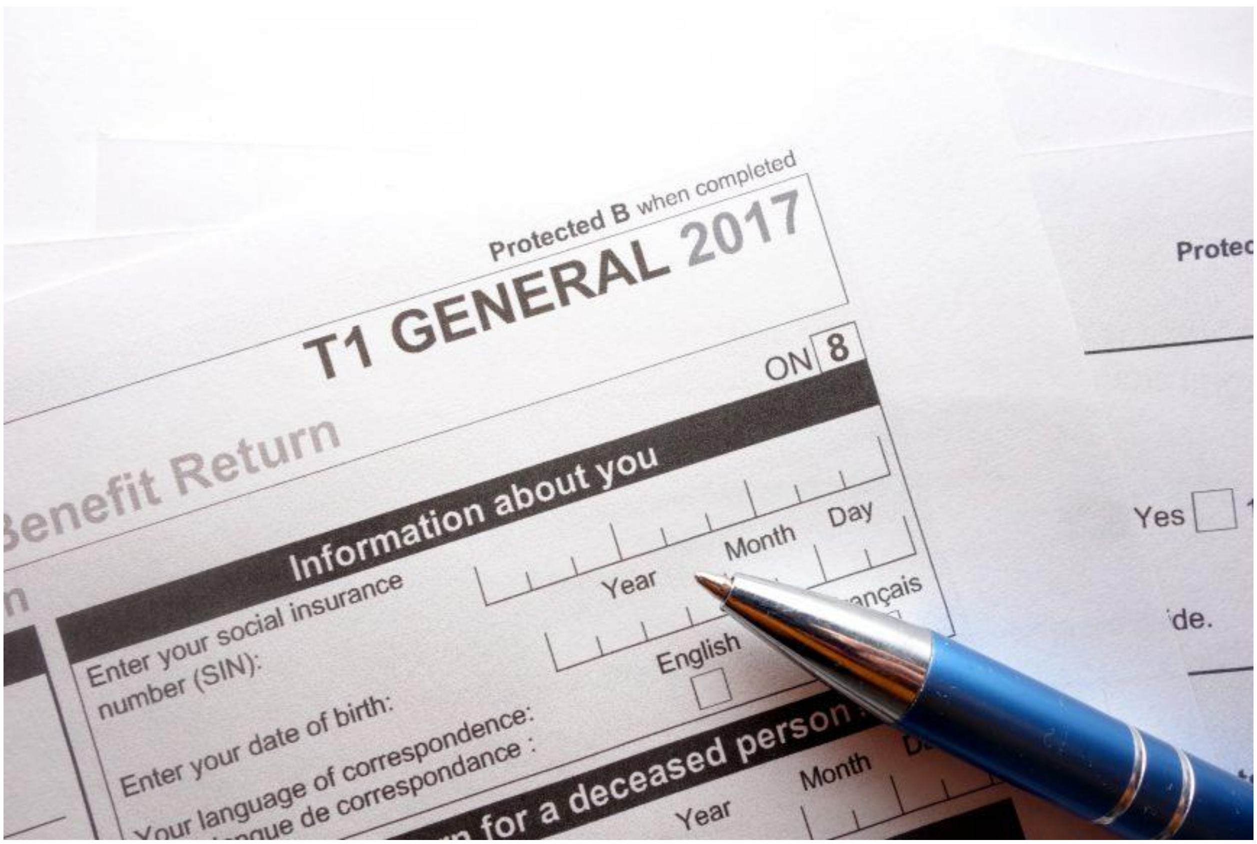
MoneySense

7 things to remember when doing this year's taxes

Beware of new Principal Residence tax rules, and don't miss out on these new credits

by Evelyn Jacks
April 11th, 2018



(Shutterstock)

Tax season 2018 is in full swing and there are lots of tax changes to be aware of for your 2017 return. Make sure to pay attention to these new rules, which can save you time, money and headaches down the line, if your return is audited by the CRA.

1. New Principal Residence rules

The sale of a principal residence may be tax exempt, unless another principal residence was owned in the same period. In those cases, you must decide which property will be the exempt one and which will be the taxable one. Form T2091 – *Designation Of A Property As A Principal Residence By An Individual (Other Than A Personal Trust)* sorts it all out.

