

CPA ONTARIO

Tax Preparation Assistance Program
2017 Training Session for 2016 Tax Returns

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Agenda

- About the Program
- Introduction to the Tax Return
- Hypothetical Tax Return – Problem 1
- Hypothetical Tax Return – Problem 2
- Using Taxprep



Program Guidelines

- Income threshold per household, less than:
 - with no dependants \$30,000
 - with dependants \$40,000
- No business income or rental income
- No capital gains or losses
- No deceased taxpayers
- Likely only preparing 2016; some sessions may allow 2015 and 2014



Program Guidelines

Principal Residences with No Capital Gain

- Because of new tax reporting rules, the program will accept taxpayers who have sold a principal residence as long as the taxpayer, spouse or common-law partner did not own any other home or vacation property for the same years.
- These taxpayers will not have a capital gain because they will be able to designate the property as their principal residence for all years owned.



Program Guidelines

Principal Residences with No Capital Gain

- According to the Income Tax Act, taxpayers who designate their property for all years owned will have a Principal Residence Exemption (PRE) equal to their Gain.
- As a result, these taxpayers have no Capital Gain (CG) because

$$CG = \text{Gain minus PRE} = \text{Zero}$$



Program Guidelines

Principal Residences with No Capital Gain

- Taxpayers designate a property as their principal residence for all years owned by ticking Box 1 on Line 179 of Schedule 3, page 2
- The following information must also be reported for the principal residence on the same page:
 - address
 - acquisition date and
 - proceeds of disposition



What To Bring - Taxpayer

- Information slips and receipts
- Information on any principal residence sold as per previous slide
- Prior year's tax return and assessment



What To Bring - Volunteer

- Calculator, stapler, pens, pencils, eraser, etc.
- T1 Guide and Briefing Notes
- Computer and printer (if using)
- No where to print (unless you bring your own printer) so be prepared to complete by hand -- use Taxprep to calculate first
- Complete two copies, one signed and in envelope to CRA and one for taxpayer



What To Expect

- Each location different -- know where you are going and arrive early to set up -- DON'T FORGET!!
- Taxpayers have been pre-screened and booked into timeslots of 30 to 40 minutes depending on complexity (a couple would be two timeslots)
- Typically three-hour sessions so you will be preparing five to six tax returns
- Sort the slips by type and review for completeness
- If taxpayer does not qualify (i.e., business income, over income threshold), do not complete and bring to the attention of the location coordinator



Completing the Return

- Who must file a return? Everyone!
- Do lower income spouse first
- Need details of spouse's income (if not preparing)



The Income Tax and Benefit Return

- 4 pages - Otherwise known as "the Jacket"
- Page 1 – Personal Identification, Elections Canada
- Page 2 – Total Income
- Page 3 – Deductions from income to get to Net Income and Taxable Income
- Page 4 – Calculation of Refund or Balance Owning, Signature



Identification – Page 1

- Personal Information – name, address, S.I.N., D.O.B., marital status
- Must include spouse's information
- Date entered Canada for New Immigrants
- PROV OF RESIDENCE ONTARIO AS OF DEC 31
- Elections Canada, Question on Citizenship
- GST Credit has not been on Page 1 for a few years. It is automatically calculated by the CRA. In the case of a couple, the first return assessed gets the credit.



Identification (cont'd)

- Effects of Changes in Marital Status
 - Year of marriage – claim spousal amounts and transfers from spouse, if applicable
 - Year of marriage breakdown – you can claim either tax credit for spouse (see below) or support payments but not both
 - Common-law partner if
 1. parent of your child, and/or
 2. living together for 12 continuous months



Calculating Total Income – Page 2

- Page 2 of the Jacket
- Top – answer Foreign Properties question – Do they have foreign property with a cost > \$100,000 (likely no),
- Record ALL income here
- Next 9 slides



Total Income – Page 2

- SLIPS (add together if more than one):
 - T4 – Employment Income
 - T4E – Employment Insurance
 - T5 – Investment Income
 - T4(P) – Pension Income
 - T4(OAS) – Old Age Security AND Net Federal Supplements
 - T5007 – Social Assistance and Workers' Compensation



