

TAXES AND DISABILITIES

WEATHERING THE YEAR-END TAX STORM TAX PROVISIONS FOR PERSONS WITH DISABILITIES AND THEIR CAREGIVERS

CANADIAN INCOME TAX LAW CONTAINS

numerous tax relieving provisions for persons with disabilities and their caregivers. The law recognizes that persons with disabilities and caregivers have reduced *ability* to pay income tax.

Unfortunately, many people are not aware of these rules which often results in overpaid tax or missed benefits.

In this issue I discuss the **Disability Tax Credit**, the **Medical Expense Tax Credit**, the **Child Disability Benefit** and the new **Registered Disability Savings Plan** (RDSP).

This issue does not describe every available tax reduction or benefit available to persons with disabilities. My objective is to make you aware of the major tax provisions dealing with disabilities, and to explain the new RDSP.

Income tax law allows you to amend your tax return for any of the previous 10 taxation years. Income tax law is complicated. You should contact me to ensure that you are taking full advantage of available deductions, credits and benefits.

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PLAN

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TAXES AND DISABILITIES CONTINUED

THE DISABILITY TAX CREDIT

The **Disability Tax Credit** is a non-refundable tax credit that may be claimed by certain persons with one or more disabilities to reduce the amount of tax they pay.

In order to qualify, the person must have an impairment that has lasted, or can reasonably be expected to last, at least 12 months.

The impairment must result in either:

- a **marked restriction** in a basic activity of daily living, or;
- a **significant restriction** in two or more basic activities of daily living that individually do not qualify the person, where the *cumulative effect* of the restrictions is equal to a marked restriction.

The term **marked restriction** means the person cannot perform the basic activity of daily living, or requires an inordinate amount of time.

THE BASIC ACTIVITIES OF DAILY LIVING

	<u>Qualified Practitioner</u>
Mental functioning	Medical doctor or psychologist
Speaking	Medical doctor or speech language pathologist
Hearing	Medical doctor or audiologist
Vision	Medical doctor or optometrist
Feeding or dressing oneself	Medical doctor or occupational therapist
Walking	Medical doctor, occupational therapist or physiotherapist
Eliminating (bowel or bladder)	Medical doctor

To qualify, a qualified practitioner must complete Form T2201 “Disability Tax Credit Certificate” to certify that the person meets the requirements for the credit. This form is filed with the Canada Revenue Agency and reviewed by the Disability Tax Credit Unit.

The Disability Tax Credit may be **transferred** to a parent in most cases.

VALUE OF THE DTC

The credit results in actual tax savings of between \$1,715 to \$2,715 (using 2008 rates, Ontario resident) depending on the claimant’s taxable income and the age of the person with the disability or disabilities.

THE DISABILITY TAX CREDIT IS OFTEN OVERLOOKED RESULTING IN THOUSANDS OF DOLLARS OF MISSED REFUNDS

THE CHILD DISABILITY BENEFIT (CDB)

The Disability Tax Credit requires that the claimant pay income tax in order to benefit. The **Child Disability Benefit** provides a monthly tax free allowance to qualifying families with a minor child who qualifies for the Disability Tax Credit.

For example, a family earning less than \$37,885 with one minor child who qualifies for the Disability Tax Credit would receive a monthly allowance of \$199.58.

A person may claim the Disability Tax Credit for a dependent and still receive the CDB.

No application is required to receive CDB benefits. CDB benefits are not taxable.



TAXES AND DISABILITIES CONTINUED

THE MEDICAL EXPENSE TAX CREDIT

A person may claim medical expenses that he paid for himself, his spouse or common-law partner and his minor children. It is also possible to claim medical expenses paid for non-minor children or grandchildren or parents, grandparents, brothers, sisters, uncles, aunts, nieces or nephews (subject to a limit for each dependent that is not a minor child).

To claim medical expenses, the person must add up medical expenses paid for himself, his spouse and his minor children. Then the person adds, for each other dependent, the claimable medical expenses based on a formula. The claimant then subtracts 3% of his net income to arrive at the amount of the tax credit.

