

## Tax saving for families



By Randy Ray

Most moms and dads know about Registered Education Savings Plans (RESPs) and day care deductions, but a good number may be overlooking other tax benefits that could save their families thousands of dollars. They include everything from bus fares and registration in hockey and other sports to tuition fees and bank accounts.

“Many parents are missing out on some fairly heavy duty savings,” says Christine Van Cauwenberghe, Director, Tax and Estate Planning, for Investors Group in Winnipeg, who says the high cost of raising children should convince parents to use financial resources in the most tax efficient manner possible.

Here’s a list of potential tax benefits available to parents and children.

- **Child Tax Credit:** since being introduced in 2007, it has offered savings of \$315 for each child under age 18. “Many older parents feel tax credits are only for younger kids and may miss it,” says Van Cauwenberghe. Parents who use an accountant will probably receive the credit but those who handle their own returns may miss out, she says.
- **Universal Child Care Benefit:** if you have a child under the age of six, you’re entitled to a \$100-a-month payment, regardless of your income. It’s a taxable benefit that must be applied for.
- **Children’s Fitness Tax Credit:** this is a nonrefundable tax credit for up to \$500 in fees paid by parents for eligible programs of physical activity for kids under age 16. Programs covered include ongoing registration in hockey, soccer, dance, horseback riding, skating, and gymnastics. Taking advantage of this credit can save up to \$75 in taxes for each child. It’s advisable to keep your receipts.
- **Public Transit Tax Credit:** parents who buy transit passes for their children for four or more consecutive weeks can claim this and based on an \$80 monthly transit

fee for 12 months, it can save \$144 per person in income taxes. A parent can claim the credit on behalf of a spouse, common-law partner and children under 19.

- **Childcare expenses:** parents raising children can claim up to \$7,000 per year for each kid under age seven and \$4,000 for children who are under 16 at the end of the year. Parents with a child who qualifies for the disability tax credit can claim another \$10,000 per child.

Eligible expenses include payments to child care providers, daycare, a day sports camp and any educational institution that provides child care, include possibly a summer camp used for child care. Ontario families with one child under seven who claim the \$7,000 could save more than \$2,000 in taxes if the lower income-earning spouse earns an annual income of \$60,000. Parents can't claim the deduction if they are available to care for their kids.

- **Tax returns:** Children can file a tax return as soon as they have taxable income, says Van Cauwenberghe, a strategy worth considering, she says, because filing allows them to accumulate Registered Retirement Savings Plan room. Granted, they won't pay income tax until they earn \$10,000 but the RRSP room can be carried forward.

A child who earns \$5,000 annually would accumulate \$900 in RRSP room per year; those who build up \$4,500 worth of room and use it at age 25 when they are earning \$30,000 annually, would save \$945 in taxes. Van Cauwenberghe also suggests young children file a tax return because they may become eligible for a Goods and Services Tax credit of up to \$250 a year if they are at least 19.

- **Registered Education Savings Plans:** Up to \$50,000 can be placed in an RESP during a child's lifetime during which time the government will give the child a 20 per cent grant to a maximum of \$7,200, although contributions must be spread out over time to receive the full grant. There is no tax deduction paid to contributors but when the money is cashed out, the child, not the parent is taxed on the accumulated income and growth in the plan, assuming they attend post-secondary education. Most children will pay no income tax because while attending university or college, their income is low.

- **Tax Free Savings Accounts:** since January 2009, Canadians have been able to open a special savings account to which they can make annual contributions of up to \$5,000 and not pay any tax on any of the investment income. The money can be invested in stocks, bonds and mutual funds.

Parents whose kids are headed toward a postsecondary education can use it as an alternative to an RESP or in addition to an RESP, says Van Cauwenberghe. It can also be used by parents whose kids are not going to university or college.

- **Tuition, Education and Textbook Tax Credits:** If your kids are enrolled in a university or college, they're entitled to claim a non-refundable credit for tuition fees paid to a university, college or other institution where post-secondary level courses are offered. The eligible fees include tuition, library and lab charges, computer service fees and ancillary fees (such as sports and insurance), but do not include student association fees or costs for goods of enduring value, such as a new laptop.

Students may also claim an education amount of \$400 per month based on the number of months of full-time study in a post-secondary education program. Part-time students can qualify when medical difficulties prevent them from attending full-time. Students may also claim a textbook tax credit of \$65 per month.

When a child has unused tuition or education tax credits, a portion of his or her tuition and mandatory ancillary fees can be transferred to a supporting parent, grandparent or spouse, to a maximum of \$5,000 less the excess of the student's income over the basic personal credit amount. The transferable portion of the credits is the amount by which the combined credits exceed the credit necessary to reduce the student's tax payable to zero.

If your children had to move more than 40 kilometres away to attend university full-time, they can deduct their moving expenses from scholarship income and employment or self-employment income earned in the location where they attend school. Students not able to deduct all of the expenses because they did not earn enough income in the year in which they moved, can carry forward the expenses to the next year.

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