

About the author...



André Lareau is a teacher and the dean of the faculty of law of Laval University. This brochure was produced with the help of Émilie Laroche, a student at the University's faculty of law.



TAXATION FOR PERSONS WHO HAVE AN IMPAIRMENT AND LIVE IN A NURSING HOME

The State compensates, via taxation, for some additional costs incurred in certain situations, notably in the case of an impairment. For handicapped persons living in a nursing home, taxation plays an important part in reducing the financial burden of the taxpayer. This brochure is designed to shed some light on a few tax breaks (we deal only with the most important ones) that are given to individuals who have an impairment and live in a nursing home. The terminology and amounts or percentages used in this text are based on the July 1, 2005 legislation which has been modified following the spring 2005 budget changes.

1 TAX CREDIT FOR A SEVERE OR PROLONGED MENTAL OR PHYSICAL IMPAIRMENT

The tax credit for a severe or prolonged mental or physical impairment provides a tax break to persons who have a severe mental or physical impairment and are as such restricted in their basic activities of daily living. The activities, which are listed below, do not include remunerated work, housekeeping and recreational activities. In order to receive the tax credit, the impairment and its effects must absolutely be certified by a health professional on the federal form T2201¹ and for Quebec, on form TP-752.0.14². Without this form, the credit will be refused.

1.1 Who can apply for the tax credit for a severe or prolonged mental or physical impairment?

The credit for a severe or prolonged mental or physical impairment is given to persons with a handicap who apply for it on their tax return. The credit is not given if the person's income is so low that no taxes are paid. However, the credit may be claimed on the tax return of one of the following persons related to the handicapped person: father, mother, grandparents, children, grandchildren, brothers, sisters, aunts, uncles, nephews or nieces. To benefit from the transfer, this person must provide for the individual's essential needs or bare necessities on a regular and ongoing basis.

¹ T2201: (<http://www.cra-arc.gc.ca/F/pbg/tf/t2201/t2201-03f.pdf>)

² TP-752.0.14: ([http://www.revenu.gouv.qc.ca/documents/fr/formulaires/tp/tp-752.0.14\(2003-12\).pdf](http://www.revenu.gouv.qc.ca/documents/fr/formulaires/tp/tp-752.0.14(2003-12).pdf))

1.2 What is the amount of the tax credit for a severe or prolonged mental or physical impairment?

The credit is a fixed amount and every dollar reduces the amount of taxes to be paid by the applicant by an equivalent amount. At the federal level, the amount is \$1,055 and in Québec, it is \$440. The Federal Government also offers an additional amount of \$616 to minors benefiting from the tax credit. This amount may be reduced under certain circumstances. When the tax credit is greater than the amount of tax to be paid, the excess is not refunded so that the transfer to a relative becomes crucial. This transfer process, unknown to taxpayers, ultimately means that the same tax is offered to all taxpayers regardless of their assets or revenues.

1.3 Explanation of the concepts

1.3.1 Severe impairment

- A person has a severe impairment if he or she is most often unable to carry out a basic activity of daily living (walking, hearing, perceiving, remembering) or requires an inordinate amount of time to do so. The basic activities of daily living must be almost impossible to do even with the support of appropriate nursing care, equipment and medication.
- If a person has a number of slight impairments which all combined make it impossible to carry out a basic activity of daily living, this person is deemed to have a severe impairment.
- An individual also has a severe impairment if he or she is receiving essential therapy in order to maintain a vital function. The therapy must be prescribed by a physician and provided at least 14 hours per week.

1.3.2 Prolonged impairment

- The mental or physical impairment is considered to be prolonged if it can be reasonably expected to last for 12 months.

2 CREDITS FOR MEDICAL EXPENSES

The tax credit for medical expenses is designed to help taxpayers pay for above average medical expenses. A portion of eligible medical expenses, as defined by the law or bylaws, may be recovered on a tax return. They cover a gamut of expenses and include prescription medication and disposable underwear, incontinence pads and catheters.

Also eligible for a medical expenses credit are all the expenses related to living in a nursing home (including residential and long term nursing centres and private homes) when incurred by a person who would otherwise be eligible for the tax credit for a person with a severe or prolonged mental or physical impairment. Therefore, the cost of a semi-private room in a residential and long term care centre, that is to say \$14,979, may be included in the claim. Further information is available on the sites listed below³.

