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TAXES 101 AILING PARENT

IN FOCUS TAX STRATEGIES

IF YOUR PARENT HAS BECOME ILL, THERE CAN BE SEVERAL TAX ISSUES THAT COME INTO PLAY DEPENDING ON THE NATURE OF THEIR ILLNESS, THEIR AGE AND THE ROLE THAT FAMILY MEMBERS ARE PLAYING.



For example, if your parents are unable to complete and file their own tax return, it will have to be completed by someone else. If they are legally capable, they can fill out tax form T1013 – Authorizing or Cancelling a Representative, which would allow that person to fill out the form. Where your parent is not in the position to legally appoint a representative, his or her legal representative can file on his or her behalf, a legal Power of Attorney document will have to be provided.

There are various tax benefits available where an individual is considered disabled. For your parent or you to take advantage of these, a Disability Certificate will have to be filed with the tax authorities (The Canada Revenue Agency or CRA). The Income Tax Act has guidelines as to what qualifies as a disability and you should approach a qualified medical practitioner to acquire the Certificate.

Various tax deductions and credits may be claimed by your parent or by you in some cases. The rules relating to these benefits can be rather complex and they are interrelated.

TAX CONSIDERATIONS FOR AILING PARENTS

The Attendant Care Deduction

If your parent qualifies as disabled and requires the services of an attendant to enable them to work, they may be able to claim some or all the costs of the attendant. The attendant must be at least 18 and not a spouse. The deduction cannot be claimed where the expenses were claimed for the Medical Expense Tax Credit (explained below).

Disability tax credit

This federal credit is available for disabled persons and is 15% of \$8,662 or \$1,299 for 2021. The credit can be transferred in certain cases. Provincial credits are also available.



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Medical expense tax credit

A federal credit for medical expenses not covered by other sources is available. The amount of the credit is for expenses in excess of the lesser of \$2,421 or 3% of the person's net income in 2021. The credit can be transferred in certain cases. Provincial credits are also available.

Canada Caregiver Credit for Infirm Dependants Age 18 or Over

Where your parent is dependent on you due to physical or mental infirmity, you may be able to claim this credit. The federal amount of the credit depends on your parent's net income and is a maximum of \$1,102 in 2021 (15% × \$7,348). Provincial credits are also available.

Caregiving Tax Considerations

Giving care to a person with a long-term medical issue can be exhausting for caregivers and have significant economic consequences, too. Fortunately, there are several places to go for financial relief, thanks to the federal government.

Compassionate Care Benefits

Compassionate care benefits are now available for a maximum of 26 weeks to support a family member or someone who is considered a family member (such as a close friend or neighbour). To be eligible, regular weekly earnings must have decreased by more than 40%, and you must have accumulated 600 hours of insured work in the last 52 weeks.

The person in need of care or their legal representative must sign a form: [Compassionate Care Benefits Attestation](#). These benefits can be shared with other family members if you agree before the claim begins. The benefit amount is 55% of average insurable earnings for a maximum benefit of \$573 per week in 2020.

There are three types of programs under the EI Program:

Benefit name	Maximum weeks payable	Who you are providing care to
Family caregiver benefit for children	up to 35 weeks	A critically ill or injured person under 18
Family caregiver benefit for adults	up to 15 weeks	A critically ill or injured person 18 or over
Compassionate care benefits	up to 26 weeks	A person of any age who requires end-of-life care



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Canada Recovery Caregiving Benefit (CRCB)

A temporary program for caregivers as a result of the pandemic, this income support is available to both employed and self-employed people for 42 weeks in the period September 27, 2020 to September 25, 2021. It is necessary to apply weekly for the \$500 weekly benefit. It is available to those who are unable to work due to caring for a family member who needs supervised care if their regular program or facility is closed as a result of the pandemic or if they are at risk of serious health complications due to COVID-19. Application is made through CRA.