Total Income – Page 2

- Universal Child Care Benefit – RC62 slip
 - Until June 30, 2016: \$160/month/child under the age of 6 and \$60/month/child between 6 and age 18 (Line 117 – page 2)
 - Taxed on LOWER-income spouse's return
 - IF single parent, can include ALL UCCB amounts in eligible dependant's income
 - Report designation on Line 185 – page 2
 - Deduct from eligible dependant amount as net income – Schedule 1 and ON428



Total Income – Page 2

- Support Payments - SPOUSE
 - support payments for SPOUSE DEDUCTIBLE to payer and taxable to recipient – Lines 156 and 128
 - Must be pursuant to a court order or written agreement and be periodic payments
- Support Payments - CHILD
 - Support payments for CHILD NOT DEDUCTIBLE to payer and not taxable to recipient



Total Income – Page 2

- Foreign Income
 - Report all income earned in year from all sources, i.e., pension from United Kingdom
 - Use average exchange rate to calculate Canadian dollar amount
 - See briefing notes for treaty exempt countries and exemptions and exchange rates



Total Income – Page 2

- US Social Security

- Canadian residents are taxed on US social security received during the year
- Include 100% of Social Security on line 115 and deduct 15% on line 256 (only 85% of amount is taxable)
- IF started collecting prior to January 1, 1996 THEN may be eligible for 50% deduction



Total Income – Page 2

- Veterans

- Veteran disability payments, dependent pensioners' payments and war veterans allowances are not taxable and not included in net income

- Canada Child Benefit and Ontario Child Benefit

- Not taxable – do not include



Total Income – Page 2

- Scholarships, Bursaries and Fellowships

- POST SECONDARY STUDENTS
 - not taxable if full-time for purposes of the education credit (Form T2202A)
 - exemption equal to tuition paid plus costs of program-related material if part-time for purposes of education credit (Form T2202A)
- ELEMENTARY AND SECONDARY STUDENT
 - not taxable
 - IF TAXABLE, FIRST \$500 IS EXEMPT



Total Income – Page 2

- Split Pension Income

- Pension income on Line 115 (not CPP) can be split between spouses (tax withheld is also split)
- If clients AGE 65 or OVER and therefore receiving the age amount – MAY NOT BE BENEFICIAL FOR THE MAJORITY AS ALREADY NOT TAXABLE – TRANSFER NOT NECESSARY
- This is the majority of Tax Session Clients
- If in doubt and using Taxprep, go to Form T1032 and use “calculate” button to determine if beneficial



Total Income – Page 2

- Split Pension Income (cont'd)

- If clients are under the age of 65 with eligible pension income (Line 115), transfer may be beneficial
- IF one spouse has majority of income and the other has no or little pension income (Line 115), AND
- IF after entering all information, the client is taxable, may want to split the pension income
- BOTH clients would need to complete and sign form T1032 (bring the forms with you)
- See Briefing Notes for more details



Total Income – Page 2

- Split Pension Income (cont'd)

- The only other time it may be advisable to split income is if after calculating taxable income, one spouse has TAXABLE INCOME OVER \$20,000. Even if they are not paying tax, they may be paying the Ontario Health Premium.
- In this case, split pension income to eliminate the Ontario Health Premium
- Again you will need to bring the forms (T1032) with you (or print them) and both clients will have to complete and sign and include in returns



Calculating Taxable Income – Page 3

- Page 3 of the Jacket
- Line 250 most important!
- The rest will likely not apply
- See next 3 slides



Taxable Income – Page 3

- Non-Taxable Income – entered in calculating net income above
 - Worker's Compensation (line 144)
 - Social Assistance (line 145)
 - Net Federal Supplements [GIS – box 21 of the T4(OAS)] (line 146)
- Offsetting deduction in computing taxable income (LINE 250)!



