2019 Tax Tips, Notes and Reminders

Homeowners:

Sale of your principal residence - Starting with the 2016 tax year, when you sell your principal residence, you are required to report basic information (date of acquisition, sale price, and address). No taxes may be payable on the sale if it was your principal residence for all the years you owned it. Please note that a deemed disposition may be triggered in the event of changing it to a rental property or at the time of death.

Home Accessibility Tax Credit - A non-refundable Home Accessibility Tax credit is available for renovation expenses, of an enduring nature, the purpose of which were to enhance mobility or reduce risk of harm. This credit is available to qualifying individuals (persons 65 years of age or older or persons eligible for the Disability Tax Credit) for expenditures of up to $10,000 per year;

Caregivers:

Canada Caregiver Credit ("CCC") - You may be able to claim the CCC if you support your spouse or common-law partner with a physical or mental impairment.

You may also be able to claim the CCC for one or more of the following individuals if they depend on you for support because of a **physical or mental impairment**:

- your or your spouse's or common-law partner's child or grandchild
- your or your spouse's or common-law partner's parent, grandparent, brother, sister, uncle, aunt, niece, or nephew (if resident in Canada at any time in the year)

An individual is considered to depend on you for support if they rely on you to regularly and consistently provide them with some or all of the basic necessities of life, such as food, shelter and clothing. The amount you can claim depends on your relationship to the person for whom you are claiming the CCC, your circumstances, the person's net income, and whether other credits are being claimed for that person. Please contact us for more information.

Disability Tax Credit (DTC) - The eligibility for DTC is certified by your doctor and then approved by CRA for severe and prolonged impairment in terms of vision, speech, hearing, walking, bowel or bladder functions, feeding, dressing, mental functions necessary for everyday life, life-sustaining therapy etc. Any unused portion of this credit can be transferred to an eligible person that provides for the individual with the disability and is related to that person. The disability tax credit can reduce your taxes by as much as $13,039 and adjustments can be filed for 10 years retroactively.

Registered Disability Savings Plan - Any person who is eligible for the Disability Tax Credit can contribute to the Registered Disability Savings Plan. The plan structure is similar to a Registered Education Savings Plan. Contributions are limited to a lifetime maximum of $200,000 in respect of the child, with no annual limit. Contributions will be permitted until the end of the year in which they attain 59 years of age.

Employees & Self-Employed:

Disability Insurance - If you are an employee, you should be paying the premiums on your disability insurance to ensure the income will be tax-free. If you are self-employed, it's extremely important to buy disability insurance to ensure you'll have income in the case of a medical event which results in you being unable to work for a period of time.

Eligible educator school supply tax credit - Eligible educators may be able to claim a 15% refundable tax credit based on up to $1,000 of eligible teaching supplies. These may include consumables for activities, science experiments, art supplies, stationary items, games and puzzles, books, containers and educational support software.

Tradesperson tools Eligible tools which were purchased in the taxation year in order to earn employment income as a tradesperson may be deducted as employment expenses. However, no deduction is available unless the cost of tools exceeds the base amount of $1,195 for 2018. You will need a T2200 Condition of Employment as well as the list of tools which is signed and dated by your employer.

Entrepreneurs:

Internet Income - All income sourced from internet sites must be reported on your tax returns. Examples would include eBay, Kijiji, Craigslist, Facebook, FlipKey, Airbnb, Fiverr, Website and YouTube channels that earn advertising revenue, Uber, Lyft etc. etc.

Sharing Economy Income - The sharing economy is a way to consume and access property and services. The five key sectors of the sharing economy are: accommodation sharing (ie. Air BnB,VRBO etc.) ride sharing (ie. Uber, Lyft etc.), music and video streaming, online staffing, peer or crowd funding (ie. Kickstarter, Kiva, Indiegogo etc.). If you participate in the sharing economy, you must report any income you earn through sharing-economy activities. You must also meet your GST reporting and remittance requirements.

Investors:

Transferring Shares to a Registered Account - You can transfer shares from a non-registered account to a registered account such as an RRSP. However, if you transfer shares on which there is a loss, the loss will not be deductible. If you transfer shares on which there is a gain, you will have a taxable capital gain.

Family Loans at Prescribed Rates of Interest: Just a reminder, the 2018 interest on these loans must have been paid by January 30, 2019 so that the tax benefit can be maintained.

Donations of Publicly Listed Securities - Charitable donations of publicly listed securities to registered charities are exempt from capital gains taxation on gains triggered as a result of the gift. Donations of securities that have declined in value should however have no benefit under this arrangement.

Spousal loans - If the income of one spouse is significantly higher than the other spouse, It may be advantageous to do up a spousal loan where by:

You may transfer your non-registered investments to your spouse for which you obtain a promissory note with an interest rate of 2%, being the current prescribed interest rate. This rate will be effective for the life of the loan. So your spouse will now report all the income from the non-registered investments and you will report only 2% of interest income on the spousal loan. This allows income to be transferred from the higher tax bracket spouse to the lower tax rate.