2.1 What is the amount of a credit for medical expenses?

This credit is intended to alleviate the financial burden of persons who have substantial yearly medical expenses. Therefore, only the amount exceeding the lesser of the two following amounts: \$1,844 or 3% of the person's income will be eligible for the credit. In the case of Québec's tax return, the amount of the expenses has to be greater than 3% of the household income. Expenses exceeding this amount lower the taxes to be paid by an amount equivalent to 16% of the expenses at the federal level (without taking into account the Quebec abatement) and 20% for Quebec. There is no maximum amount for the expenses that can be claimed.

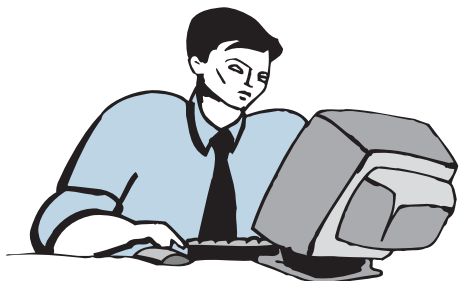
2.2 Who can apply for a medical expenses credit?

The credit for medical expenses is claimed by the person who benefits from the expense, or his or her spouse; if the person is a minor, his parent may claim the credit.

³ (Québec) [http://www.revenu.gouv.qc.ca/documents/fr/publications/in/in-130\(2003-12\).pdf](http://www.revenu.gouv.qc.ca/documents/fr/publications/in/in-130(2003-12).pdf)

(fédéral) <http://www.cra-arc.gc.ca/tax/individuals/topics/income-tax/return/completing/deductions/lines300-350/330/allowable-f.html>





It may also be claimed by someone else, who is looking after the beneficiary, be it a child, parent, grandparent, brother, sister, uncle, aunt, nephew or niece. The total expense then allowable will be a maximum of \$10,000. Therefore someone whose relative has the credit for a severe or prolonged mental or physical impairment and lives in a residential and long term nursing centre will benefit from the credit for living expenses up to \$10,000. A person with an income of \$45,000 will receive approximately \$3,114 in tax cuts.

The taxpayer eligible for a tax credit for a severe or prolonged mental or physical impairment may not add that credit to the medical expenses credit for living expenses in a nursing centre or rest home or for the cost of nursing attendants. The decision to choose one credit over the other is based solely on mathematics.

So, an individual with a severe and prolonged impairment whose income is \$45,000 and has living expenses in a nursing home or centre totalling \$15,000 is best to choose the credit for medical expenses.

Tax Credit for a severer or prolonged mental or physical impairment	OR	Credits for for medical expenses
<p style="text-align: center;">(Federal)</p> <p>Expenses less 3% of the income (\$15,000 - \$1,350) = \$13,650 (Allowable amount) 16% x \$13,650 = \$2,184</p>	OR	<p style="text-align: center;">(Federal)</p> <p style="text-align: center;">\$1,055</p>
<p style="text-align: center;">(Quebec)</p> <p>Expenses less 3% of the income \$13,650 20% x \$13,650 = \$2,730</p> <p style="text-align: center;">Total tax break= \$4,919</p>	OR	<p style="text-align: center;">(Quebec)</p> <p style="text-align: center;">\$440</p> <p style="text-align: center;">Total tax break= \$1,495</p>

(These simulations do not take into account the Quebec tax abatement)

3 TAX CREDIT RESPECTING HOME-SUPPORT SERVICES FOR SENIORS

This credit is offered in Quebec and not at the federal level. It is intended for persons 70 years old or older who live in an apartment, house, condominium or residential and long term care centre, as long as the location is their principal place of residence where they eat and sleep. The credit provides for a direct reduction in rent or in the cost of services so that the person can immediately enjoy the benefits. Covered in this credit, are the costs of meal preparation, hygiene, housekeeping, surveillance and companions on outings; it does not cover housing costs.

To be accepted, payments must be made through the *Service Employment Paycheque* program of the Services de paye Desjardins. The individual must fill out form TP-1029.8.61.R, Automatic Deduction Authorization⁴, available on the site mentioned below. A guide is also available at the site mentioned hereunder⁵.

