CLUBS AND MEMBERSHIP UPDATE ON FITNESS TAX CREDIT AND CHILD CARE EXPENSES

FITNESS TAX CREDIT

The federal government has implemented a new non-refundable tax credit to encourage youths to participate in active sports. Cross Country skiing is one of those sports.

The clubs and membership committee of Cross Country Canada thought that we should make sure that clubs are aware of the programme and are thinking of how they can take advantage of it. We hope that you find this information useful.

The federal government just recently released details on what types of programmes would qualify. Expect changes as there is already significant lobbying going on by groups that believe they have been excluded. This may result in either a loosening of the rules or even a tightening to ensure that only the types of activities that the government had in mind, qualify.

At this time none of the provinces or territories has announced their intention to participate in this programme so for now it remains purely a federal only programme.

What is a non-refunbdable tax credit?
A brief lesson in non-refundable tax credits. Tax credits reduce the amount of tax that you would otherwise pay. It won't result in a refund if you have no federal taxes otherwise payable or it will limit the credit to the total federal taxes payable before the credit (that is why it is called a non-refundable tax credit). The amount of the tax credit is the same regardless of how much money you make – so the wealthy have no extra advantage.

How much is it worth?
The maximum expenditure claim per eligible child is $500 per year; however the limit is not really per child but rather a maximum of $500 times the number of eligible children in the family. That means if a family has 3 children and only one is participating in eligible programmes then the maximum for that family is $1,500 which might all be expended on one child.

The tax credit is 15.5% of the expenditures. That means it is worth $77.50 on a $500 expenditure.

What Activities are Eligible?
The broad guidelines announced so far are:

- ongoing (either a minimum of eight weeks duration with a minimum of one session per week or, in the case of children's camps, five consecutive days), or if the fee is structured as a membership for a period of two months or more would also be eligible if more than 50% of the programmes available as a result of membership meet the prior tests;
- supervised;

- suitable for children; and
- substantially all of the activities must include a significant amount of physical activity that contributes to cardio-respiratory endurance plus one or more of: muscular strength, muscular endurance, flexibility, or balance.

Programmes like the Jack Rabbit programme clearly qualifies (just meets the "ongoing" requirement of eight weeks).

Weekend training camps would not if they are stand alone activities. Training could qualify if in between formal training sessions there was a weekly "supervised" activity. This could be a roller ski night during the summer or weekly time trials in the winter when there are weeks with no races. It will take some thinking to adjust some programmes you are already offering to make them qualify. If you think of sports like hockey or soccer that have regular games and practices you can see how they easily qualify and were probably what the legislators where thinking of when they drafted the legislation. With a little planning most clubs should be able to tailor their offerings to make them qualify.

This is where the provision that memberships that last a period of two months or longer are eligible programmes. If for example you run a racing programme you could qualify by making it a separate class of membership, make it run for an extended period (2 months or longer) and include dry land camps, weekly training sessions, winter racing etc. as part of the programme.

Who is eligible?
Any child who is 16 or younger at any time of the year. This means that even if a participant turns 17 on January 2nd they are eligible.

Who gets to claim the credit?
It appears that either parent can claim the credit. As it is worth the same amount regardless of income this makes sense; however, if one spouse has no income then it would be beneficial for the working spouse to claim the tax credit. This is a more lenient than the system for child care expenses.

What expenses qualify?
Registration and membership costs can include the costs of administration, instruction, and the rental of facilities. If the fees charged to parents include a part for accommodation, travel, food, or beverages (for example, room and board at a fitness camp), then this part must be deducted when calculating the part of the fees that qualify for the tax credit.

What does the club have to provide to allow the parent to make the claim?
The parent will require a receipt that will require the following:

- Club's name and address
- Name of the eligible program or activity
- Total amount received, date received, and the amount that is eligible for the children's fitness tax credit
- Full name of the payer
- Name of the child and child's year of birth
- Authorized signature

Will this cost the club money?
You will have some additional costs to issue the receipts and track the eligible expenses. Since the parents are getting a benefit you may be in a position to raise the fees to cover you additional expenses and the parents will still be better off.

How can clubs benefit from this new tax credit?

The direct beneficiaries of this tax credit will obviously be the parents of enrolled children but it could also represent an opportunity for the club to enhance its programs if the parents would agree to reinvest the equivalent of the tax credit proceeds in club programming and infrastructures. For example, the club could invest in hiring a coach or increasing the commitment of their actual coaches, build a lit trail system, buying equipment to rent, etc, directly impacting the quality of the club programs and building club capacity.

Do the provinces have a similar credit?
At this time only Manitoba has agreed to offer the credit. It parallels the federal credit as to the rules etc. The Manitoba credit is worth 10.9% of the $500 or a maximum of $54.50

Where can you get more information?
The clubs and membership committee will send out more information as we receive it.

