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Financial Tips for Parents of Children with Special Needs: About the Disability Tax Credit (DTC)

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Summary: The Canadian federal government has various tax deductions, credits and benefits available to help families and caregivers of children and youth with special needs.

Introduction

Children and youth with special needs have medical, emotional, developmental, mental or behavioural problems that require ongoing help and support.

The federal government has various tax deductions, credits and benefits available to help families and caregivers of children and youth with special needs.

In addition, each province has a number of provincial programs as well.

Disability Tax Credit (DTC)

If you have a child with special needs, the Disability Tax Credit is a non-refundable tax credit that helps people with disabilities or their supporting persons reduce the amount of income tax they may have to pay. People may claim the disability amount once they are eligible for the DTC. This amount includes a supplement for persons under 18 years of age at the end of the year.

This tax credit can be transferred to a supporting family member who provided regular and consistent support for one or more of the basic necessities of life such as food, shelter or clothing to the person.

Being eligible for the DTC can open the door to other federal, provincial or territorial programs like the:

- Registered disability savings plan;
- Working income tax benefit;
- Child disability benefit.

Who may apply for this tax credit?

Parents or legal guardians may apply for the DTC, if their child:

- Has a severe and prolonged impairment that has lasted or is expected to last at least 12 months, and
- Has effects of an impairment that fall into one or more of the following categories:
    - Vision

- Life sustaining therapy
- Basic activities of daily living such as Mental functions; Walking; Feeding; Speaking; Eliminating (bowel or bladder functions); Dressing; Hearing; The cumulative effect of significant restrictions.

How do we apply for this tax credit?

Applying for the DTC involves:

1. Complete Part A of Form T2201, Disability Tax Credit Certificate.
2. Have Part B of Form T2201 completed and certified by the child's medical practitioner.
3. Send the completed and signed original form to the Canada Revenue Agency.

A medical practitioner can be a medical doctor, physiotherapist, optometrist, psychologist, occupational therapist, speech-language pathologist, or audiologist.

How do we claim the disability amount?

You may claim the disability amount on your income tax and benefit return once the person with the disability is eligible for the DTC. To claim the disability amount for your child, see line 318 on the return.

Caregiver Tax Credit (Caregiver Amount-line 315):

You may be able to claim the caregiver amount if:

- You maintained a home where you lived with one or more of your dependants, and
- Each dependant (not a parent or grandparent) was 18 years of age or older, and depended on you because of impairments in mental or physical functioning.
- Child Disability Benefit: Families with children who qualify for the disability amount may be eligible for the Child Disability Benefit. The value of the benefit is based on family income.
- Child Care Expenses (line 214): If you have paid someone to look after your child who qualifies for the Disability Amount, you may be able to deduct up to $10,000 for child care expenses.
- Amount for an Eligible Dependant (line 305): If you did not have a spouse or common- law partner and you supported a dependant with whom you lived in a home you maintained you may be able to claim this amount.
- Amount for Infirm Dependants Age 18 and Over (line 306): You may be able to claim an amount for a dependent child or grandchild if that child had an impairment in physical or mental function and was born in 1997 or earlier.
- Tuition, Education and Textbook Amounts Transferred from a Child (line 324): If the student with a disability does not require these amounts, all or part of the unused amounts can be transferred to you if you are the supporting parent or grandparent. A maximum of $5,000 minus the amount used by the student can be transferred to you.
- Medical Expenses (lines 330 and 331): You can claim medical expenses at line 330 for your child under the age of 18, yourself, your spouse or common law partner for any 12-month period ending in the year. You can claim other eligible dependants for the same 12-month period at line 331.

Other medical expenses that may be claimed with a medical certificate or prescription include:

- Devices or software designed to be used by people who are blind or have a severe learning disability to enable them to read print-prescription needed.
- Note-taking services used by someone with a physical or mental impairment and paid to someone in the business of providing these services. A medical practitioner must certify in writing that these services are needed.
- School for people with an impairment in physical or mental functions. A medical practitioner must certify in writing that the equipment, facilities or personnel specially provided by that school are needed because of the person's mental or physical impairment.
- Tutoring services that are above the primary education of a person with a learning disability or impairment in mental functions. The person receiving payment must be in the business of providing tutoring services to others who are not related to the student. A medical practitioner must certify in writing that these services are needed.

- Talking textbooks - in connection with enrolment at a secondary school in Canada or a designated educational institution for a person who has a perceptual disability. A medical practitioner must certify in writing that the expense is necessary.
- Therapy– the cost of therapy received by a person who is eligible for the disability tax credit (DTC). Therapy must be provided by someone who is not the spouse or common-law partner of the person who is claiming the expense. The person must be 18 years of age or older when the amounts are paid. For a mental impairment, the therapy must be prescribed and supervised by a medical doctor or a psychologist. For physical impairment, the therapy must be prescribed and supervised by a medical doctor or an occupational therapist.

Filing claims for past expenses (filing for tax credits retroactively)

If you are just learning about these tax credits now, and haven't claimed them yet, don't worry! You can still claim these credits up to 10 years retroactively. To adjust your income tax and benefit returns for previous years, visit the Canada Revenue Agency's website and download Form T1-ADJ, T1 Adjustment Request.

For more information about the DTC, go to www.cra.gc.ca/dtc or call 1-800-959-8281.

Caution!

Beware of commercial agencies advertising tax refunds of up to $30,000. They offer to apply for the tax credits on your behalf by writing letters to your doctor and filling out the forms for you. But then they take 30% of your refund as a fee (this could add up to thousands of dollars).

If you aren't able to complete the paperwork yourself, it's better to hire an accountant or an accounting service for a few hundred dollars.

For More Information about Federal Taxes and Deductions

Canada Revenue Agency (CRA)
Web: http://www.cra-arc.gc.ca

Special Needs Planning Group
Web: http://www.specialneedsplanning.ca

Planned Lifetime Advocacy Network (PLAN)
A "non-profit organization for families committed to future planning and securing a good life for their relative with a disability". They have an excellent document "Tax Tips for Families" at http://www.plan.ca/documents/taxtips2006.pdf.
Web: http://www.plan.ca

About this Document:

Written by the mental health professionals at the Children's Hospital of Eastern Ontario (CHEO). Reviewed by the Mental Health Information Committee at CHEO. Many thanks to staff from the Benefit Programs and Individual Returns Directorates of the Canada Revenue Agency for reviewing and revising this fact sheet.

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