What's new in 2017 is that filing at least the first page of this complicated form **is mandatory**, even if the gain on your residence is fully exempt. You will also need to complete Schedule 3 of the tax return. This is important; **failing to file the form can attract large penalties.**

2. First-time donors don't forget your Super Tax Credit

Tax year 2017 will be the last one in which you can take advantage of *The First Time Super Donor's Tax Credit.* You will be allowed an additional 25% tax credit if you are a first time donor who made cash donations in 2017 up to $1,000. A first timer is someone who has not been allowed a donations tax credit in any year after 2007.

3. Couples can claim reproduction therapy as a medical expense

Claiming medical expenses is always a popular subject – everyone seems to have some unreimbursed and out-of-pocket claims. A new provision for 2017 is for couples who have experienced medical infertility issues. What's new is that taxpayers may elect to claim the costs of reproductive technologies even where the treatment is not medically necessary. In addition, the taxpayer may elect to claim the expenses in any of the immediately preceding **ten tax years.** This means that returns as far back as 2008 can be adjusted to claim any expenses not already claimed.

The medical expense tax credit is a non-refundable amount for certain qualifying expenses that can be claimed on the return of the patient and/or other supporting family members. There is, however, a net income limitation, which means it is generally **the taxpayer with the lower income that claims the medical expenses**.

4. Caregivers can claim the new Canada Caregiver Credit

The new CCC has replaced the Family Caregiver Tax Credit, the Caregiver Tax Credit, and the Credit for Infirm Dependants. But don't expect this claim to be easy to decipher. It actually breaks down into two parts:

- *A "Mini" CCC of $2,150*, which must be claimed for an infirm minor child or someone for whom you are claiming a spousal amount. Remember that the term spousal amount also includes an "eligible dependant" or someone you are claiming as "equivalent to spouse"
- *A "Maxi" CCC of $6,883*, or a portion thereof, may be claimed if you are supporting a low-income spouse or eligible dependant over 18 whose net income is over $11,635. You may also claim this amount for infirm adults who are considered "other dependants." **Note this larger credit, is never claimed for a minor child.** Fortunately, tax software will do the complicated calculations for you.

5. Educators can claim the Eligible Educator School Supply Tax Credit

This refundable credit was introduced in 2016 and subsequent years. It is available to teachers and early educators, for out-of-pocket costs for your classroom supplies and it is a refundable tax credit, so don't miss it. **If you did, adjust last year's tax return.**

6. For post-secondary students some tax credits are gone

The monthly education and textbook amounts are gone and will be missed by students and their supporting individuals. These two tax credits, based on the number of months of full time or part time attendance at a post-secondary school, have been eliminated for 2017 on the federal tax return, but many provinces still have them.

The good news is that **the tuition fee amount has been extended**, starting in 2017, to include fees paid to organizations providing occupational skills courses, even if they are not at a post-secondary level, provided they improve skills or add skills in an occupation. Students must be 16 or older. The claim is based on a calendar, not an academic year, and fees must be over $100.

7. Big changes for business owners in 2017

- **Professionals – Work-In-Progress:** Special provisions for work in progress will be phased out by 2018. In the first business year that begins after March 21, 2017, 50% of the lesser of the cost and fair market value of the work in progress must be included in income. Those affected include accountants, dentists, lawyers, medical doctors, veterinarians and chiropractors.

- **Incorporation costs:** Effective January 1, 2017, the first $3,000 of incorporation costs are deductible as a current expense rather than being added to a new CCA class for eligible capital property.
- **Eligible Capital Property and Goodwill:** A new class for capital cost allowance purposes applies starting in 2017. Expenses that were previously added to the Cumulative Eligible Capital account at 75% will be added at 100% with an annual 5% depreciation rate. Special rules will also apply for goodwill. Every business will be considered to have goodwill even if there was no expenditure for it. On disposition, an expense that does not relate to a specific property will increase that capital cost of this class. Transitional rules will also apply, so get some help from a tax specialist.

Evelyn Jacks is President of national online educational institute Knowledge Bureau and author of Essential Tax Facts: How to Make the Right Tax Moves and Be Audit-proof, Too. Follow her @evelynjacks.