

# Tax and public support programs for people with disabilities



*From Aviso Wealth's Tax & Estate Specialist Doug Carroll BBA JD LLM(Tax) CFP TEP*

People with physical and mental disabilities often face serious financial challenges related to earning limitations or direct out-of-pocket expenses.

Let's look at what government support is available. Unless noted otherwise, all figures are for federal programs and tax credits for 2020 tax filing, rounded to the nearest dollar.

## DIRECT FINANCIAL ASSISTANCE

### CPP disability benefit

This Canada pension plan (CPP) disability benefit is available to people under age 65 who've made recent CPP premium payments while working. The disability must be both:

- severe (a person is incapable of regularly pursuing any substantially gainful occupation); and
- prolonged (long-term and of indefinite duration or is likely to result in death).

The maximum monthly disability benefit that a qualifying person can receive is \$1,414, plus a maximum monthly benefit of \$258 for each dependent child the disabled contributor has. These are related but separate applications, and must be made using [Government of Canada forms](#).

### CPP post-retirement disability benefit

A person with a CPP retirement pension for more than 15 months is not eligible for the CPP disability benefit. Instead, if the definition for disability and minimum contribution requirements are met, the post-retirement disability benefit (PRDB) will be paid as a \$511 flat rate. The application is the same as for the CPP disability benefit.

### Child disability benefit

Based on family net income, the federal government's [child disability benefit](#) will pay as much as \$241 per child each month (July 2020 to June 2021 program years) to families with children qualifying for the disability credit (see below). The amount is progressively reduced as family net income exceeds \$68,708. To qualify, complete [tax form T2201](#), which must be approved by CRA. The payment is then delivered as part of the monthly Canada Child Benefit payment.

### Provincial support programs

Some provinces have standalone disability support programs, while others recognize disability as a special qualification within the overall social support system. Generally, a licensed physician using provincially prescribed criteria and forms must certify the disability.

Entitlement is reduced or eliminated where earnings or assets exceed regulated thresholds, though some provinces will disregard assets held in a discretionary trust for the disabled person (e.g., a Henson trust).

Provincial approaches vary in terms of service offerings, cost reimbursements, rates for family size and composition, and direct financial assistance.

Consult the following links to determine provincial resources:

- British Columbia – [Disability assistance](#)
- Alberta – [Assured Income for the Severely Handicapped \(AISH\)](#)
- Saskatchewan – [Saskatchewan Assured Income for Disability \(SAID\)](#)
- Manitoba – [Employment and Income Assistance for Persons with Disabilities](#)
- Ontario – [Ontario Disability Support Program \(ODSP\)](#)
- Quebec – [Ministère du Travail, de l'Emploi et de la Solidarité sociale](#) (general)
- New Brunswick – [Family Income Security Act – Extended Benefits Program](#)
- Nova Scotia – [Disability Support Program](#)
- Prince Edward Island – [AccessAbility Supports](#)
- Newfoundland and Labrador – [Persons with Disabilities](#) and [Income Support](#)

## INDIVIDUAL INCOME TAX RELIEF

Tax measures commonly available to assist persons with disabilities fall into three categories.

- **Deductions** – Qualifying items reduce the taxable income upon which relevant federal and provincial tax rates are applied.
- **Non-refundable tax credits** – Once that tax liability is calculated, these credits directly reduce that liability but cannot take it below zero. The qualifying amount is multiplied by the applicable federal or provincial rate (usually the lowest bracket rate) to calculate the credit value. The federal rate is 15%.
- **Refundable tax credits** – This results in the amount payable to the taxpayer, even when tax liability has been reduced to zero.

The following is an outline of the key items and their potential dollar values (often income-dependent), though it does not cover all possibilities. For a comprehensive view, including detailed qualification criteria, consult [Guide RC4064 "Disability-Related Information"](#).

### Disability credit

This is a non-refundable credit, available both federally and provincially. Using tax form T2201, the disability must be certified by a qualified medical practitioner as being both severe (i.e., blindness, conditions requiring life-sustaining therapy, a marked restriction in speaking or hearing, walking, feeding, dressing, elimination or a marked restriction in everyday mental functions) and prolonged (lasting, or expected to last, continuously for at least 12 months).

The basic federal amount is \$8,576. A supplement worth as much as \$5,003 may be available for children under age 18, though the value is reduced if certain child and attendant care expenses are claimed for the child.

Taken together and multiplied by the federal credit rate, the maximum possible value for these two credits is \$2,037.

## **Disability supports deduction**

A disabled person may deduct qualifying out-of-pocket expenses incurred to work, go to school or conduct grant-supported research. The person may not deduct amounts already claimed under the medical expense credit (whether claimed personally or on his behalf as a dependant), or amounts already reimbursed by health insurance plans or through other non-taxable payments. Generally, the deduction cannot exceed the person's earned income for the year, calculated using [CRA Form T929](#).

## **Medical expense credit**

A person may claim eligible medical expenses, whether incurred in Canada or elsewhere, that will be paid in any 12-month period.

