

The MS Society of Canada has a web-based service called MS Answers. People e-mail questions and answers are provided by experts in the appropriate fields. The experts are not identified by name just by area of expertise. Here is a link to the MS Answers pages on the MS Society website: <http://www.msanswers.ca> Attached is a further description of the service and what is expected of MS experts.

From time-to-time, we receive questions related to disability tax and/or employment issues. I was asked to recommend appropriate experts and thought of you two. Below are some questions that we have received recently for which we need answers. Please let me know if you would be interested in providing answers to the questions.

Question ID#78

I plan to move the washer and dryer upstairs to cut down on the trips up and down stairs.

I've been on disability for 7 years, had MS longer, and still have 4 children at home.

Is it possible to deduct this renovation on income tax return? If yes, how and where on the forms?

Caveat on tax credits

You won't be able to deduct this renovation, but you may be able to claim several tax credits, depending on how much you spend on the renovation and how much income tax you owe. There must be tax payable. Tax must be payable either by the claimant or their spouse or common law partner for the HRTC or by other supportive family in the case of medical expenses.

After claiming the usual tax credits, possibly the disability tax credit and tax credits for four children, in BC, your income would need to be in excess of personal credits already eligible for a claim in order to benefit. There would also be a 3% threshold to cross for a medical expense tax credit claim. Usually the lower income spouse would claim the medical expense tax credit because their 3% threshold would be lower, but that isn't always the case with all the other potential factors such as pension splitting.

For 2009 only, there may be double credits available.

The proposed amendment for the Home Renovation Tax Credit overlaps with medical expenses tax credits claimable under the Income Tax Act in S. 118.2(2)(l.2) The Federal Budget Supplementary information from January 27, 2009 states that the HRTC (Home Renovation Tax Credit) will not be reduced by any other tax credits including medical expense claims or grants to which the taxpayer is entitled under other government programs.

You may wish to investigate whether there are other government programs or grants that might assist with this renovation. For example, CHMC has a number of programs and your province/territory or private foundations may have grants. Check with your local community living or other community support and service organizations. <http://www.cmhc-schl.gc.ca/en/co/prfinas/>

Unlike medical expenses, which if paid by supportive family may be claimed for up to \$10,000 on line 331, HRTC is family based. The expenses may be claimed by yourself or a spouse or partner for either of you or for children under 18.

Home Renovation Tax Credit (HRTC)

If the renovation or alteration to your home is permanent in nature, it may qualify for the special credit proposed in the January 27, 2009 federal budget. You can find out more information at

<http://www.cra-arc.gc.ca/tx/ndvdl/sgmnts/hmwnr/hrtc/menu-eng.html>

The full text of the proposed Home Renovation Tax Credit will be available at the end of S. 118.03 when it's passed, of course, you will find it here:

<http://laws.justice.gc.ca/en/l-3.3/section-118.03.html>

Budget 2009, from January 27, 2009: <http://www.budget.gc.ca/2009/plan/topics-sujets-eng.asp>

The only Bill to include Income Tax changes in 2009, Bill C-10 received Royal Assent March 12, 2009 but did not include these proposals. Parliament resumes September 14, 2009:

http://www2.parl.gc.ca/content/hoc/Bills/402/Government/C-10/C-10_4/C-10_4.PDF

Renovations must be accomplished by an arms length party unless the party is registered for the GST/HST under the Excise Tax Act.

Receipts must have sufficient information about the work and the contractor, as well as proof of payment, which must be held for audit.

The cost of the renovation must be more than \$1,000 and the credit will apply to costs up to \$10,000. The result is a maximum federal credit of \$9,000 x 15% or \$1,350.

You can't claim this credit for the portion of your home that is used for income earning as in home office or rental income from a tenant.

Routine repair or maintenance or expenditure for appliances or financing costs will not qualify for the HRTC.

How would you claim the HRTC credit?

