

NEW TAX INCENTIVES TO STIMULATE ECONOMY

READY, SET, RENOVATE!

Home renovations can represent a smart investment in the long-term value of a home and generate broad-based economic activity. They can also reduce energy consumption and the long-term cost of owning a home. In the federal government's efforts to support economic growth during these challenging times, the recent budget proposes to introduce a temporary Home Renovation Tax Credit (HRTC).

The HRTC will provide a temporary incentive for Canadians to undertake new renovation projects or accelerate planned future projects.

How the Temporary HRTC Will Work

The proposed HRTC will provide a temporary 15-percent income tax credit on 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. The credit may be claimed for the 2009 taxation year on the portion of eligible expenditures exceeding \$1,000, but not more than \$10,000, therefore providing up to \$1,350 in tax relief.

Who Can Claim the HRTC

The HRTC will be family-based. For the purpose of the credit, a family will generally be considered to consist of an individual, and where applicable, the individual's spouse or common-law partner. Family members will be able to share the credit.

The amount eligible for the credit will be based on the total value of eligible expenditures incurred across all eligible dwellings. A dwelling will generally be considered eligible if it is used for personal purposes. This will include a house, a cottage, and a condominium unit. It does not include renovations to a rental or commercial property.

Expenditures Eligible for the HRTC

It is proposed that the HRTC be claimed for renovations and alterations to a dwelling or the land on which it sits that are enduring in nature. For example, homeowners will be able to claim expenditures for major renovation projects such as finishing a basement, renovating a kitchen, or building an addition. Costs associated with such projects will be eligible for the credit, including permits, professional services, equipment rentals and incidental expenses.

Routine repairs and maintenance normally performed on an annual or more frequent basis (e.g. cleaning, lawn fertilization, and snow removal) will not qualify for the credit. The cost of purchasing furniture, appliances, audio-visual electronics and construction equipment will not be eligible.

Individuals will need to keep receipts for expenditures, and may claim the HRTC when filing their income tax returns for 2009.

Examples of HRTC-Eligible and Ineligible Expenditures

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

- Purchase of furniture and appliances
- Purchase of tools
- Carpet cleaning
- Maintenance contracts (e.g. furnace cleaning, snow removal, lawn care, and pool cleaning)

The HRTC will complement support provided by the Government for undertaking energy-saving improvements to homes. Federal grants paid through the ecoENERGY Retrofit program will not reduce the value of claims made for these expenditures under the HRTC. Eligible renovation expenditures claimed under the Medical Expense Tax Credit may also be claimed under the HRTC.

Consider this: In January, the Québec government introduced a similar measure (20% tax credit on renovations costing in excess of \$7,500 up to a maximum of \$2,500). If the Ontario government were to introduce similar measures, you may want to wait until March 26, the date the government of Ontario will table its budget, before undertaking renovations expenses in case an Ontario credit was only applicable to expenses incurred from the budget date onwards.

INVESTMENTS IN NEW COMPUTERS: ENHANCED TAX WRITE-OFFS

Until recently, the purchase of a computer for businesses resulted in an annual tax deduction of 55% of the computer's cost, calculated on a declining balance basis. In the year of acquisition, the claim was limited to one-half of the 55%.

The recent federal budget proposes a temporary 100-percent tax depreciation rate for computer hardware and systems software acquired **after January 27, 2009 and before February 1, 2011**. In addition, the rule that restricts CCA deductions to one-half of the CCA write-off otherwise available in the first year will not apply to these computers.

This temporary measure will allow businesses to fully expense their investment in computers in one year. The measure is aimed at providing stimulus by assisting businesses to increase or accelerate investment in computers. It also aims at boosting Canada's productivity through the faster adoption of newer technology.

FIRST-TIME HOME BUYERS' TAX CREDIT

The costs associated with purchasing a home, such as legal fees, disbursements and land transfer taxes, can be a particular burden for first-time home buyers, who must pay these costs on top of saving the money for a down payment.

To assist first-time home buyers with the costs associated with the purchase of a home, the recent federal budget proposes to introduce a First-Time Home Buyers' Tax Credit (FTHBTC) - a \$5,000 non-refundable income tax credit on a qualifying home acquired after January 27, 2009. For an eligible individual, the credit will provide up to \$750 in federal tax relief starting in 2009.

It is also proposed that the FTHBTC be made available to existing homeowners in respect of a more accessible or functional home purchased by an individual eligible for the Disability Tax Credit (DTC), or for the benefit of a DTC-eligible person who is related to the individual purchasing the home.

This 'N That At Logan Katz

New Faces at Logan Katz

In the latter part of 2008, we announced that a number of our staff had left our firm to take on a variety of new challenges. Now, we are thrilled to announce the following additions to our firm:

- Priscilla Ogouma, a recent University of Ottawa graduate, has joined our Financial Reporting Services roster.
- Gabriel Gimpoli joined us after one and one-half years with the Office of the Auditor General. He will provide accounting services and will be a key player in our personal tax team.
- Jackie Michalchuk has also joined our firm after two years with the office of a national C.A. firm. Jackie will be with us until July and will be focusing on assurance services.
- Our firm also welcomes two co-op students from the University of Ottawa: Yusuf Abdi and Martin Rancourt.

Logan Katz in the Community

Denis Chainé recently spoke to a group of parents of children with intellectual disabilities about *How to Make the System Work for You* - the various measures that exist to alleviate their tax burden, as well as about Registered Disability Savings Plans. More than 30 parents benefitted from this session.

David Logan spoke to a group of new business entrepreneurs in collaboration with OCRI - the Ottawa Centre for Research and Innovation about *Bookkeeping for your Business*.

Update on our Breakfast Seminars

More than 80 guests turned out for our two recent breakfast seminars, both held at Tulips & Maple's Stage room. January 28 featured Chuck Rotenberg who provided the participants with an overview of the previous day's federal budget. February 19 starred Logan Katz's own Denis Chainé and Gary Katz who provided information on the Tax Implications of Investing in Real Estate. An encore presentation has been confirmed on March 5 with more than 40 guests confirmed as a result of the popularity of the latter session.

On March 20, our breakfast seminar will double as a lunch seminar when Dr. Paul Groulx will share his expertise on *Stress Management - Learning for Health & Life*.