

Family tax policies

TARGETED MEASURES

Parents of minor children and even expecting moms and dads can benefit from a number of special tax credits.



PUBLIC TRANSIT

The federal government grants a non-refundable tax credit¹ for the cost of annual, monthly or short-term public transit passes. This measure applies to children under 19 as well as to their parents. The 15% tax credit applies on costs incurred, except in Québec, where the real rate is 12.5%, since the abatement is taken into account.

For example, if your child purchases ten monthly passes over the course of the year, at a cost of \$60 each, the annual total spent would be \$600. To calculate the tax credit for a Québec resident, we multiply this amount by 12.5%, for a tax reduction of \$75 (\$90 for residents of other provinces).

PHYSICAL ACTIVITY

Since 2007, taxpayers have been able to apply for a non-refundable tax credit for physical activity programs for children under 16. The maximum eligible costs are \$500 per child, leading to a maximum non-refundable tax credit of \$63 per child for Québec residents (\$75 for residents of other provinces).

To be eligible, the physical activity must contribute to cardio-respiratory endurance and last at least 8 weeks. Summer camp stays are also eligible if they are longer than five consecutive days, in which case the charges must first be used for the childcare expense deduction, up to the ceilings currently in effect, while the remainder may be applied to the children's fitness tax credit. Eligible expenses include registration or program participation fees as well as administrative charges and course costs.

ADOPTION COSTS

Since 1994, the Québec government has offered a 30% refundable credit for adoption expenses incurred by parents, while the federal government created a 15% non-refundable credit in 2005 (12.5% for Québec residents).

Eligible expenses include legal and administrative fees, costs related to the parents' psychosocial assessment, travel and living expenses for the child and the adoptive parents, payments made to an accredited adoption organization, etc. The provincial eligible expense limit is \$20,000 while the federal ceiling is \$10,643 for 2008 and is indexed annually.

FERTILITY TREATMENTS

Costs associated with fertility treatments, such as artificial insemination or in vitro fertilization, are not covered by provincial medicare programs. However, they are recognized as medical expenses for tax purposes.

The federal government includes expenses paid for fertility treatments with all other medical costs eligible for the medical expense tax credit. There is therefore no ceiling for eligible expenses, although the credit will be calculated at a rate of 15% (12.5% for Québec residents) as long as the medical expenses exceed the lesser of 3% of the net income or \$1,962 (2008 amount, indexed annually).

For tax purposes in Québec, all costs related to artificial insemination must be handled separately from medical expenses and are therefore credited at a rate of 30%. The maximum eligible is \$20,000, for a maximum annual credit of \$6,000.

The Québec government has announced that it would increase this credit once the application limiting the number of embryos created in vitro became effective. Following the implementation of this policy, for a third and any subsequent attempt the applicable tax credit rate would be 50%, although the maximum annual expense ceiling would remain \$20,000.

Finally, Revenu Québec has determined that same-sex spouses may also receive this credit as long as one of the spouses participates in the treatment. In this case, any legal fees relating to the insemination process would not be eligible. However, costs relating to the adoption process for the non-biological parent spouse could be used to claim the adoption expense tax credit claimed in the year in which the adoption decision is rendered. **D**

1. A refundable credit enables the taxpayer to receive a payment even when the taxes to be paid are nil or less than the amount of the credit. In other words, when the total amount of the refundable credit is higher than the amount of tax to be paid, the surplus will be paid to the individual. A non-refundable tax credit serves to reduce the amount of taxes otherwise due, so that the credit an individual would receive will never exceed the amount of tax to be paid.