You can get more details at:
http://www.cra-arc.gc.ca/whatsnew/fitness-e.html
http://www.fin.gc.ca/news07/06-002e.html

Who is the club and membership committee of Cross Country Canada?
This is one of the standing operating committees of CCC comprising of volunteers representing all of the regions of Canada. A sub committee of Richard Lemoine (also a member of the club and membership committee), Scott Elliot and Stéphane Barrette are responsible for informing our community about this new tax credit.

Can I contact someone at CCC?
If you have questions you can contact Richard Lemoine – either during the day at 416-464-5875 or via email at rlemoine@lhranone.com If you email me, be warned that I use Spam Arrest to guard myself from unwanted email and you will receive a challenge question to allow your email to make its way to me.

CHILD CARE EXPENSES

The clubs and membership committee of Cross Country Canada thought that we should make sure that clubs and CCC members are aware that some skiing programmes may be eligible for the child care expense deduction and how they can take advantage of it. We hope that you find this information useful.

In addition to the Fitness Tax Credit that came into being on January 1, 2007, some ski and ski related programmes may also qualify as child care expenses. These child care expenses can be deducted against employment income and potentially are worth much more than the Fitness Tax Credit. Many other sports have long used this as selling feature in their programmes.

What could the deduction be worth? It could be worth more than $5,000 pre child if you are in the top tax bracket and you spend more than $10,000 on eligible expenses.

In order to make it simple to determine whether you may qualify to take this deduction we have provided the following four questions. If you answer no to any of these questions then you cannot make a claim, but if you can answer yes to all of them then you are eligible.

Which children are eligible?
A child of the taxpayer or of the taxpayer's spouse or common-law partner.

Who can claim a child care expense?

The parent with the lower net income (there are some exceptions such as if the parent with the lower income is a student, separated, disabled).

What kind of income does the parent with the lower net income need?
Earned income which includes:

Employment or self employment income;
Scholarships, fellowships and similar items;
Disability pension under the Canada or Quebec Pension Plan;
Government financial assistance;
Income from an active business.

Investment income such as interest, dividends and capital gains do not qualify.

What age does the child have to be?
The child has to be under 16 on January 1 of the year that you are taking the deduction. That means they can turn 17 during the year and the entire year still qualifies.

If you can answer yes to these four questions then you may be eligible to claim the deduction.

Now that we have your interest let us try and answer a few more questions that you may have.

How much can I deduct?
The lesser of you actual qualified expenditures and the total of:

The number of children 6 of younger multiplied by $7,000
The number of children between 7 and 16 multiplied by $4,000
The number of children with a disability multiplied by $10,000

The maximum you can deduct is two thirds of your earned income

Note that the age is the age of the child on January 1.
Also the limit is not per child but for the family. That means if you had a 10 year old and a 12 year old you are eligible for a total of $8,000 and you could spend $7,000 on the 12 year old and nothing on the 10 year old and you get to deduct the full $7,000.

What are eligible expenses?
Generally the concept is that they have to be expenses that allow you to work. In the simplest terms they need to be during the working day under the assumption that it is child care.

Examples that the government provides are:
Child care expenses include payments to:

- an eligible child care provider;
- a day nursery school or day-care centre;
- a day camp or **day sports school**;
- a boarding school or **camp (including a sports school** where lodging is involved); and
- an educational institution for the purpose of providing child care services.

We have highlighted the ones that most likely apply to cross country skiing.

Costs that are eligible include board and lodging if the camp is longer than one day and meals provided as long as the cost of these are included in the cost of the camp and are not a separately charged item.

What kind or receipts do you need?
The receipt should made out to the person who paid (the parent in most cases); indicate the name of the child, the name of the organization or individual who provided the child care and the amount paid. (When the child care services are provided by an individual resident in Canada, the receipt must show the caregiver's social insurance number).

What does this mean for clubs?
If you are running training camps you want to let parents know that they may be entitled to a child care deduction. Be sure to bundle in the cost of board and lodging and food into the price so that the parent can maximize their claim.

Team trips, including trips for competitions (including nationals) may be eligible expenses for some of the participants. The older – very competitive athletes may be deemed to be ineligible. You need to read the government rules and decide yourself.

Think about running summer day programmes to generate club revenue to help offset the cost of a coach.

If you are running ski programmes during March break or PD days these are definitely eligible programmes.

Take a look at the material that local hockey schools put out. It is likely that they make mention of the fact that their programmes are eligible. We should do the same.

In Summary

It is unlikely that a parent will maximize their deduction just form cross country skiing, but they will get a tax benefit worth much more than the child fitness tax credit.

Want more information – the government has an interpretation bulletin on the matter.
IT-495R3 - CHILD CARE EXPENSES
http://www.cra-arc.gc.ca/E/pub/tp/it495r3/it495r3-e.html