



THE HOME RENOVATION TAX CREDIT (HRTC)

The 2009 federal budget proposes to implement a temporary Home Renovation Tax Credit (HRTC). The HRTC will apply to eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010, pursuant to agreements entered into after January 27, 2009.

HOW WILL THE HRTC WORK?

A 15-per-cent federal tax credit will be available on the portion of eligible expenditures between \$1,000 and \$10,000, meaning that the maximum federal tax credit that can be received is \$1,350 (15% x \$9,000). (It is unknown at this time whether the province will follow suit and provide a credit from provincial tax as well).

The costs of renovation projects (including materials, labor, building permits, professional services, equipment rentals, incidental expenses, etc.) such as kitchen or bathroom renovations will be eligible for the credit. On the other hand, the cost of ordinary repairs and maintenance (such as plumbing repairs to a kitchen or bathroom) are not eligible for the credit. The cost of purchasing furniture, appliances, audio-visual electronics or construction equipment will also not qualify.

The HRTC can only be claimed in respect of eligible expenditures incurred on an individual's "eligible dwellings". An eligible dwelling is, generally speaking, a dwelling that qualifies as a principal residence (i.e. owned by the taxpayer, used personally as opposed to being rented out, ordinarily inhabited by the taxpayer, etc.).

Where a dwelling is part-personal use, and part-business or rental use, expenditures made for common areas or that benefit the housing unit as a whole (e.g. reshingling a roof), only the portion of the expenditure relating to the personal portion of the dwelling may be claimed.

WHO CAN CLAIM THE HRTC?

Taxpayers can claim the HRTC when filing their 2009 tax return.

Eligibility for the HRTC will be family-based. For the purpose of the credit, a family is generally considered to consist of an individual and, where applicable, the individual's spouse or common-law partner, including children who are under 18 years of age, at the end of 2009. A family will be allowed a single credit that may be shared within the family.

EXAMPLES OF HRTC ELIGIBLE AND INELIGIBLE EXPENDITURES

Finance Canada has provided the following examples of expenditures that are expected to be eligible or ineligible, as noted below.

THE HOME RENOVATION TAX CREDIT (cont'd)

ELIGIBLE

- Renovating a kitchen, bathroom, or basement
- New carpet or hardwood floors
- Building an addition, deck, fence or retaining wall
- A new furnace or water heater
- Painting the interior or exterior of a house
- Resurfacing a driveway
- Laying new sod

INELIGIBLE

- Furniture and appliances (refrigerator, stove, couch)
- Purchase of tools
- Carpet cleaning
- Maintenance contracts (furniture cleaning, snow removal, lawn care, pool cleaning, etc.)

Documentation supporting the expenditures claimed should be kept on hand in case of request by Canada Revenue Agency ("CRA").

IF AN ELIGIBLE EXPENDITURE ALSO QUALIFIES FOR THE MEDICAL EXPENSE TAX CREDIT (METC), ARE YOU ALLOWED TO CLAIM BOTH THE HRTC AND THE METC?

Yes. For renovations that qualify for both the HRTC and the METC (e.g. a stairlift for a person unable to climb stairs) the taxpayer will be able to claim both the METC and the HRTC for that expenditure.

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