DOLLARS AND SENSE

I asked Ken Pope, lawyer and tax expert, to answer some commonly asked questions regarding the disability and caregiver tax credits. It may not be tax time, but it's always good to know ways to save money and what you may be entitled to receive.

Do you qualify for a tax credit?

By Audrey Miller, MSW, RSW, GCM, CCRC, CCLCP

As a social worker, I have worked with differently abled individuals of all ages. Growing older with a disability raises questions for parents and adult children alike. Many parents raising a child with special needs worry about who will look after their adult child when they are no longer capable. At the other end of the scale, many of us are looking after parents or other family members who require caregiving assistance. For both groups, there are questions as to which specialized services are available and concerns about accessing them, as well as related costs.

Scenario 1

You are an older couple and you have an adult child (aged over 18 years) with special needs. Your child lives with you and is dependent on you for care and guidance. Do either of you qualify for a tax credit?

Answer

A child with special needs who lives with his or her parents most commonly qualifies for the disability tax credit, and the parents would certainly qualify for the caregiver credit. This is a very common scenario and, if the credits have not previously been claimed, typically results in the recapture of $5,000 for the caregiver credit and $13,000 for the disability tax credit.

The second most common scenario is that the parents claim the disability and caregiver tax credits while the child is living with them, but then stop when he or she enters a supported living arrangement and leaves the family home. If the parents continue to provide assistance for the child while he or she is in supported living, and the child returns home to stay with them regularly or occasionally during the year, then both credits will still apply. It is very common for parents to believe or to be advised that they cannot continue to use these credits, which is completely incorrect.

Scenario 2

You are an older person living on your own. You receive assistance from the Community Care Access Centre (CCAC) for weekly supervision during bathing. You require additional assistance on a private-pay basis. Do you qualify for a tax credit?

Answer

If you pay for attendant care beyond the modest supports provided by the CCAC then you can use these expenses as medical tax credits. If you use the disability tax credit, be careful that your expenses do not exceed $10,000 per year (unless necessary). An attendant care expense of $10,001 disqualifies you from using the disability tax credit, so govern yourself accordingly.

Scenario 3

You and your father live apart. You provide assistance with grocery shopping, meal preparation, transportation to appointments and some activities of daily living. Do either of you qualify for a tax credit?

Answer

The fact that your father doesn't live with you does not disqualify either of you from using the disability tax credit, if applicable. However, the caregiver credit is not applicable unless your father lives with you at some time during the year. It's unfortunate, but being a caregiver and using the caregiver tax credit while your father lives solely in his own home is not allowed. While aging in place is a very important part of remaining independent as we get older, the *Income Tax Act* doesn't quite reflect this aspect of the journey.

Scenario 4

You and your mother live under the same roof. Your mother is on a limited income and you provide assistance with grocery shopping, meal preparation, transportation to appointments and some activities of daily living. Do either of you qualify for a tax credit?

Answer

If each of your parents has an income of less than $14,000 to $17,000 and if one or both parents lives with you at any time in the year then you qualify for the **caregiver tax credit**. You'll find it on line 315 of your tax return.

If you pay income tax, this non-refundable tax credit may be used by you to reduce your taxes. You can back-file this credit for up to 10 years, recapturing up to $5,000 and saving about $600 per year going forward. If you stay at home to care for your parents and do not pay income tax then the credit can be used by your tax-paying spouse. No medical approval is required to use this credit.

If your parent is "markedly restricted" or "significantly restricted in more than one way" then he or she will likely qualify for the **disability tax credit**. If your parent has limited income then he or she will most likely not be paying income tax. This credit can then be transferred to you, to be used on line 318 of your tax return.

The degree of disability must be approved by the Canada Revenue Agency before it can be used, and this process requires a form to be completed and submitted, as you would expect. The form you need is T2201, which must be completed by a doctor or other approved professional.

Your parents do not have to reside with you to make this credit transferable, but you do need to be a supportive family member. Assisting with food, shelter or clothing, among other supports, will help to confirm your qualification for the transferability of this credit.

The disability or marked restriction for older parents tends to sneak up on them, and it may be only after the restriction has been in place for a few years that you realize that the tax credit should be used. The recapture is now approximately $1,600 per year, and the potential recapture going back 10 years is $13,000.

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