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Helping Seniors: A Few Things to Know



Notaries, accountants, and certain other professionals often work with senior citizens and, on occasion, have the opportunity to lend extra assistance.

This article is intended to assist those professionals by highlighting a few tax concepts and related tips that may be useful to the senior set.

Common Tax Credits for Seniors

Age Amount

If you are 65 years of age or older, you may be eligible to claim this credit on your personal tax return. If you were 65 years of age on December 31, 2007, and your net income (from line 236 of your return) was \$30,936 or less, you could claim the full \$5177 credit on line 301 of your 2007 tax return.

For 2007 incomes over \$30,936, this credit is reduced and completely eliminated when net income reaches \$65,449. This may create some planning opportunities for seniors where opportunities to “split” income are available, such that both spouses or common law partners can report income of no more than the lower limit and, therefore, no potential “loss” of the Age Amount may result!

Pension Income Amount

You may be able to claim up to a \$2000 Pension Income Amount on

your tax return if you report eligible pension income. Eligible pension income includes annuity payments on line 129 of your return, only if you were 65 or older at the end of the year or you received the payment because of the death of your spouse or common law partner. It also includes eligible annuity or pension income on lines 115 and 116 of your return.

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Good planning can sometimes serve to increase a couple's access to the pension income amount. For example, where pension income-splitting is undertaken between spouses or common-law partners, it may create the opportunity for the spouse or partner to *also* claim the \$2000 Pension Income Amount, thereby potentially doubling the couple's access to the claim!

Transfer of Amounts from Your Spouse or Common Law Partner

If you have a low-income spouse or common law partner, certain amounts, such as tax credits, may be transferred from that spouse or common law partner to your tax return so the tax benefit is not “lost.” This is an election you must report on your tax return, because Canada Revenue Agency (CRA) will not automatically

advise you of your oversight and “fix” your return if you fail to pick up on the opportunity!

The amounts that may be eligible for transfer include the following.

- Age Amount
- Pension Income Amount
- Disability Amount
- Tuition, Education, and Textbook Amounts

To be eligible for a transfer, the transferring spouse or common law partner must qualify for one or more of the above amounts and not need the amount to reduce his or her federal taxable income to zero. This opportunity is, on occasion, overlooked but can result in valuable tax savings.

Disability Tax Credit

Various conditions must be met before the Disability Tax Credit may be claimed. It would not, however, be unusual for an elderly person to be eligible.

An eligible individual may be blind or have another condition that “markedly restricts” him or her in any one of the following basic activities of daily living.

- Speaking
- Hearing
- Walking
- Elimination (bowel or bladder functions)
- Feeding
- Dressing
- Performing mental functions necessary for everyday life

If the individual has an impairment that “markedly restricts” him or her in at least one of the basic activities of daily living indicated above—all or substantially all of the time, even with the help of therapy, special devices, or medication—the Disability Tax Credit may be available.

If the conditions of blindness or having a marked restriction in the areas identified above do not quite apply, but a *significant* restriction exists for two or more conditions, the individual may be eligible for the Disability Tax Credit if the cumulative effect of the significant restrictions is the equivalent of a marked restriction in a single activity of daily living.

If an individual believes he or she may be eligible, the person should complete form T2201 and have it certified by a medical practitioner. The tax savings arising from this claim can be significant!

Paying Taxes by Installment

At the time of retirement, the nature of an individual’s income may change. For example, an individual may have been earning wages from which payroll deductions (including taxes) were remitted to CRA on the worker’s behalf.

After retirement, however, an individual’s income may include RRSP, RIF, or annuity income or a company or government pension. In many cases, insufficient tax is withheld at source on such types of retirement income and the taxpayer will be required to make installment payments to CRA during the year. This often comes as a surprise to newly retired individuals.

You may be able to avoid having to pay by installments. For example, if you receive income that has tax deducted at the source, you can ask that the amount of deductions be increased in lieu of making installment payments. To have tax withheld from Old Age Security (OAS) or Canada Pension Plan (CPP) benefits, please call **1-800-277-9914**.

Failure to make the required installments can result in costly interest charges. It is important to make installment payments on a timely basis or take steps to eliminate the requirement.

Help for Seniors

Canada Revenue Agency has implemented a service called “Service for Seniors” that allows low-income seniors to file their tax return at no cost using a simplified electronic system. In January 2008, potentially eligible seniors received a personalized letter that contained all the information they need to use this service. The system requires only that the taxpayers identify themselves and answer Yes or No to a few questions.

Unlike the regular TELEFILE service CRA provides, “Service for Seniors” does not require the individual to enter income, deductions, or nonrefundable tax credit amounts—although spousal income may be required, plus other information in provinces other than BC. Income will be added automatically, based on CRA’s data. The basic Personal Amount, Age Amount, and Disability Amount, if applicable, will also be added.

To be invited to use the new service, individuals must be over 65 years of age and meet certain criteria. For example, their only income in the prior year can be from OAS, CPP/QPP, or Net Federal Supplements. Taxable income in the prior year must be quite low—\$10,500 for 2007 T1 returns.

Various organizations also provide tax preparation services for seniors at no cost or for a very small fee. The service is generally provided by volunteers and can often be found at your local community centre.

Caution

The comments and information provided in this article are general in nature and are based on legislation that is subject to change. As always, we recommend that individuals consult their tax advisor before acting on a plan to ensure that their own specific circumstances and current tax legislation are taken into consideration. ▲

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