There will be a new line in the federal credits section of the federal tax credits calculated on federal Schedule 1. There do not appear to be any matching provincial tax credits.

Medical expense

S. 118.2(2)(l.2)

(l.2) for reasonable expenses relating to renovations or alterations to a dwelling of the patient who lacks normal physical development or has a severe and prolonged mobility impairment, to enable the patient to gain access to, or to be mobile or functional within, the dwelling, provided that such expenses

- (i) are not of a type that would typically be expected to increase the value of the dwelling, and
- (ii) are of a type that would not normally be incurred by persons who have normal physical development or who do not have a severe and prolonged mobility impairment;

(l.21) for reasonable expenses relating to the construction of the principal place of residence of the patient who lacks normal physical development or has a severe and prolonged mobility impairment, that can reasonably be considered to be incremental costs incurred to enable the patient to gain access to, or to be mobile or functional within, the patient's principal place of residence, provided that such expenses

- (i) are not of a type that would typically be expected to increase the value of the dwelling, and
- (ii) are of a type that would not normally be incurred by persons who have normal physical development or who do not have a severe and prolonged mobility impairment;

Medical expenses require different additional documentation

Whether or not you would qualify under the criteria of a patient who lacks normal physical development or has severe and prolonged mobility impairment would be the subject of discussion with your doctor as they would likely be asked to provide documentary evidence of this state.

Then you would have to cross the hurdle of whether or not a person would make this type of alteration if they weren't disabled and ensure that this type of alteration would not be expected to increase the value of your dwelling.

It is possible to claim the incremental cost of adjustments to your design and building costs if you were to build a new residence, not just to renovate or alter your current residence.

Other medical expenses for renovations that might also qualify for consideration

See Regulation 5700

<http://laws.justice.gc.ca/en/showdoc/cr/C.R.C.-c.945/bo-ga:l LVII/en#anchorbo-ga:l LVII>

Any claims under Regulation 5700 require a prescription under S. 118.2(2)(m)

Regulation 5700 includes:

(f) A power-operated guided chair installation, for an individual, that is designed to be used solely in a stairway.

(m) Power-operated lift or transportation equipment designed exclusively for use by, or for, a disabled individual to allow the individual access to different areas of the building or to assist the individual to gain access to a vehicle or to place the individual's wheelchair in or on a vehicle.

In the case of the power operated lift or transportation it is not clear whether or not the renovation to install the equipment or lift would qualify for a medical expense or only the equipment itself. It may be that the renovation would qualify under the HRTC and the equipment under medical expenses. Keep in mind the new wording of designed exclusively for use by, or for, a disabled individual. Just any old lift or equipment won't do. It has to be designed exclusively for persons with a disability.

How and where would you claim the medical expense credit?

Include a claim for medical expenses on the medical expenses claim form. The total of all medical expenses is transferred to both the federal and provincial tax credit forms. Depending on which province/territory there may be restrictions on what is allowed to be claimed. Review your provincial tax guide for more information about restrictions for medical expense claims as not all provinces/territories allow the same claims as federal medical expenses tax credits.

Keep Safe

Contact Worker's Compensation in your province/territory to ensure you have coverage in the event of an accident or injury during the renovation.

Hire licenced electricians and plumbers. It probably won't cost you any more than hiring someone who isn't qualified. Have a written contract before the work starts. Never pay in cash, always pay by cheque or electronic means.

Obtain a building permit. Ask your local electrical and plumbing inspectors to review the work. That's why you pay for a building permit. They will advise you on whether or not the work is done to the national building code. Work not done to 'code' can result in lack of insurance coverage in the event of a fire.

Keep all documentation for audit or review by Canada Revenue Agency along with a copy of your tax return and all schedules.

Consult Canada Revenue Agency, a lawyer when it comes to contracts with renovators and contact a local professional accountant, such as a CGA, CA or CMA if you aren't sure how to document your claim.