Taxable Income – Page 3

- Childcare Deduction
 - Must be claimed by lower income spouse (in most cases) using form T778 (need to bring or print)
 - Only deductible against earned income
 - Max claim of \$8,000 per child who was not 7 at end of year, \$5,000 each for other children under 16 at any time during year, and \$11,000 per child eligible for Disability Credit (max 2/3 of earned income)
 - Limit on camp expenses for overnight camp



Taxable Income – Page 3

- RRSP contributions – Line 208 (Complete Schedule 7)
- Union Dues – Line 212 (from T4)
- Support Payments Made – Line 220 (see previous slide)



Calculating Refund or Balance Owing – Page 4

- Page 4 of the jacket
- Calculate FEDERAL tax on Schedule 1 (Line 420) and ONTARIO tax on ON428 (Line 428)
- Lines 437 – 476 as applicable
- LINE 479 – Provincial Credit (see below)



Non-refundable tax credits

- These are NON-refundable
- Only used to reduce taxes otherwise payable
- Different amounts available on Schedule 1 (Fed) and ON428 (Ontario)
- TIP: Once you have enough credits (greater than or equal to taxable income) then you do not need to claim more



Non-refundable Tax Credits

- **Basic Amount**
 - \$11,474 (Fed) and \$10,011 (Ontario)
- **65+ (born 1951 or earlier)**
 - Claim age amount \$7,125 (Fed) and \$4,888 (Ontario)
 - Reduced if net income > \$35,927 (Fed)/\$36,387 (Ontario) (use worksheet)
- **Spouse/Common Law Amount**
 - If the spouse has low income or no income claim spouse amount (spouse must still file own return)
 - Available credit of \$11,474(Fed) and \$8,500(Ontario) less spouse's net income (in excess of \$850 for Ont.)
 - Federal credit increased by \$2,121 family caregiver amount if dependent because of mental or physical impairment



Non-refundable Tax Credits

- **Eligible Dependant (Line 305) – Schedule 5**
 - consider for single, divorced, separated, widowed
 - Must support dependant who was
 - under 18 at any time **OR** parent, grandparent, or physically/mentally infirm
 - Related to taxpayer and residing in Canada and
 - Living with taxpayer (except dependent children at school)
 - Same as spousal amount: \$11,474 (Fed) and \$8,500 (Ontario) less net income (remember too that UCCB is net income)
 - Federal credit may be increased by \$2,121 for family caregiver amount



Non-refundable Tax Credits

- **Amount for children under 18 eligible for family caregiver amount**
 - \$2,121 (Federal child credit eliminated starting 2015)



Non-refundable Tax Credits

- **Family Caregiver Amount (FCA)**

- May add \$2,121 to these Schedule 5 non-refundable credits: spouse, eligible dependant, infirm dependant age 18 or over
- And claim for children under 18
- **If 18 or older**, must be dependent due to mental or physical impairment
- **If under 18**, impairment must be prolonged and indefinite, child must need more assistance than children of same age
- CRA may request a signed statement from a medical doctor



Non-refundable Tax Credits

- **Pension Amount**

- receipt of pension income (lines 115, 129) - CPP, OAS, death benefits not eligible
- claim pension amount \$2,000 (Fed) and \$1,384 (Ontario)

- **Transfer Credits to Spouse IF 65+ (Schedule 2)**

- Transfer age amount, pension amount, disability amount, tuition/education/textbook amounts



Non-refundable Tax Credits

- **CPP paid (from all T4s (Line 308))**

- **EI paid (from all T4s (Line 312))**

- **Canada employment amount – Federal Credit**

- \$1,161 (Line 363 – Sch 1)
- Available if taxpayer has employment income



Non-refundable Tax Credits

- **Public Transit Passes – Federal Credit (Line 364)**

- Credit for monthly (or longer) public transit passes
- Or passes for at least 5 days uninterrupted travel x 4 (total 20 days purchased within a 28 day period)
- Or electronic payment cards used to make 32 one-way trips within a 31 day period i.e. need to review Presto statements for eligibility
- Claim for you, your spouse, common-law spouse or dependent children under 19



Non-refundable Tax Credits

- **Federal Children's Art Amount (Line 370)**

- Maximum reduced to \$250 per year per child for enrolment in an artistic, cultural, recreational or developmental program
- Does not have to be physical: i.e. tutoring, piano lessons, Girl Guides qualifies
- Child must be under 16 at beginning of year or under 18 if eligible for disability credit (DC)
- Additional \$500 avail. if child eligible for DC
- Maximum credit \$37.50 (\$112.50 if child eligible for DC)



