

DISABILITY TAX INFORMATION

Presentation to

Early Intervention Services of York Region

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Introduction – Presenter

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Introduction - CHIM & SETO, LLP

- York Region Two Partners CA firm
- Audit, Accounting and Bookkeeping Services
- Business and Computer Consultations
- Personal and Corporate Income Taxes
- Tax Audits and Appeals

AGENDA

- Disability Amount
- Medical Expenses
- Other Deductions and Credits
- Private Health Service Plans
- Q & A

Disability Amount

- An amount of \$6,279 (Ontario \$6,316) is available to a disable person or a person who's spouse or dependant is disable.
- This amount is converted to a non-refundable tax credit of \$1,004.64 (Ontario \$382.12) that reduces the amount of income tax you have to payable.

Tax Planning Idea

- Ability to transfer unused disability amount from dependent to spouse or other supporting person.



Claiming the disability amount

A **qualified person** must certifies on Form T2201 any of the following conditions:

- The disable person is blind all or almost all the time, even with the use of corrective lenses or medication, and the impairment is prolonged.
- Severe and prolonged mental or physical impairment which cause the disable person to be markedly restricted in any of the basic activities of daily living.
- The disable person need, and dedicate time specifically for, life-sustaining therapy to support a vital function.

Claiming the disability amount

Disability Tax Credit Certificate T2201 (copy enclosed), once certified, must be filed with Canada Customs and Revenue Agency. It can be filed at any time during the year. Your tax return will be processed faster if you are pre-approved for the disability amount. After your T2201 has been reviewed, you will be advised in writing whether or not you are eligible to claim the disability amount on your return.

Claiming the disability amount

- Not all people with disabilities can claim the disability amount.

Even if a person receive the following benefits, they still might be denied the disability amount.

- Canada Pension Plan disability benefits,
- Workers' compensation benefits
- or other types of disability or insurance benefits

These programs are based on other criteria, such as an individual's inability to work.

Qualified person

- Medical doctors
- Optometrists
- Audiologists
- Occupational therapists (Includes
Physiotherapists)
- Psychologists
- Speech-language pathologists

What impairments can they certify?

Medical doctor	All
Optometrists	Seeing
Audiologists	Hearing
Occupational therapists	Walking, feeding, and dressing
Psychologists	Perceiving, thinking, and remembering
Speech-language pathologists	speaking

Medical expenses

Claim medical expenses you or your spouse or common-law partner paid for any of the following persons:

- Yourself
- Your spouse or common-law partner
- Your or your spouse or common-law partner's child or grandchild who depended on you for support; and
- Your or your spouse or common-law partner's parent, grandparent, brother, sister, uncle, aunt, niece, or nephew who lived in Canada at any time in the year and depended on you for support.

Medical expenses

You cannot claim the medical expense for which you have been reimbursed *except*

- the reimbursement is included in your income (such as a benefit shown on a T4 slip) and
- You did not deduct the reimbursement anywhere else on your return.

Medical expenses

Allowable medical expenses

- Private health insurance premiums
 - If you buy dental care on your own, your premiums are deductible
- Prescription eyeglasses and contact lenses.
- Health care services
 - Paying a doctor, dentist, chiropractor, physiotherapist, occupational therapist, psychoanalyst or dietician.
 - Basically if an individual is licensed, his or her fees become deductible.

Medical expenses

Drug

- Prescription drugs
- Some non-prescription drugs are allowed (e.g. liver extract and vitamin B12 required for a particular ailment).

Note: Specialized foods required for severe allergies do not qualify.

Medical expenses

- Home renovations and /or installed devices
 - Certain costs may be claimed for a person who has
 - a severe and prolonged mobility impairment
 - or who lacks normal physical development.
 - Must be a reasonable expense
 - Must be in the home of the patient
 - Must be enable the patient to gain access to the home or to be mobile or functioning within the home.

Costs could include:

- Purchase and renovation of outdoor or indoor ramps
- Enlarging of halls and doorways
- Lowering of kitchen or bathroom cabinets
- Architect and contractor fees

Medical expenses

- Traveling expense
 - Ambulance fee to or from a hospital
 - Paid transportation (taxi, airline, rail)
 - Expenses to and from place where medical services are provided at least 40 km, one way, from home. There must be no other facility closer to you.