Tax-free Savings Account (TFSA) - <u>If you have not opened a TFSA account yet and have been eligible since its introduction in 2009</u>, you should be able to contribute a maximum of $63,500 as at January 1, 2019. This includes the annual TFSA contribution room of $6,000 for 2019. It should also be noted that you cannot contribute more than the maximum amount in one year as any withdrawals made during the year are accounted for at the end of the year and can be recontributed only in the subsequent year. Income earned in a TFSA is not taxable while in the account or when withdrawn from the account.

If you have a TFSA account, it generally may make more sense to assign your spouse as “Successor holder” as opposed to a “Beneficiary”. Please contact us for more details.

Seniors:

Seniors Financial Assistance Programs Eligible seniors can access a variety of financial and health support programs. These include dental & optical assistance, health coverage, cost of appliances and specific health and personal supports, assistance with monthly living expenses etc. In general, for July 1, 2018 to June 30, 2019, a single senior with an annual income of $27,690 or less, and senior couples with a combined annual income of $44,965 or less, may be eligible for a benefit. Please contact us for more information and see this website for details https://www.alberta.ca/seniors-financial-assistance.aspx

RRIF Conversion - RRSP plans must be converted into Registered Retirement Income Fund by December 31 of the year in which you turn 71. Regardless of your age, if you have RRSP contribution room, you can contribute to a spousal RRSP prior to December 31st of the year your spouse turns 71.

CPP - You can apply for and receive a reduced CPP retirement pension as early as age 60 or receive the full pension benefit at age 65 or defer it till age 70 and receive an incremental pension benefit. If you continue to work while receiving CPP retirement pension, you must contribute into CPP plan till age 65 and you can waive the contribution after age 65 by filing CPT30 with your employer.

OAS Benefit - You may be eligible for Old Age Security (OAS) benefit if you are over 65, meet the Canadian legal status and have resided in Canada for at least 10 years since age 18. Although Service Canada implemented a process to automatically enroll seniors who are eligible to receive the OAS pension. You may need to apply for this benefit if you don't receive a notification letter the month after you turn 64. In addition to the OAS pension, there are three types of OAS benefits - Guaranteed Income Supplement, Allowance (available to low-income individuals aged 60-64 who are spouse of GIS recipient) and Allowance for the Survivor.

Old Age Security & Deferral - If your income is over the annual threshold limit (2018 - $75,910; 2019 - $77,580), then CRA will clawback the OAS benefit at 15% of any income exceeding the annual threshold and thus the full benefit may be clawed back when the income reaches a certain threshold (2018 - $122,843). As a result it may be beneficial to defer the OAS benefit as the benefit is increased for each year that it is deferred up to age 70.

Cross-Border:

US Substantial Presence Under the Substantial Presence Test, the IRS considers Canadians to be U.S. residents for tax purposes if you are physically present in the U.S. for 31 days in the current calendar year and 183 days during the three-year period covering the current calendar year and the two preceding calendar years on a weighted basis. To arrive at your three-year total, you include a) all days spent in the U.S. in the current calendar year b) one-third of the days spent in the U.S. in the preceding year, and c) one-sixth of the days spent in the U.S. in the year prior to that. If you meet this test, the IRS will consider you a resident unless you take further action. For example, under this formula, Canadian residents spending more than 123 days in the US each year may be considered US residents for tax purposes unless you file Form 8840 with the IRS. Please advise us if this situation may apply to you. The 2018 filing deadline for Form 8840 is June 17, 2019.

US Taxes - If you are a US Resident, Citizen or Green Card Holder, you may need to seek additional third party advice with respect to taxation matters of or occurring in foreign nations. High net worth individuals may also be exposed to US estate taxes on US based real properties, US securities held in brokerage accounts in Canada or outside and certain debt obligations. We would be pleased to assist you in obtaining third party advice with respect to tax matters arising in foreign nations.

US Federal Estate Tax May be Payable by Canadians - A U.S. federal estate tax return ***must*** be filed if a deceased Canadian resident who is not an American citizen owned U.S.-situated assets exceeding $60,000 US in fair market value at the time of death, including US stocks held in a Canadian brokerage, even if held in RRSPs or other registered accounts. However, the US Tax Cuts and Jobs Act (TCJA) amended the basic exclusion so that if your total worldwide estate in 2018 is less than $11.18 million US, you will probably not have to pay any US estate tax.

Administrative:

CRA mobile apps - CRA introduced a few mobile apps that may be helpful to you

https://www.canada.ca/en/revenue-agency/services/e-services/cra-mobile-apps.html

-MyCRA - Allows you to access tax information including Notice of Assessments, tax return status, RRSP etc.

-CRABizApp - Aimed for small business owners and sole proprietors, this app allows access to account transactions and to pay outstanding balances

CRA PENALTY REMINDER:

Not Filed by Due Date: You will be charged a late-filing penalty of up to 10% of your 2018 tax balance owing and up to 2% of your balance owing for each full month that your return is late.

Failure to Report Income (Missed tax slips): You may have to pay a penalty of up to 20% of the unreported taxable amount you fail to report on your 2018 personal income tax return.

False Statements or Omissions: You may have to pay a penalty of up to 50% of the understatement of tax, if you knowingly or under circumstances amounting to gross negligence, make a false statement or omission on your 2018 return.