

## The End of the Home Renovation Tax Credit

Next to complaining about the weather, renovating and improving one's home is probably the great Canadian pastime. So perhaps it shouldn't have been a surprise when the home renovation tax credit (HRTC), introduced by the federal government as part of its 2009 Budget, proved to be the most popular tax credit program announced in recent memory. However, like all good things, the HRTC must come to an end, and that end happens on January 31, 2010.

To recap, the HRTC provides homeowners with a 15% non-refundable federal credit for up to \$9,000 of qualifying expenditures (more technically, the credit is available for expenditures between \$1,000 and \$10,000, as the first \$1,000 doesn't qualify) made between January 27, 2009 and February 1, 2010. The non-refundable nature of the credit is important – claiming the credit will reduce one's federal tax otherwise payable but cannot create or increase a tax refund. And the credit can be claimed only on one's 2009 federal income tax return. There have been some misconceptions and misunderstandings in this regard – there are stories of taxpayers who, having made an eligible purchase at their local home supply store, expected that they would receive their credit in the form of a discount when paying for their purchase. Others undertook some renovation activity and planned to finance remaining work to be done out of the tax refund that they thought their initial work would generate. Neither is the case.

The terms of the HRTC do, however, provide taxpayers who didn't get around to making their eligible purchases or doing their eligible renovations until after the end of 2009 with something of a break. Generally, for tax purposes, an expenditure must be incurred during the calendar year in order to be claimed for tax purposes on that year's return (RRSP contributions being the big exception). However, such is not the case with expenditures eligible for the HRTC. As long as the eligible expenditure is made before February 1, 2010 (as outlined below), it can be claimed on the taxpayer's return for the 2009 tax year.

Notwithstanding this, the rules surrounding the phase-out of the HRTC are likely to give rise to some confusion among taxpayers about just what qualifies and what doesn't. The rule, as outlined on the Canada Revenue Agency Web site, is as follows: eligible expenses for goods acquired before February 1, 2010, even if they are installed after January 2010, will still qualify. If an eligible expense involves work performed by a contractor or a third party and the work is not completed by the end of the eligible period (that is, before February 1, 2010), only the portion that is completed before February 1, 2010 will qualify, even if a payment has been made.

The success of the HRTC and its benefits to the building, contracting, and retail home supply sectors have resulted in some speculation that the federal government might just extend the credit in the 2010 federal Budget, to be brought down on March 4, 2010. And while that's not something that can or should be counted on, it's certainly something that can be hoped for.