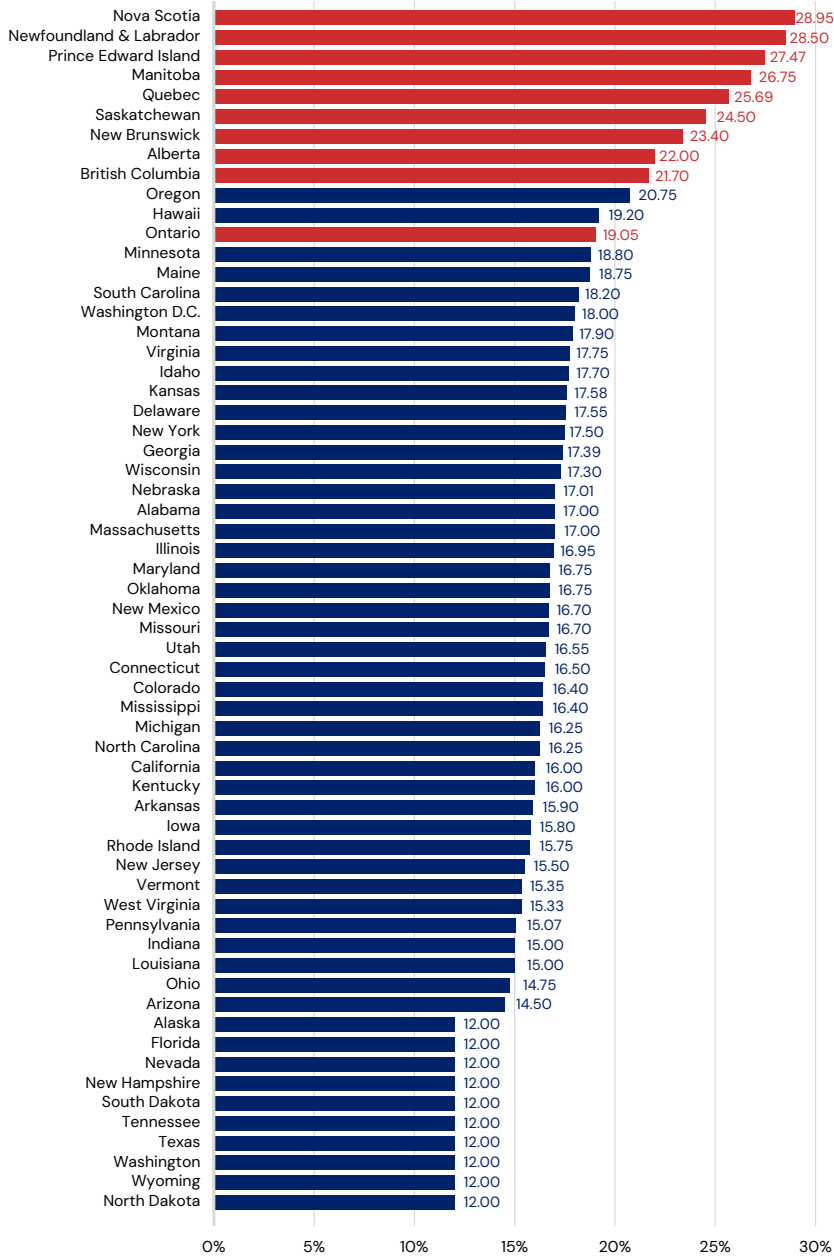
**Figure 4: Combined Statutory Marginal Income Tax Rate at CA\$75,000 in Canadian Provinces and U.S. States, 2025**



Note: (1) Personal income tax rates include surtaxes where applicable. Quebec’s tax rate is adjusted for the federal abatement. (2) For U.S. states, local income taxes are excluded. (3) The 2025 exchange rate for converting Canadian dollars to U.S. dollars in 2025 is 1.3845, which is estimated by the TD Economics (2025) average quarterly projection. At this rate, \$75,000 CAD is equivalent to \$54,170 USD. Sources: CRA (2025); Revenu Quebec (2025); Yushkov and Loughead (2025); Durante (2024); TD Economics (2025); calculations by authors.

Finally, PIT rates in Canada are also uncompetitive at C\$50,000 (see chart below). Again, Canadian provinces hold nine of the top 10 highest rates while the remaining province sits at 12th in the rankings. Nova Scotia (28.95 per cent) once again has the highest rate followed by Newfoundland and Labrador (28.50 per cent), P.E.I. (27.47 per cent) and Manitoba (26.75 per cent). Ontarians face the lowest rate in Canada at this income level but still pay a higher rate than Americans in 48 states plus the District of Columbia. In Nevada, New Hampshire, Florida and Texas, workers only pay a 12.00 per cent tax rate at C\$50,000.