Non-refundable Tax Credits

- **Home accessibility tax credit (HATC) (Line 398)**

- New for 2016 (see Line 398 in Guide)
- Very similar to Refundable Ontario Health Homes Renovation Credit for seniors (discussed later)
- But taxpayers eligible for the disability credit (DC) also qualify
- And not refundable like Ontario credit
- Same maximum of \$10,000 x 15% (\$1,500)
- Complete Schedule S12 and transfer to Schedule 1, Line 398



Non-refundable Tax Credits

- **Disability Credit (DC)**

- \$8,001 (Fed) \$8,088 (Ontario) non-refundable tax credit
- Additional amounts available for child under 18 years eligible for DC
- Must be markedly restricted in daily activities for a substantial period of time
- Must file T2201 if first year of claim



Non-refundable Tax Credits

- **Students - Complete Schedule 11 - Tuition**

- Tuition - receipts must be >\$100 for tuition
- Education Credit and Textbook credit – calculated based on FT or PT status - T2202A required and often needs to be downloaded by student
- Unused tuition fees and education credit can be transferred up to \$5,000 (Fed) and \$6,922 (Ontario) to supporting person
- Interest paid on Canada Student Loans is eligible for a credit (Line 319 – Fed only) or carryforward 5 years



Non-refundable Tax Credits

- **Students - Complete Schedule 11 - Tuition**

Students should **always** complete Schedule 11 even if credits not used because needed to

- keep track of the Tuition/Education/Textbook credit carryforward
- demonstrate tax-exempt status of scholarships and bursaries

2016 is the last year that Federal Education and Textbook credits can be earned

2016 is the last year that Ontario Tuition, Education and Textbook credits can be earned

Unused pre-2017 amounts can still be carried forward after 2016.



Non-refundable Tax Credits

- Medical expenses

- Claim entire family's expenses on same return
- **Eligible amount must be over 3% of net income**
- Claim for any 12-month period ending in 2016
- Just enter total on Schedule 1 and ON428 – DO NOT send receipts
- TIP – FIRST check if over 3% of net income **AND** needed to reduce taxes **OR** claim the refundable medical expense supplement (discussed later with refundable credits)



Non-refundable Tax Credits

- Donations (Complete Schedule 9)

- Claim entire family's donations on same return
- Federal receive credit of 15% on first \$200 and 29% on balance
- New super credit on first \$1,000 donated if no donations since 2007, additional 25% (only get super credit once for period from 2013 – 2017)
- If credit not needed then carry forward up to five years
- Tell client to keep receipts until needed



Non-refundable Tax Credits

- New Immigrants

- Considered part-time residents from the time entered Canada, e.g. moved to Canada on March 31, 2016 then resident for 275 days or approximately 9 months
- Pay tax on all income received since moving to Canada, i.e. 9 months
- Non-refundable credits are pro-rated, i.e. 275/366
- Pro-rate the following federal and corresponding Ontario amounts: Line 300, 301, 303, 305, 367, 306, 315 to 318.

Taxprep – enter date of entry for automatic pro-ration



Ontario Tax – ON428

- First calculate if any Ontario income tax owing
- Non-refundable credits are similar to Federal but not as many and amounts different
- Calculate Ontario Tax Reduction (Step 4)
- Then calculate Ontario Health Premium if individual has TAXABLE income (line 260) greater than \$20,000
- Ontario Health Premium is entered on ON428 – Line 73
- Excess non-refundable credits do not reduce the Ontario Health Premium



Refundable Credits! – Page 4

- Claimed on page 4 of Jacket along with tax withheld at source
- Refundable credits may create refunds
- Use separate schedules and worksheets to calculate
- Next 6 slides



Ontario Refundable Tax Credits

- ON-BEN – ONE PER FAMILY
 - **ALWAYS** select box 6118 to claim the OEPTC (Ontario Energy and Property Tax Credit)
 - **ALWAYS** Select box 6113 IF age 64 or older AND paid property tax to claim the OSHPTG (Ontario Senior Homeowners' Property Tax Grant)
 - Enter rent paid (Line 6110) or property tax paid (Line 6112) or check box (6114) if student in residence in 2014
 - Complete declaration – Part B



Ontario Refundable Tax Credits – Page 4

- ON 479 – ONE PER FAMILY
 - Used to claim refundable credit for Children's Activity Tax Credit (next slide)
 - Used to claim Ontario Healthy Homes Renovation Tax Credit (second next slide)
 - Other credits not typically applicable to Tax Clinic clients
 - Complete and transfer to Line 479 of the Jacket



