

By Mike Campagne, President DTS Disability Tax Services Ltd.

This article is not to be construed as financial advice, but rather as general information. Always consult a tax professional in determining the optimal way for you to file your medical expenses or any other relevant tax credits and deductions.

Medical expense claims for a parent who pays Eaton Arrowsmith tuition fees for their child, and other potential tax savings and benefit programs

CRA's official 2023 tax year medical expenses guide RC4065 pdf, states the following of page 15.

School for persons with a physical or mental impairment – an appropriately qualified person such as a medical practitioner or the principal or head of the school, must certify in writing that the equipment, facilities, or staff specially provided by that school are needed because of the person's physical or mental impairment.

Note: This section relates to claims only for a child under 18 at the end of 2023 (born in 2006 or later).

The principles on medical expense claims remains the same for many years, though on the forms line numbers have had adjustments as the CRA changed administration (**line 330 from 2018 is now line 33099, line 5868 is now line 58689**). Any such line number changes are easy to see on the T1 and BC428 tax forms by you or your tax preparer.

You can claim on line 33099 the total eligible medical expenses you or your spouse or common-law partner paid for:

- yourself;
- your spouse or common-law partner; and
- your or your spouse's or common-law partner's children born in 2006 or later.

You can claim eligible medical expenses **paid** in any **12-month period** ending in 2023 and not claimed for 2022. Generally, you can claim all amounts paid, even if they were not paid in Canada.

Your total expenses have to be more than **3%** of your net income (line 23600) or **\$2,635**, whichever is **less**, to yield federal tax savings.

Reimbursement of an eligible expense – You can claim only the part of an expense for which you have not been or will not be reimbursed.

The medical expense is claimable by the date paid, rather than the date invoiced.

The corresponding provincial lines for the medical expense claims are 58689 for a child under 18 at the end of the tax year 2023.

Key points:

Which parent should make the claim?

Normally it is most advantageous for one parent to claim the entirety of the family's medical expenses.

Ensure to compare the amount you can claim with the amount your spouse or common-law partner would be allowed to claim. Either parent can make the claim, just choose that claim which leads to the largest tax reduction – run the numbers for both scenarios before filing you 2023 taxes. Most tax programs will ask you, when you enter medical expenses, whether they are to be “optimized”. Selecting yes normally leads to the tax software working out which spouse should claim the medical expenses, but I recommend doing the calculations for each parent to be sure.

And remember: medical expense claims create non-refundable credits, meaning they are valuable **only in reducing taxes paid or owing**. So, while the lower income parent might have more useable medical expense credits, if that person doesn't owe enough tax to utilize them, it could be that less useable credits for the higher income spouse yield a larger tax saving.

So let me emphasize: run different scenarios, including a splitting of the medical expense claim, to find the best tax reduction outcome. A good tax preparer will do this and even consider within that calculation how other tax credits which are claimable by either spouse are allocated, as that can also impact the value of the medical expense claim. Taxes can be complicated. I recommend getting professional tax preparation assistance.

In the rare case where neither spouse does pay tax (such as a quite low family income or a high level of other deductions), there are no tax savings as the credits are non-refundable. In cases where a family is extremely low income, there may be a medical expense refund claimed, but in my experience families with such low incomes can rarely afford special schooling, so I will not address that issue here.

There have been a few very important changes on other potential tax saving and benefit programs since early 2020. These are:

- 1) The eligibility criteria for the extremely valuable disability tax credit related to mental functions **have been expanded in 2022 retroactive to January 2021**. And now in February 2024 there has been another update.

I welcome these developments and was actually involved in committees that convinced the federal government to grant these new expanded categories. This means that some children who in prior years did not qualify for the disability tax credit might qualify now.

While this is clearly a positive development, this silver lining includes a cloud... CRA has expanded the T2201 application form from 6 to 16 pages. Mental functions specific questions have increased to 3 pages, with roughly 3 dozen questions. This has regrettably led to the reluctance of many doctors and psychiatrists to fill out the form, and increased the costs charged around its completion as well. Given the resources related to approval can range up to \$30,000 or more in some circumstances, please contact me directly by phone or email if you need information on how to overcome these hurdles and ascertain if your child would qualify.

- 2) Since tax year 2019 CRA has generally accepted letters from specialized schools signed by the Principal, to validate tuition to such schools as an eligible medical expense to parents of a child (**under age 18 at the end of the tax year**) attending such schools due to a cognitive challenge like a learning disability.

As such, unless something changes at CRA the Principal letter provided to you by Eaton Arrowsmith School with your 2023 receipt should be sufficient if you are queried on any such claim by CRA. Doctor letters that were required prior to 2019 are generally not necessary if you have the Principal letter. However, in the rare case you are asked by CRA to explain the medical expense, it is a good idea to get the doctor letter to include in your response. It would also be prudent if you are requesting adding claims for prior tax year filings where you did not include the tuition medical expense with your filing.

A signed letter from a doctor, psychologist or nurse practitioner on their office letterhead wording could be something like as follows:

John Smith date of birth January 7, 2015 has a diagnosed learning disability and this mental impairment requires that he receive the special adapted learning programs schooling provided by Eaton Arrowsmith School. These school programs are required due to John's cognitive challenges.

If you have a child with a diagnosed cognitive challenge that requires special schooling it is important to get advice from a tax professional with an in-depth understanding of related disability tax credits and deductions.

In the recent years, numerous tax-based credit and benefit programs have been introduced to assist families. Some require enlisting special provisions that many tax preparers are not familiar with and can lead to missing out on supports. There are a wide range of **potentially applicable** programs that include: **the disability tax credit, related child disability benefit supplements to the child tax benefit, family caregiver amount credits, travel expenses (in limited circumstances), and the registered disability savings plan (RDSP).**

Not every child with a learning disability or impairment in mental functions will qualify for tax credits and benefits, but many do. These programs are complex and pre-assessed with a rigorous CRA testing system that often leads to erroneous denial of tax credits and benefits to Canadian families.

If you are unsure if you are receiving all eligible tax and benefit supports we provide a free initial analysis via a phone consultation. You can call me at my iphone **604-551-6025**, or you can email me directly at plan4u@shaw.ca to set a time for a free initial phone discussion. If you want to know more about DTS (created and operating since 2006) you can find my brochure and other information at disabilitytaxservices.com.

How much tax savings does the claim yield?

For BC residents, this normally works out to 18-20% of the useable medical expense for middle or high-income earners (though the amount of tax reduction can be less in certain circumstances). Annual fees of \$20,000 thus might yield up to \$4,000 in tax savings.

If you would like a free initial phone consultation regarding tax saving opportunities that may be applicable to your unique circumstances, please email me at plan4u@shaw.ca or call me direct at my iphone office at 604-551-6025.

Thank you and wishing all the best to everyone in the New Year 2024!

Mike Campagne CFP, BA