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New Year Resolutions for Your Kids

by David Chong Yen (January 2007)

Traditionally, New Year resolutions include the promise to live healthier lifestyles. Now there is a tax incentive to encourage your children under age 16 (18 for disabled children) to be physically active.

Effective 2007, parents are entitled up to a \$500 tax incentive to enroll their child in eligible programs of physical activity. This is a separate tax incentive from the child care expenses which allows you to pay someone to care for your child while you are working. You may claim both incentives if you incurred both the child care expenses and fitness program fees for your children. The \$500 per child tax incentive translates to about \$80 savings per child. This may not sound much but it is certainly good enough to treat the whole family to the all time children's favorite restaurant.

What kind of programs qualify for this new incentive?

This includes sports program (for example, Judo, Karate, swimming etc.), as well as other children's recreational programs that also involve significant physical activity, such as dance lessons. Unfortunately the piano lessons will likely not count.

The program must last at least eight weeks at a minimum of 1 session per week, or, in the case of children's camps, five consecutive days – provided in the latter case that more than 50% of the program time is devoted to physical activity. As well, the portion of a family membership covering a child's participation in an eligible program will be allowed; this may include your YMCA family membership.

Receipts?

Don't forget to ask for a receipt; although you don't need it when filing your tax return, the Canada Revenue Agency might request it at a later time to verify your claim. Also, this incentive only applies to fees you paid in 2007 irrespective of the time of the activity. That means if you paid fees in 2006 for 2007 lessons, you are out of luck.

David Chong Yen, CFP, CA with an international firm background and more than twenty-four years of experience, advises healthcare professionals and owner-managers. Additional information can be obtained by phone (416) 510-8888, fax (416) 510-2699, or Email david@dcy.ca.

This article is intended to present tax saving and tax planning ideas and is not intended to replace professional advice.