Ontario Refundable Tax Credits – Page 4

- ON 479 – Ontario Children's Activity Tax Credit
 - Claim fitness and art program receipts (same as Federal – see above)
 - Maximum \$560 in eligible expenses per child
 - Additional \$560 if child eligible for DC
 - Maximum refundable credit is 10% of total
 - Child must be under 16 at beginning of the year or under 18 if eligible for disability credit



Ontario Refundable Tax Credits – Page 4

- ON 479 - Ontario Healthy Homes Renovation Tax Credit
 - For Seniors (65+) and family members who live with them
 - For renovations to the home to allow a senior to gain access, be more mobile or functional within
 - Examples: grab bars, wheelchair ramps, handrails in corridors, non-slip flooring in bathroom
 - Maximum \$10,000 x 15% (\$1,500)
 - Complete Schedule ON(S12) and transfer to ON479



Federal Refundable Tax Credits – Page 4

- Working income tax benefit (WITB) – ONE PER FAMILY – IMPORTANT CREDIT
 - Available if employment or business income and age 19 or older
 - Employment/business income must be > \$3,000
 - Not for full-time students unless single with dependent
 - Complete Schedule 6 and enter results on Line 453 of the jacket
 - Maximum \$1,028 (single) or \$1,868 (with dependants)!



Federal Refundable Tax Credits – Page 4

- Refundable Medical Expense Supplement
 - Up to \$1,187 – Line 452
 - Available if eligible for medical expense credit (line 332 on schedule 1) (i.e., over the 3% of net income threshold)
 - must have at least \$3,465 employment and/or self-employment income
 - complete federal worksheet Line 452 to calculate



Federal Refundable Tax Credits – Page 4

- Refundable Federal Children's Fitness Amount Line 459
 - Maximum reduced to \$500 (x 15%) per year per child for enrolment in a program of prescribed physical activity
 - Child must be under 16 at beginning of year (under 18 if eligible for disability credit (DC))
 - Additional \$500 avail. if child eligible for DC
 - Maximum credit therefore \$75 (\$150 for child eligible for DC)



Refund or Balance Owing – Page 4

- Calculate taxes as per above slides
- Calculate REFUNDABLE credits as per above slides
- Don't forget to enter taxes withheld at source (T4s, etc.) on line 437
- Total payable less total credits results in refund/payable.
- 99% of clients owe nothing or get a refund
- IF NOT ALREADY SIGNED UP FOR DIRECT DEPOSIT taxpayers can enter banking information on page 4. ALL payments from CRA will be deposited to the account registered with CRA.



Completing and Printing

- Complete two copies either print or by hand; one for CRA and one for client
- OR print two copies using the Taxprep preset GOVT print format
- If you are using Taxprep, GOVT is the mandatory print format – prints a condensed version of the return
- The condensed version will also be given to the client
- Have client sign and date one copy
- Do not complete tax preparer section



Mailing

- Client responsible for mailing
- Envelopes with pre-printed address and forms available separately from Post Office. Each location coordinator should have them.
- See Appendix A with mailing addresses
- Pick the address for the city they are closest to



Canada Child Benefit (CCB)

- Inform new parents and new immigrants
- Tax-free monthly payments - children under 18
- Use Form RC66:
- www.cra-arc.gc.ca/E/pbg/tf/rc66
- New Canadians will also have to fill out Schedule RC66SCH, *Status in Canada/Statement of Income*:
- <http://www.cra-arc.gc.ca/E/pbg/tf/rc66sch>



Universal Childcare Benefit (UCCB)

From Jan 1, 2015 to June 30, 2016 parents received:

- \$160/month for children under 6 (up from \$100/month)
- \$60/month for children from age 6 until they turn 18 (new)
- If taxpayer received CTB or UCCB in 2014, they automatically received UCCB
- Parents with children over 6 (i.e., no longer receiving UCCB), will have automatically received UCCB if they had already applied at some point for the Child Tax Benefit/UCCB
- Others may need to apply retroactively and use form RC66 discussed on previous slide.



Help!

- CRA General Help Line
- 1-800-959-8281
- Hours per CRA website
 - 9 to 5 p.m. (weekdays)

