

Disability Tax Credit Information

Provided by the Equal Education Association of Nova Scotia (EEANS)

www.eeans.ca

February 2009

Step-by-Step

1. Read the details about the Disability Tax Credit on the Government of Canada's website at www.cra-arc.gc.ca
2. Print all relevant information and forms found at site above.
3. Don't forget about the Child Disability Benefit.
4. You will be required to complete form T-2201 - Disability Tax Credit Certificate.
5. It is imperative to answer all questions carefully, as they can be quite ambiguous and open to broad interpretation.
6. We strongly recommend that you read the entire questionnaire before you begin, as it will help in determining the context in which some questions are asked. The term "markedly restricted" for example is used throughout the questionnaire. At first glance it would suggest that eligibility is restricted to those who cannot function without constant supervision, when in actual fact it may be broadened to include anyone who requires occasional assistance with their daily living.
7. You must be prepared and well organized, as you will be required to defend your application. Keep all documents and information relating to your child. A binder works well in organizing your documents. Include all school and medical reports as well as any record of conversations and personal notes. A time line summary at the front of the binder is very handy for quick references.
8. A qualified medical professional must complete a portion of the application. Make sure to seek the support of someone who knows and is familiar with your child's situation. Canada Revenue Agency (CRA) will be contacting that person directly. Make sure that you bring your binder of information when you visit a medical professional. It might be helpful in making the case for your child. Some medical professionals are reluctant to support a claim. It may be to your advantage to have a frank and open discussion with them beforehand. This will allow you to abate any concerns that they may have in dealing with CRA and avoid unnecessary delays and disappointment.
9. Once your application is completed, attach a covering letter and request that your tax returns from previous years be re-assessed under the "Fairness Legislation". Should your application be successful, you will automatically be re-assessed for the previous ten years.
10. You should get a response from CRA six to eight months after you file your application.
11. We encourage you to appeal, even if a previous application has been rejected.

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Do's and Don'ts

1. The DTC is a tax credit, not a deduction. As a result, it only reduces taxes paid not your net income. However, it can have a significant impact for most families because it is an extra personal amount that will reduce your payable tax by ~\$1,600.00 per year. Because the credit can be claimed back 10 years, approval of DTC can result in a substantial refund.
2. Once approved for DTC, you can also apply for a Child Disability Benefit. This is tied to your Child Tax Credit (CTC). If you are not currently receiving monthly CTC checks, you will want to apply because even if you don't qualify for CTC, you must be enlisted in the program to receive the Disability Benefit. This credit is worth about an additional \$600.00/year and is NOT tied to family income level.
3. Some parents of LD children dismiss the DTC after reading the form T2201. This form must be signed by a medical professional and gives the impression that to qualify your child must be a very severely disabled. This is not true. The test is: "is your child markedly restricting daily life". The key here is not to focus on academics, but on the daily challenges of life. For this reason it is often advisable to have the form completed by a psychologist versus a pediatrician or other medical professional.
4. Often the doctor does not include enough information on the form. If after reviewing the form you are not sure that a person not familiar with your situation would agree your child qualifies, go back to your doctor and ask for more detail to be added. There is also no reason not to add any supporting documentation that you feel would help the reviewer. In fact, some applications have been approved, not on the merits of the form, but on the merits of letters submitted by the parent. One parent included a letter titled "A day in the life of my child". This is the type of information that the CRA needs to understand your child meets the test.
5. Approvals take 4 months on the low end and years on the high end. For that reason you should NEVER submit the application with your normal tax return. Additionally there is no reason not to reapply if you are denied. It is not necessarily an appeal if you have additional information to submit. Some applications have been approved on the 3rd or 4th attempt so don't take no for an answer.
6. LDANS has a template letter and information sheet for your doctor. This is intended to ensure the doctor understands how to include the information that CRA is looking for. It is not sufficient for the doctor to simply state the child qualifies based on their professional opinion. It is the doctor's job to provide enough details for the CRA's medical staff to draw that conclusion. You can contact LDANS at: info@ldans.ca to request copies.
7. Some people have been advised that you can only claim back 3 years. (Current year plus 2 years back). The 3 year rule is a generic rule. The DTC has a specific exemption which allows you to claim back 10 years.

8. Additionally doctors will often complete the form stating the disability started when diagnosed. As we all know LDs are a life long disability and so you should encourage your doctor to list date of birth as the date the disability starts.
9. Once approved the CRA will send a letter which may approve your child for specific term or for life. If it's only for a specific term you will have to re-apply when it expires. A person designated as disabled qualifies for other tax deductions.
10. One of the newest of these is an additional federal credit of up to \$500.00 for fitness programs. This is in addition to the \$500.00 provincial credit, new in the '06 tax year. Numerous other deduction categories are listed in the in application guide.
11. CRA uses interpretation bulletins to assist their staff making sense of tax law. These "plain English" bulletins are available on the CRA website. Search for IT519 to ensure you are familiar with the same guidance material the reviewer is using. If you don't get the answer you expect from CRA, ask them for their reference and look it up yourself. This will keep them honest and it's their job to provide it when asked.
12. Lastly, once qualified for the disabled tax credit, tuition can be deducted as a medical expense. Technically tuition needs to be prescribed by a doctor, but when attending a designated special needs school, this is not always necessary.

Hope this helps. If there is one additional point we can make, it is to apply. It's not as difficult as you might think and the tax money saved will go a long ways towards your tuition bill.