

## What's new on the 2009 tax return?

Federal individual tax rates haven't changed for 2009, remaining at 15%, 22%, 26%, and 29%. Federal individual tax brackets are, however, indexed to changes in the inflation rate, so that each year a greater proportion of income is included in lower income brackets and, therefore, taxed at lower rates. For 2009, the federal income tax brackets and their corresponding tax rates are as follows:

\$10,320 to \$40,726 – 15.0%

\$40,727 to \$81,452 – 22.0%

\$81,453 to \$126,264 – 26.0%

Over \$126,264 – 29.0%

Along with income tax brackets, a number of federal personal non-refundable tax credits or deduction limits are also increased to take account of inflation. Changes to some of the most commonly claimed credits are as follows:

- The basic personal amount is increased to \$10,320.
- The age amount (claimable by anyone who is 65 or older at the end of 2009) is increased to \$6,408, and the income threshold above which eligibility for the credit is eroded rises to \$32,312.
- The federal employment amount, which can be deducted by anyone earning employment income during 2009 increases to a maximum of \$1,044.
- The income threshold above which eligibility for Old Age Security payments is reduced, increases to \$66,335.
- The deduction which may be claimed for children born in 1992 and later years increases to \$2,089.
- The medical expense tax threshold increases to \$2,011. Taxpayers may claim a credit for qualifying medical expenses over the \$2,011 amount or 3% of the taxpayer's net income, whichever is less.

A few new credits may be claimed for the first time on the 2009 return, and many of those relate to home purchases or home renovations, as follows.

- Taxpayers may claim a non-refundable credit of 15% of the cost of qualifying home renovations carried out between January 27, 2009 and February 1, 2010. The credit is claimable on expenses over \$1,000 to a limit of \$10,000, making the maximum credit \$1,350.
- Taxpayers who acquired a first home after January 27, 2009 may claim a non-refundable tax credit of \$750 in respect of that acquisition. This credit is also claimable by persons with disabilities (or persons buying a home on their behalf) for the purchase of a home better suited to their needs.

And, although it's not new or changed for the 2009 tax year, it's important to remember that where spouses are eligible to split private pension income for tax purposes (generally, taxpayers over the age of 65 who are receiving an employer pension or income from an RRSP or RRIF) they must make the election to do so as part of the 2009 tax return. Pension income splitting can give rise to some significant tax savings for seniors and can also increase eligibility for means-tested benefits such as Old Age Security payments, so it's well worth looking into as part of the tax return preparation process. The election to split pension income is done on Form T1032, which may be included in the income tax return package sent to the taxpayer by the CRA: if not, it can be obtained from the Canada Revenue Agency Web site at <http://www.cra-arc.gc.ca/E/pbg/tf/t1032/t1032-09e.pdf> or by calling the CRA forms line at 1-800-959-2221.

Finally, while most taxpayers won't necessarily appreciate this change as much as the others outlined above, the Canada Revenue Agency has made it easier for all taxpayers to pay their taxes. A new feature on the CRA Web site, called My Payment, will allow any taxpayer who has access to online banking to make payments to the CRA online.