

Giving Children Due Credit (tax credits) The government has initiated a few new programs to help children and parents. Here they are and how they work.

#### 1) New Child Tax Credit

Last year's federal budget introduced the Universal Child Care Benefit (UCCB) giving each child under 6 \$100/month.

This year's budget goes a step further with a new annual non-refundable child tax credit of \$2,000/child under 18. Multiplying the credit by the 15.5% tax-rate, a family will save \$310/year for each child.

The credit is not income testing - meaning that all families are eligible.

#### 2) Children's Fitness Tax Credit

Childhood obesity has become a recent epidemic. Within the past few decades, people have experienced radical changes in their diet, become frequent users of motorized transportation, seen shifts from physical to intellectually-focused labour and undergone a tremendous rise to more sedentary leisure activities.

A \$500 non-refundable tax-credit is available for registering children in eligible physical activity programs. The tax credit is again multiplied by the lowest marginal tax rate of 15.5%. This would save a family a maximum of \$77.50/year.

Eligible activities must be:

- 1) Ongoing (either a minimum of eight weeks or five consecutive days)
- 2) Supervised
- 3) Suitable for children
- 4) Significant amount of physical activity

You can only claim the fees that are related to the registering (I.e. not equipment)... and don't forget to ask for a receipt!

Dr. Kellie Leitch - Chair, Expert Panel for the Children's Fitness Tax Credit stated "... let Canada be recognized as a world leader in childhood fitness and physical activity." Although I support any steps our government takes to encourage more physical activity, this benefit is pretty meager.

Secondly, this credit should not stop families from enrolling their children in physical activities that are volunteer organized that don't issue receipts.

Grassroots volunteerism creates communities!

3) RESPs - the Canadian Education Savings Grant Children up to and including 17 are eligible for the grant. For children 15 or older, prior RESP contributions must have been made before December 31 of the year they turned 15.

Grants are based on family income and are only eligible on the first \$2,500/year contributed per child (up from \$2,000/year). The minimum grant is 20%. If

family income is below \$37,178, the grant is 40% on the first \$500. Family income between \$37,178 - \$74,357 will earn 30% on the first \$500. The most a child can receive in lifetime grants is \$7,200.

The \$4,000 annual limit has been eliminated and the lifetime limits are increased to \$50,000/child, up from \$42,000. However, families only receive the Education Savings Grant on the first \$2,500/child per year. This newfound ability of lump-summing an RESP with compounding interest may outweigh the benefits of smaller annual contributions to collect the grants.

#### 4) Canada Learning Bond

A new grant to help modest-income families save for their child's post-secondary education. Family net income must be below \$37,178 to qualify.

The government will make a one-time payment of \$500 into a child's RESP. Families will also get extra payments of \$100/year for up to 15 years as long as they receive the National Child Benefit Supplement. \$25 will also be paid with the first \$500 to help cover the cost of opening an RESP. The total Canada Learning Bond per child is \$2,000.

Many Canadians don't know about the learning bonds. In fact, only 7% of eligible families applied for it (Human Resources). Best to apply and start early!

#### 5) School Scholarships

The 2006 budget exempted all post-secondary level scholarships and bursaries from tax. The 2007 budget goes further by fully exemption from taxation scholarships and bursaries provided to students to attend elementary and secondary schools.

#### 6) Childcare Space Credit

A new investment tax credit of up to 25% will go to businesses that create new childcare spaces for children of their employees, for up to \$10,000 per space created.