Disability Amount

This is a lucrative non-refundable tax credit on the T1 return for people who are markedly restricted in their daily living activities. It can be transferred to a supporting person. A supplementary credit is also available for minor children. The basic Disability Amount amounts to \$8,662 in 2021. Form T2201 Disability Tax Credit Certificate must be completed by a nurse practitioner or medical professional and accepted by CRA in order to make the claim.

There are special rules to note when the costs of nursing home care or full-time attendant care are incurred. A claim for either the Disability Amount or medical expenses can be made, but not both; however, if you pay someone to come into the home to provide care, it's possible to claim up to \$10,000 (\$20,000 in the year of death) as medical expenses and still

claim the Disability Amount. Those who qualify for the Disability Amount will also be infirm for the purposes of the Canada Caregiver Amount.

Canada Caregiver Amount

This credit applies to any infirm dependant, and amounts claimable are indexed. For 2021:

Claim for infirm minor children

A claim for \$2,295 is allowed for infirm children under 18, regardless of their income, so long as they are dependent on the parent making the claim.

Claim for infirm spouse or eligible dependant

Usually you can claim your spouse or common law partner for a Spousal Amount if income is low enough. A similar claim can be made by single parents for one of their children; that's known as the "eligible dependant amount".

In 2019, the claim for an infirm spouse or eligible dependant is \$14,299 minus net income if the net income is below \$7,159. If income is over \$7,159, the claim is \$23,906 minus net income to a maximum of \$7,140.



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Claim for children over 18 and other dependants

If your dependent is at least 18 years old, and dependent on you because of mental or physical infirmity, a claim in the amount of \$7,348 can be made if that person is:

- Your or your spouse's child or grandchild (common-law partners included)
- Your or your spouse's parent, grandparent, brother, sister, uncle, aunt, niece or nephew who are resident in Canada at any time in the year and their net income is under \$17,256. A reduced claim is possible when income rises.

Special rules to know

Only one claim is allowed for the Canada Caregiver Amount for each infirm dependant, although it can be shared between two or more supporting taxpayers. Also, the claim is not allowed if a taxpayer is required to pay a spouse or child support amount for the dependant.

Home Accessibility Tax Credit

If you take care of someone who is disabled, age 65 and older, and who qualifies for the Disability Amount, you'll be able to make a claim for up to \$10,000 of home modifications that increase safety, accessibility, or mobility. This federal credit is worth 15% of the actual costs, so a maximum real dollar amount of \$1,500. If renovations qualify as medical expenses, both credits may be claimed. Only the costs of goods, services, permits, and cost of rental equipment used in renovation will qualify. Other costs, such as financing do not qualify.



Medical Expenses

These costs can be claimed for any 12-month period ending in the year. That means you can take the biggest expenses from October 2020 to September 2021 for example. But your total is reduced by 3% of the claimant's net income, up to yearly maximum, so the claim is usually made by the person with the lower net income, or someone who has used the RRSP deduction to maximum advantage for the family (or the higher earner who has used an RRSP to reduce or equalize income).

Medical expenses can be for you, your spouse, a child or grandchild dependent on you for support, as well as for the relatives listed above under the Canada Caregiver Credit.



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(However, claims for those other dependants are reduced by the dependant's net income, not the claimant's).

There is a broad list of medical expenses that are claimable; notably, expenses for medical practitioners, a variety of medical treatments, attendant or nursing home care, ambulance fees, the cost of training you to provide care to your infirm dependant, medical marihuana or other prescription drugs, Blue Cross premiums including travel costs, a wheelchair and a hearing aid are commonly missed. Since 2014, you can also claim the cost of designing an individual therapy plan for disabled taxpayers and the cost of service animals to help an individual manage severe diabetes.

Long-Term Care Costs

If your ailing parent's health requires around the clock care, you might want to have a look at our [Long-Term Care Resident Co-Payment Rates in Canada](#) document.

HELP WITH DECISION-MAKING

Things for me to do:

- [Caregivers Handbook](#)

Things my advisor can help me with:

- Provide additional information on tax deductions, credits, and benefits available to disabled or infirm parents.
- Provide additional information on tax deductions, credits, and benefits available to caregivers.