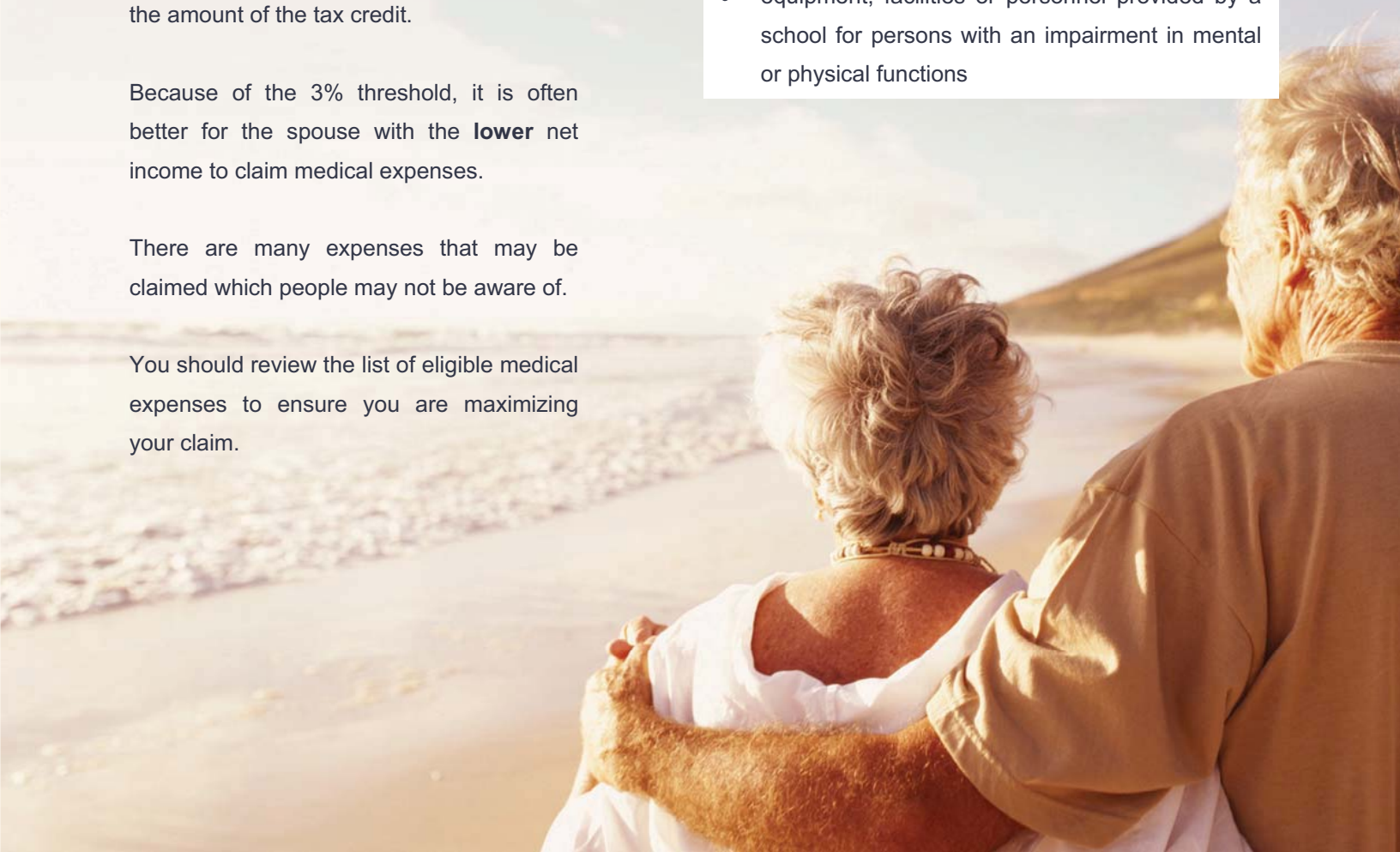
Because of the 3% threshold, it is often better for the spouse with the **lower** net income to claim medical expenses.

There are many expenses that may be claimed which people may not be aware of.

You should review the list of eligible medical expenses to ensure you are maximizing your claim.

OVERLOOKED MEDICAL EXPENSES

- supplementary tutoring services for a person with a learning disability
- certain travel expenses to obtain medical treatment not available locally
- talking textbooks for persons with perceptual disabilities in connection with that person's enrollment in an educational institution
- certain home renovation costs for persons with a mobility impairment
- air conditioner costs and air filter, cleaner or purifier costs for persons with certain diseases or disorders
- certain moving costs for a person with a mobility impairment to move to more accessible housing
- equipment, facilities or personnel provided by a school for persons with an impairment in mental or physical functions





REGISTERED DISABILITY SAVINGS PLANS

THE REGISTERED DISABILITY SAVINGS PLAN (RDSP) IS A NEW WAY TO SAVE FOR THE FUTURE FINANCIAL SECURITY OF YOUR LOVED ONES WITH DISABILITIES

MANY FAMILIES ARE CONCERNED ABOUT THE financial future of their loved ones with disabilities. The **RDSP** was created to provide a means to save for the future financial security of persons with disabilities.

The **Canada Disability Savings Grant** is contributed annually by the federal government and is based on the person's family income and the amount of contributions made to the Plan during the year.

IT'S NEVER TOO EARLY
TO START PLANNING
NEXT YEAR'S TAXES TODAY.
I CAN HELP!

An RDSP is a trust set up at a financial institution for the benefit of a qualifying person. In order to qualify, the beneficiary must qualify for the **Disability Tax Credit**.

The **Canada Disability Savings Bond** is an annual federal contribution for lower income families. The amount of the annual CDSB depends only on the person's family income.

The Government of Canada contributes to the RDSP in the form of the Canada Disability Savings Grant and the Canada Disability Savings Bond.

The RDSP is a *long term* savings vehicle. Government contributions must be repaid when a beneficiary makes an early withdrawal.

Plan assets grow **tax free** until withdrawn at which time the portion relating to government contributions and investment earnings is taxable to the beneficiary.

ONTARIO DISABILITY SUPPORT PROGRAM

On November 30, 2008, the Ontario government announced that RDSP assets and withdrawals will not impact a person's entitlement under the Ontario Disability Support Program (ODSP).



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Federal Government Contribution

Family Income (2008 amounts)	CDSG	CDSB	Total
Up to \$21,287	\$ 3,500 *	\$ 1,000	\$ 4,500
\$21,287 to \$37,885	3,500 *	0 - 999	3,500 - 4,499
\$37,885 to \$75,769	3,500 *	-	3,500
> \$75,769	1,000 **	-	1,000

* requires contribution of \$1,500 during year

** requires contribution of \$1,000 during year