

The Disability Amount: Are You **Eligible** to Make a Claim?



The disability amount, commonly referred to as the “disability tax credit” is a non-refundable tax credit that can reduce the amount of income tax you have to pay.

It can be difficult to assess whether or not a person is eligible for this tax credit and, unfortunately, the claim is sometimes altogether missed by taxpayers. This article is intended to assist you in the assessment of whether an individual may be eligible for the disability amount and what steps may be taken to make the claim.

The Disability Tax Credit

To make this claim on his or her tax return, the disabled person must have a prolonged impairment, such as one or more of the following.

1. The disabled person is blind, even with the use of corrective lenses or medication.
2. The disabled person must dedicate a certain amount of time for life-sustaining therapy.
3. The disabled person is “markedly restricted” in any of the following basic activities of daily living.

- Walking
- Speaking
- Hearing
- Dressing
- Feeding
- Elimination (bowel or bladder functions)
- Perceiving, thinking, and remembering

Canada Revenue Agency (CRA) interprets the term “markedly restricted” as a person who is unable (or who takes an inordinate amount of time) to perform a basic activity of daily living, even with therapy (other than life-sustaining therapy) and the use of appropriate devices and medications.

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Note also that if you receive Canada Pension Plan or Quebec Pension Plan disability benefits, workers’ compensation benefits, or other types of disability or insurance payments, that does not

necessarily mean you will qualify for the disability tax credit.

Form T2201 “Disability Tax Credit Certificate”

To support a claim for the disability tax credit, a medical doctor or other qualified person must make a certification on the Form T2201 “Disability Tax Credit Certificate” to confirm the disabled person has a “prolonged impairment.” (A prolonged impairment is considered to be one expected to last for at least a 12 month period.)

The Form T2201 must be filed for the first year the claim is made.

- File it with your tax return or, to help speed up processing, file it earlier in the year for pre-approval.
- If you use an electronic filing service to file your return, it is a particularly good idea to file the form early.
- After your application is made, CRA will advise you in your Notice of Assessment or by letter as to your eligibility for the claim.
- Once the application is approved by CRA, you need not file the form again unless the previous period of approval has ended or an updated form is requested by CRA.

Who Can Make the Claim?

- The disability tax credit may be claimed by the individual with the disability.
- Any unused part of the amount may be transferred to a spouse, common-law partner, or another qualified supporting person.
- A supplement may also be available if the disabled person was under 18 at the end of the year.

If the disabled person has also incurred costs relating to care by a full-time attendant, subject to certain limits, it may be possible to claim some or all of those costs as medical expenses. If the disabled person has claimed as medical expenses the cost of full-time care in a nursing home, then *no* claim may be made for the disability amount in that year.

In the event that full-time attendant care or nursing home expenses are incurred, planning is strongly recommended so that you may optimize your overall tax position.

You may wish to refer to CRA's guidebook RC4064, "Information Concerning People With Disabilities," for examples on how to maximize your claim.

Can the Disability Certificate Be Issued After Death?

In the year a taxpayer dies, it still may be possible to claim the disability tax credit. This is possible where, based on a prognosis made by an appropriately qualified person before the individual died, that the individual's severe impairment was reasonably expected to last for a continuous period of at least 12 months. The certificate could be completed after the taxpayer's death so that a potential claim may be made, even if the individual did not live for 12 months from the time of diagnosis.

This was not always CRA's position, but it is the view they have taken in more recent years.

Can You Amend Prior Tax Returns to Make The Claim?

Situations occasionally come to our attention where a taxpayer *who would have been eligible* has failed to make a claim for the disability tax credit. In some cases,

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this may have gone on for several years. Good news! If you have missed making this claim, you may be able to amend the prior three years' tax returns—potentially back to 1995 in certain circumstances. This could result in substantial refunds to you!

Caution

Any area of tax can be complicated. Results can change depending on your specific circumstances. Before taking action, we recommend that you consult your tax advisor for assistance in this regard, to ensure that your specific facts and requirements are considered. ▲

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