Special rules apply to attendant care expenses, and whether the care was received at home or in a facility. This is a non-refundable tax credit, equal to expenses that exceed the lesser of \$2,397, (indexed annually) and 3% of the disabled person's net income. Each province uses as similar lesser-of a prescribed dollar amount and 3% of net income. Quebec applies the credit on qualifying expense amounts over 3% of family net income.

Eligible expenditures can be claimed either under this medical expense credit calculation or as a disability support deduction, but not both. Accordingly, run a test calculation to determine which of the two yields the best net tax result.

## **Refundable medical expense supplement**

This is a refundable credit designed to assist people with low incomes who claim either the disability supports deduction or the medical expense credit. Subject to a clawback where family net income exceeds \$28,164, this federal credit can be worth as much as \$1,272.

## **Home buyers' amount**

A credit amount of \$5,000 (value \$750) is available for first-time purchasers of a qualifying home. You do not have to be a first-time buyer if you are eligible for the DTC or you bought the home for the benefit of a related person who is eligible for the DTC. However, the purchase must be to allow the person with the disability to live in a home that is more accessible or better suited to his or her needs.

## **Home accessibility tax credit**

You may claim up to \$10,000 (value \$1,500) for eligible home renovations if they allow a person to gain access to or be more mobile or functional within the home, or if the renovations reduce the risk of harm within the home. The eligible person must be 65 or older, or be eligible for the DTC. The credit may be claimed by that person, or by a homeowner who supports the eligible dependent person if certain criteria are met.

## **TAX RELIEF FOR DEPENDANTS**

### **Caregiver amount**

The Caregiver amount may be available to a person who supports a person with a physical or mental impairment. The amount and value of the credit are determined based on the dependant the taxpayer is supporting.

For care of a dependent spouse/common-law partner (CLP) the spouse/CLP amount is increased by \$2,273. For a minor child or grandchild, the amount for an eligible dependant is similarly increased by \$2,273. In either case, the value of the credit is \$341. If that person's net income is between \$7,295 and \$24,361, you may be able to claim a further amount up to a maximum of \$7,276, worth up to \$1,091.

For your or your spouse/CLP's dependent relatives (parents, brothers and sisters, adult children, and certain specified relatives) 18 years of age or older with infirmities the amount is \$7,276, worth up to \$1,091.

### **Child care expenses**

The calculation of this credit can be complicated, even without disability issues to consider. For present purposes, be aware that there are provisions to guard against concurrent claims that are made for the disability amount or the medical expense credit.

### **Transferred amounts**

A person may be able to claim certain amounts, notably the disability credit and the medical expense credit, transferred from a spouse, common-law partner or dependant.

### **GST/HST relief**

Many goods and services used by persons with disabilities are not subject to GST or HST, whether by exemption or rebate. Here's a list of what's included:

- most health care services;
- personal care and supervision programs while a primary caregiver is working;
- prepared meal delivery programs;
- public sector recreational programs designed for persons with disabilities; and
- medical devices, supplies and specially-equipped vehicles.

### **Coordinate private planning options**

To optimize access and use of government financial and tax supports, individuals and families must manage their income and assets. This includes: family estate planning, up-to-date wills, informed beneficiary designations, executing powers of attorney, and establishing appropriate trusts.

### **Registered Disability Savings Plan (RDSP)**

An RDSP may be established for a person under 59 who qualifies for the disability tax credit. The maximum lifetime contribution is \$200,000, complemented by government support of up to \$20,000 in free Canada disability savings bond (CDSB) money and \$70,000 in matching Canada disability savings grant (CDSG) money.

The government support is subject to the person's net family income, or the parents' family net income if the person is under age 18. As an example, if family income is less than \$97,069, a \$1,500 contribution in the year will attract \$3,500 of government grant money.

Contributions may be made directly from after-tax funds, an RESP transfer, or through a beneficiary designation from a parent's RRSP/RRIF. All contributed amounts grow tax-free, and are eventually

paid out to, or for, the disabled beneficiary. Taxable amounts are reported by the beneficiary, which generally means very little tax is paid. All provinces disregard RDSP withdrawals when calculating provincial support entitlement.

### **Discretionary (Henson) trusts**

The terms of this type of trust allows a trustee to decide the amount and timing of payments for a disabled beneficiary. As the beneficiary has no legal right to compel distributions, most provinces will disregard trust property when determining provincial support entitlement. This is often known as a Henson trust, thanks to the Ontario case first litigated on the issue.

If the intended beneficiary does not qualify for provincial support, such a power may be unnecessary, and may, in fact, be a hindrance. So, check with a qualified trust lawyer who is familiar with disability issues.

### **Testamentary trusts**

The 2014 Federal Budget eliminated marginal tax bracket treatment for most testamentary trusts, meaning they are now subject to top-bracket rate taxation on every dollar of income (just like inter vivos trusts). Marginal tax bracket treatment will continue for trusts for a beneficiary entitled to claim the disability tax credit. An up-to-date form T2201 will be necessary to prove qualification.

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