**Figure 5: Combined Statutory Marginal Income Tax Rate at CA\$50,000 in Canadian Provinces and U.S. States, 2025**



Note: (1) Personal income tax rates include surtaxes where applicable. Quebec’s tax rate is adjusted for the federal abatement. (2) For U.S. states, local income taxes are excluded. (3) The 2025 exchange rate for converting Canadian dollars to U.S. dollars in 2025 is 1.3845, which is estimated by the TD Economics (2025) average quarterly projection. At this rate, \$50,000 CAD is equivalent to \$36,113 USD. Sources: CRA (2025); Revenu Quebec (2025); Yushkov and Loughhead (2025); Durante (2024); TD Economics (2025); calculations by authors.

Across all income levels examined, a couple of trends emerge. First, residents in energy-producing provinces such as Alberta, Saskatchewan, and Newfoundland and Labrador consistently pay PIT rates that exceed those in comparable energy-driven states such as Texas, Oklahoma, Alaska, Wyoming, North Dakota, West Virginia and New Mexico that directly compete with<sup>13</sup> these provinces for investment and talent. For example, Alberta's top combined PIT rate is 11.00 percentage points higher than in Texas, Wyoming and Alaska. Newfoundland and Labrador fares even worse with top PIT rates 17.40-percentage points higher than in those U.S. jurisdictions.

Another obvious trend is that Canadian jurisdictions have higher income tax rates, at both the lower and top end of the income spectrum, than virtually all U.S. states. In other words, the provinces with the lowest rates are generally less competitive than states with the highest tax burdens in the U.S. That's a big problem for a Canadian economy already struggling<sup>14</sup> to increase productivity, innovation and living standards. These comparably high tax rates reduce the incentives to save, invest and start a business—all key drivers of prosperity—while deterring top talent from locating in Canada.

The problem then worsens when we look beyond taxes towards the multitude of regulatory barriers businesses must sift through, which scares away investors and entrepreneurs. According to the Canadian Federation of Independent Business, Canadian businesses spent an estimated \$51.5 billion, and an average of 735 hours, on regulatory compliance in 2024.<sup>15</sup> Imagine what businessowners and entrepreneurs could do with their time and money spent on innovation instead. Add in relatively high housing prices<sup>16</sup> and cold winter weather in many parts of the country, and it's difficult to see why professionals, businessowners and entrepreneurs would consider relocating to a Canadian city today.

Make no mistake, Canada has immense potential. We have an abundance of natural resources,<sup>17</sup> a highly educated workforce<sup>18</sup> and many young people<sup>19</sup> clamoring for a better future. But we cannot realize that potential if our policymakers are not bold and daring enough to change course.

Creating an environment to foster higher living standards for Canadians means we must meaningfully reduce taxes to make us substantially more competitive with our American neighbours and other industrialized countries around the globe. Tinkering around the edges of our tax system with a small tax reduction here or there simply will not get it done. To attract and retain top talent, Ottawa and the provinces must give high-skilled people a robust reason to call Canada home. Why not start with making Canada the most competitive tax system in the world?

<sup>13</sup> Tegan Hill and Nathaniel Li, "Alberta's top combined personal income tax rate 10th highest of all 61 states and provinces," *Fraser Institute* online, April 10, 2025, <https://www.fraserinstitute.org/studies/albertas-lost-tax-advantage>.

<sup>14</sup> "Federal Blueprint for Prosperity," *Fraser Institute* online, <https://www.fraserinstitute.org/categories/federal-blueprint-prosperity>.

<sup>15</sup> Laure-Anna Bomal and Marvin Cruz, "Canada's Red Tape Report," *cfib-fcei.ca*, January 27, 2025, <https://www.cfib-fcei.ca/en/research-economic-analysis/canadas-red-tape-report>.

<sup>16</sup> "Canada's Real Estate Bubble Is Batsht Crazy Compared To Other G7s," *betterdwelling.com*, January 17, 2024, <https://betterdwelling.com/canadas-real-estate-bubble-is-batsht-crazy-compared-to-other-g7s/>.

<sup>17</sup> "Untapped Potential: Driving Canadian Prosperity Through Natural Resources," *Business Council of Alberta* online, July 24, 2025, <https://businesscouncilab.com/reports-category/untapped-potential-driving-canadian-prosperity-through-natural-resources/>.

<sup>18</sup> "Canada leads the G7 for the most educated workforce, thanks to immigrants, young adults and a strong college sector, but is experiencing significant losses in apprenticeship certificate holders in key trades," *Government of Canada* online, November 30, 2022, <https://www150.statcan.gc.ca/n1/daily-quotidien/221130/dq221130a-eng.htm>.

<sup>19</sup> "Feelings of pessimism towards the federal government hit new high – Satisfaction reaches new all-time low," *Nanos* online, July 2024, <https://nanos.co/wp-content/uploads/2024/07/2024-2622-Emotion-June-Populated-report.pdf>.

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