BY JAMIE GOLOMBEK

# Lending Support

## Understanding how the new caregiver rules affect your clients

While March's federal budget didn't contain much in the way of major tax changes, for clients who take care of a relative, the proposed simplification of the caregiver tax credits announced for the 2017 tax year may be of particular interest.

Under the current system, if you care for and support a family member, the tax system provides three potential caregiver non-refundable credits: the infirm dependant credit, the caregiver credit, and the family caregiver credit. These credits are intended to compensate you for part of the non-discretionary, out-of-pocket expenses that caregivers often incur, but the rules are complex and confusing.

The 2017 budget proposed a simplification and consolidation of these three non-refundable credits into one: the new Canada Caregiver Credit (CCC). Let's review the current rules, and then see what's changing.

### THE CURRENT SYSTEM

The current system includes three credits with varying eligibility conditions based on the circumstances of the caregiver and the dependant:

*Infirm dependant credit:* This is a 15 per cent non-refundable tax credit for individuals who support an adult family member (other than your spouse or common-law partner) who is dependent on you by reason of physical or mental infirmity. Note that there is no requirement that the dependant actually live with you in order to claim this credit. The maximum amount on which the credit is available is $6,788 (all amounts for 2016), which includes the family caregiver tax credit; however this credit amount is reduced dollar-for-dollar by your dependant's net income above $6,807 and is completely phased out when their income hits $13,595.

*Caregiver credit:* This 15 per cent non-refundable tax credit is available to individuals who provide in-home care to family members who are either parents or grandparents over 65 years old, or certain adult family members — such as a brother, sister, niece, nephew, aunt, or uncle — who are dependent on you by reason of mental or physical infirmity. The maximum amount on which the credit is available is $4,667, or $6,788 if the dependant is eligible for the family caregiver amount. This credit amount, however, is reduced dollar-for-dollar by your dependant's net income above $15,940 and is completely phased out once their income is $20,607, or at $22,748 for a dependant who is eligible for the family caregiver amount.

*Family caregiver tax credit:* The third non-refundable credit is 15 per cent of $2,121, and provides relief to caregivers of family members who are dependent on them by reason of infirmity, through a top-up to the other dependency-related credits, which could be the caregiver credit, the infirm dependant credit, the spousal or common-law partner credit, or the eligible dependant credit. This family caregiver tax credit, however, is also provided as a standalone credit for an infirm minor child, since we no longer have the credit for minor children, which was eliminated for 2015.

### CANADA CAREGIVER CREDIT (NEW)

The 2017 budget simplifies the existing system of tax credits for caregivers by replacing all three existing credits with the new Canada Caregiver Credit (CCC). According to the government, the new credit "will be better targeted to support those who need it the most and extend tax relief to some caregivers who may not currently qualify due to the income level of their dependant. It will provide tax assistance to caregivers for dependants who have an infirmity and are dependent on the caregiver for support by reason of that infirmity."

For 2017, the CCC amount will be $6,883 for infirm dependants who are parents or grandparents, brothers or sisters, aunts or uncles, nieces or nephews, or adult children. The amount will be $2,150 for an infirm dependent spouse or common-law partner, an infirm dependant for whom the individual claims an eligible dependant credit, or an infirm child under age 18. These amounts are consistent with the amounts that could have been claimed for 2017 for these dependants under the current caregiver credit and family caregiver tax credits above, adjusted for inflation for 2017.

The CCC will be reduced dollar-for-dollar by the dependant's net income above $16,163 (for 2017), and the dependant will not be required to live with the caregiver in order for you to be able to claim the new credit; however, notably, the CCC will no longer be available for non-infirm seniors who live with their adult children.

All other rules remain the same. For example, only one CCC amount will be available on behalf of each infirm dependant, although the credit can be shared by multiple caregivers who support the same individual, provided that the total claim isn't higher than the maximum annual amount for that dependant.

The budget document gives two examples of how some families would be better off under the new CCC. In the first example, one sister takes care of her sister who has chronic pain and can't work, but lives on $14,000 per year of social assistance. Under the current system, the caregiver doesn't qualify for tax relief since the sister's income is too high, but under the new CCC, she could claim $6,883 this year, which at 15 per cent, represents $1,032 in tax savings.

In the second example, a wife is caring for her husband who cannot work and is living off of a $15,000 Canada Pension Plan disability benefit. Under the new CCC, she could claim $2,150, which at 15 per cent, represents $323 in tax relief that she doesn't currently qualify to receive. F

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