Medical expenses

- Aids for the hearing impaired, speech impaired and visually impaired
 - Usually do not require a prescription (e.g. extra loud audible signals, volume adjustment for telephone, bone conduction telephone, batteries or repair for your hearing aid, artificial eye.)
 - Hearing ear/guide dog including purchase cost, rental, care and maintenance

Medical expenses

- Therapy
 - Disability person can claim the cost of therapy provided by some one who is 18 years of age or older.
 - Must be prescribed and supervised by a doctor, a psychologist (for a mental disability), or an occupational therapist (for a physical disability).

Medical expenses

- Medical devices
 - Item which do not require a prescription:
 - Artificial limb
 - Wheelchair
 - Crutches
 - Spinal brace
 - Braces for a limb

Medical expenses

- Medical devices
 - Item that required a prescription:
 - Oxygen tent
 - Needle
 - Insulin infusion pump
 - Blood sugar measuring devices
 - Device for severe chronic respiratory ailment

Medical expenses

- Medical devices
 - Item that required a prescription:
 - Device for driving
 - Wig made to order
 - Orthopedic shoes or boots
 - Hospital bed
 - Most devices must be designed exclusively or specifically for an individual or the purpose/ condition

Medical expenses

Claimed amount

- Total medical expenses in excess of 3% of Net Income or \$1,755 (Ontario \$1,770) whichever is less.
- Converted into a Tax Credit at the rate of 16% federal (6.05% Ontario).

Medical expenses

Example

- \$50,000 Net Family Income,
 - \$5,500 medical expenses
 - Federal tax credit = \$640.00
 - Ontario tax credit = \$242.00
- Total credit = \$882.00

Medical expenses

Example

- \$75,000 Net Family Income,
 - \$5,500 medical expenses
 - Federal tax credit = \$599.20
 - Ontario tax credit = \$225.67
- Total credit = \$824.87

Medical expenses

For low income families, there is a refundable medical expense supplement of 25% of the allowable expense less 5% of net family income in excess of \$20,621.

Medical expenses

Example

Family Net Income = \$25,000

Med exp incurred = \$2,500

Med exp allowed = \$1,750

Supplement = \$218.55

Tax Planning Ideas

- If medical expenses are greater than the amount you were reimbursed, include the reimbursement into income and then claim the medical expense
- Medical expense can be claimed for any 12 months period ending in the taxation year.
- Try to claiming medical expenses under both your own and your spouse's return and see which is more favourable



Other Deductions and Credits

- Child care expenses
- Attendant care
- Amount for an eligible dependant
- Amount for infirm dependants age 18 or older
- Caregiver amount

Child care expenses

- Amounts paid so that you can work or go to school
- Amounts paid cannot be to the spouse or a related person under 18
- Maximum claim is \$10,000 less the income of disabled person.

Private Health Services Plan (PHSP)

A benefit plan that allows:

An **employer** – to transform all of their employee's family's extended health and dental costs into a business costs making these expenses 100% tax-deductible.

An **employee** – to reimburse all their extended health and dental costs.

PHSP-How does it work?

Under personal medical tax credit you can only claim medical expenses that is greater than:

- 3% of your net income
- Or \$1,755 which ever is less

Therefore, using the PHSP to claim a business deduction is more tax effective than claiming the personal medical tax credit.

Private Health Services Plan

- Starting in 1998, self-employed were allowed to deduct health & dental costs from business income.
- Equate Private plans with Insurance plans
- Many companies started Cost Plus Plan or Trusts

Private Health Services Plan

- CCRA insists on a 3rd Party Trustee and Administrator to make sure the claims are accurate and in compliance with Federal Laws
- Most work on a cost plus basis
- The Claim Process Page from Promedent illustrate the Steps required.

Private Health Services Plan

- Many companies has set up Plans
- Costs varies from set-up fees of \$100 to \$2,000
- Admin fees varies from a flat \$40 to 10-15% per claim

Private Health Services Plan

- Some administrators
 - Promedent.ca
 - Benecaid.com
 - Ineedinsurance.ca
 - Trustagreement.com

Need more information?

- RC 4064 – CCRA Guide
Information Concerning People With Disabilities
- IT-519R2 – CCRA Intrepretation Bulletin
on Medical Expenses and Disability Tax
Credits and Attendant Care expense
Deduction
- T2201 – Disability Tax Credit Certificate

Need more information?

- For enquires, call tax services office at 1-800-959-8281
- To get forms or publications visit Canada Customs Revenue Agency's web site at www.ccra.gc.ca/forms or call 1-800-959-2221

To contact our office

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The End
Thank You