

Recovering Tax with the Medical Expenses Credit

If your net income is less than \$64,200 and your family's medical expenses are 3% or more of your net income, you may be entitled to claim a 15.5% federal tax credit and 6.05% Ontario provincial credit on those expenses over the 3% threshold. If your net income is over \$64,200, your medical expenses over a flat \$1,926 qualify for the credit.

For example, say your net income is \$30,000 and you spend \$1,500 on qualifying medical expenses in 2007. Given that 3% of your net income is \$900, the remaining \$600 qualifies for the medical expense credit. The federal credit is 15.5% of that, or \$93. Your provincial tax credit is 6.05% of that, or \$36. So your \$1,500 in medical expenses will produce total tax savings of about \$129.

Whose expenses can you claim?

You can claim expenses for yourself, your spouse, your children or any close relative resident in Canada who is dependent on you for support.

Which expenses qualify?

The list of qualifying medical expenses is quite long, and includes:

- ✓ payments to medical practitioners, dentists and nurses, hospital fees not covered by public health insurance, and diagnostic procedures
- ✓ prescription drugs
- ✓ premiums to a drug or dental plan
- ✓ institutional care (e.g., nursing home)
- ✓ guide dogs, both purchase and upkeep
- ✓ eyeglasses, hearing aids and dentures
- ✓ home renovations required for someone with a mobility impairment (the credit is not available for new construction)
- ✓ a long list of specific devices, ranging from crutches to insulin needles, wheelchair lifts, speech synthesizers, visual fire alarm indicators and TDD devices for the deaf

- ✓ 50% (to a maximum of \$1,000) of the cost of air conditioners required by persons with chronic respiratory ailments
- ✓ 20% (to a maximum of \$5,000) of the cost a van that has been adapted for transporting a person using a wheelchair
- ✓ sign language interpreter fees
- ✓ costs of moving to accessible housing
- ✓ driveway alterations made to provide access for persons with severe mobility impairments to a bus

If you need specific details, refer to Revenue Canada's *Interpretation Bulletin IT-519R2*, called "Medical expense and disability tax credits and attendant care expense deduction," available from your nearest Canada Revenue Agency office, or via the Internet at www.cra-arc.gc.ca.

What travelling expenses can you claim?

To claim your costs for travelling from your home to a place where you receive medical treatment as medical expenses, among other conditions, you must travel at least 40 kilometers to obtain medical services not otherwise available nearer to home. If you are claiming travel expenses to get medical treatment, you can choose to use a **detailed** method, where you have to keep all receipts and records for the vehicle expenses you paid for your 12-month period, or a **simple** method for calculating your travel expenses. For 2007, the allowable per diem rate for medical travel under the simple method is \$.495 per kilometer.

If you have to travel more than 80 kilometers for medical treatment, in addition to travel costs, you may be able to claim the cost of your meals and accommodations. Keep all of your receipts for accommodation expenses. You can claim a flat rate of \$17 a meal, to a maximum of \$51 per day, per person, without receipts.

You can also claim travel expenses for someone to accompany you if a medical practitioner certifies in writing that you are unable to travel without assistance.

Making the most of the Medical Expenses Credit

- ✓ **Combine your family's medical expenses on one return.** Because of the threshold of 3% of net income, you should combined all of the family's medical expenses on one return. It is usually better for the lower-income spouse to make the claim since the 3% threshold will be lower,

provided that the spouse has enough tax owing to use up the credit.

- ✓ ***Choose your own 12-month period for medical expense claims.*** You can pick any 12-month period ending in the tax year when you're claiming medical expenses. For example, if you made no claim for 2006 and you have large medical bills in February 2006, January 2007 and November 2007, you could use January 2007 as the end of your 12-month period, claim February 2006 and January 2007 expenses for 2007, and leave the November 2007 expenses to be claimed on your 2008 return.
- ✓ ***Plan the timing of your family's medical expense payments.*** You can also plan for the timing of medical expenses, since your income tax claim for them is based on when they are paid. If you are using a December end for the 12-month period and you have outstanding medical expense bills (perhaps for medical equipment purchases or large dental bills), consider paying them on or before December 31 so that you can claim one year earlier.