3.1 What is the amount of the tax credit for home-support services for seniors?

The credit is equivalent to 23% of all eligible expenses paid by the taxpayer. Since the annual eligible expenses have a maximum of \$12,000, the credit will not exceed \$2,760. It may not be added to the credit for medical expenses, so the individual must choose the more advantageous option. This calculation, applicable only to the Quebec tax, will depend first on the amount of expenses eligible for a medical expenses credit and then, on the amount of expenses that are allowed for a credit respecting home-support services for seniors. Please remember that the choice between these two credits only applies when the beneficiary meets the conditions for a credit for a severe or prolonged mental or physical impairment; in fact, only persons with a severe impairment of their mental or physical functions who are limited in the basic activities of daily living can receive credits for medical expenses for amounts paid to a residential and long term care centre.



⁴ [http://www.mrq.gouv.qc.ca/documents/fr/formulaires/tp/tp-1029.8.61.r\(2005-06\).pdf](http://www.mrq.gouv.qc.ca/documents/fr/formulaires/tp/tp-1029.8.61.r(2005-06).pdf)

⁵ [http://www.mrq.gouv.qc.ca/documents/fr/formulaires/tp/tp-1029.8.61.p\(2005-06\).pdf](http://www.mrq.gouv.qc.ca/documents/fr/formulaires/tp/tp-1029.8.61.p(2005-06).pdf)

The credit respecting home-support services for seniors which can be claimed by persons living in a residential and long term care centre is negligible as indicated on the website of the Ministère du Revenu⁶. These persons are not entitled to the tax credit respecting home-support services for seniors for services pertaining to everyday housekeeping. They are also not entitled to them in most cases for direct services rendered to them, except those above and beyond the cost of living; thus, a 70 old person living in such a centre would be entitled to this credit for hairstyling done by a hairdresser in the centre.

The following situation is a good scenario. A person with a severe impairment of mental or physical functions (since this is required for a medical expenses credit) who is limited in everyday activities because of the impairment and spends \$15,000 yearly for a room in a residential and long term care centre with an annual income of \$45,000 is entitled to a \$2,730 medical expenses credit from Quebec. The person should then compare this result to the credit he or she could receive for home care which could reach as much as \$2,760 when allowable expenses reach the maximum of \$12,000. Since the amount paid for living in a residential and long term care centre does not allow for the latter credit, the credits for medical expenses is the better choice.

When a person lives in a private centre where the costs are substantially higher, the credit for medical expenses is again the better choice since there is no maximum required for the credit while the credit respecting home-support services for seniors is limited to \$2,760. It is

important to remember that the taxpayer who opts for the credit respecting home-support services for seniors can still apply for the federal credits for medical expenses. The tax credit respecting home-support services for seniors is more advantageous when the person does not have a severe or prolonged mental or physical impairment (as defined by the taxation law) or when the person's revenue is relatively low.

Home support (Quebec)	OR	Credits for medical expenses (Quebec)
Maximum expense of \$12,000		Expenses (\$15,000) less 3% of the income \$13,650
23% x \$12,000 = \$2,760		Credit: 20% x \$13,650 = \$2,730

PLUS

Credits for medical expenses (Federal)
Expenses (\$15,000) less 3% of the income (\$15,000 - \$1,350) = \$13,650
16% x \$13,650 = \$2,184
Total tax break of \$4,944 (home-support services for seniors at the Quebec level and medical expenses at the federal level)

3.2 Who can apply for this credit?

Since this is an pre-authorized payment, only the person who meets the conditions of eligibility may apply for the credit. No transfer is allowed. Further information on this credit is available on the website below⁷.

⁶ <http://www.revenu.gouv.qc.ca/fr/ministere/actualite/credit.asp>

⁷ [http://www.revenu.gouv.qc.ca/documents/fr/publications/in/in-102\(2005-03\).pdf](http://www.revenu.gouv.qc.ca/documents/fr/publications/in/in-102(2005-03).pdf)

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Information: Marc Turgeon, residents' counselor



Vigi Santé Ltée
197, Thornhill, Dollard-des-Ormeaux (Québec) H9B 3H8
telephone : (514) 684-0930 • fax : (514) 684-0179 • email: mturgeon@vigisante.com



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The masculine form used in this document implies the feminine form and has been used solely to facilitate reading.

