Becoming a Family Caregiver

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The baby boom generation, whose members are now between the ages of 50 to 70, is also known, with good reason, as the "sandwich generation". Many baby boomers are now in the position of needing to provide some degree of support or care to aging parents while also trying to plan for their retirement and to provide for their own children.

Of all the roles taken on by such baby boomers, providing support and care for elderly parents is among the most demanding. Such support can range from occasional help with the practical demands of everyday life such as doing the banking or shopping or cooking, to a need to provide a home (or find institutional care) for an elderly parent who can no longer live on his or her own. The demands placed on family

members who provide any level of care and support for elderly relatives take several forms, including physical, emotional, and, almost always, financial.

Some help with the financial costs of providing support to elderly parents is available through our tax system, mostly in the form of non-refundable credits which reduce the tax otherwise payable by the supporting person or persons who are claiming those credits. Unfortunately, the overall system of credits relating to support and care of a dependent parent (or grandparent) is complex, as each credit has its own set of eligibility criteria and income thresholds, and, in some cases, making a claim for a particular credit disqualifies the claimant from obtaining a different or similar credit. Making sense of all the interrelated credits can be very difficult especially for taxpayers who only deal with them once a year at tax filing time. There is no doubt that some taxpayers miss out on credits which they are entitled to claim, simply because of a lack of knowledge or understanding of how the rules apply.

The financial costs involved in being a family caregiver generally fall into two categories. The first involves the costs of medical goods or services needed by a family dependant; the second relates to providing assistance with the tasks of daily living, which could be anything from arranging for meal preparation to finding suitable and affordable institutional care. In both areas, with some limitations, a deduction or tax credit is provided for qualifying costs incurred.

A word about "support"

Even a cursory look through the tax rules which determine when a tax credit can be claimed by a family caregiver will turn up the phrase "depended on the taxpayer for support". For some credits, unless the relative for which care is being provided does "depend on the taxpayer for support", the requirements for claiming that particular credit are not satisfied.

A problem arises, however, in that there is no definition of the term "support" (for these purposes) to be found in the tax legislation. Some guidance and guidelines can be obtained from a Canada Revenue Agency publication (Interpretation Bulletin 513R, now archived, but available on the CRA website at http://www.cra-arc.gc.ca/E/pub/tp/it513r/it513r-e.pdf) and from CRA internal resource documents, such that the following conclusions are possible.

- As there is no definition of the word "support" provided in the legislation, the word takes on its ordinary meaning, and whether an individual supports another person is a question of fact.
- An elderly parent can be dependent on a family caregiver for support even if the two individuals maintain separate households. It is also possible for a family caregiver to be providing support to an elderly parent where that parent is confined to a hospital for most or all of the year. Although the cost of hospital care may be covered by a provincial health insurance plan, if expenses such as clothing or comforts were paid for by the caregiver, the CRA recognizes that the caregiver supported the elderly parent.
- While financial support of an elderly parent by a family caregiver clearly meets the requirement for "support", non-financial support may similarly qualify for purposes of the "dependent on the taxpayer for support" requirement.

Distinguishing "impairment" or "infirmity" from "disability"

Although there are similarities among the terms, it's important to distinguish between individuals who are dependent upon others for support because of an infirmity or an impairment in physical or mental functions and those who are disabled, as the tax treatment of each group differs in significant ways. In order for an individual to be recognized as disabled, for purposes of our tax system, a rigorous set of criteria (generally requiring a severe and prolonged impairment in physical or mental functions such as to result in the person being markedly restricted in performing the basic activities of daily living) must be satisfied, and a medical practitioner must certify, using a prescribed form (Form T2201), that those criteria have been met. That form must then be provided to the Canada Revenue Agency, which will determine whether the individual in question can be designated as disabled. If so, then a Disability Tax Credit Certificate will be issued in respect of that person, on either a temporary or permanent basis. It's quite possible, of course, that an elderly parent or grandparent who is dependent on his or her children for support may also qualify as disabled, but it's necessary to recognize that an infirmity or impairment of physical or mental functions which creates a need for family assistance is not the same, for purposes of our tax system, as being disabled, and the tax rules governing the two situations are quite different.

Caregiver claims for medical expenses

Where Canadians are required to incur medical expenses and those costs are not covered by a public or private health care plan, the expenses incurred can usually qualify for a non-refundable tax credit, for both federal and provincial income tax purposes. Federally, the credit is equal to 15% of the actual expense, and the non-refundable nature of the credit means that it can be used to reduce the overall amount of income tax that would otherwise be payable for the year but cannot be used to create (or increase) a refund. The same general rules apply where the claim is made for provincial or territorial tax purposes, but the percentage amount differs by jurisdiction.

Individuals can claim the medical expense tax credit for qualifying medical expenses which they incur themselves but it's also possible for a family caregiver to claim medical expenses incurred for a parent (or other close family relative, including grandparents, aunts, uncles, brothers and sisters, and nieces and nephews) so long as that relative was dependent on the caregiver for support and lived in Canada at any time during the year. As well, only medical expenses over a prescribed threshold may be claimed. That threshold, for 2016, is 3% of the dependent relative's net income for the year, or $2,237, whichever is less.

The list of medical expenses which qualify for the credit (the rules on what qualifies are the same for both federal and provincial or territorial purposes) is long and subject to ongoing revision. It includes not only prescription medications but also monitoring and assistive machinery and devices the use of which may allow an older individual to safely continue living independently. Some expenses which qualify for the medical expense credit are more likely than others to be incurred by or for older individuals. A partial list of those is as follows:

- audible signal devices including large bells, loud ringing bells, single stroke bells, vibrating bells, horns, and visible signals;
- bathroom aids to help a person get in or out of a bathtub or shower or to get on or off a toilet;
- devices or software designed to be used by a person who is blind to enable him or her to read print;
- lift or transportation equipment (power-operated) designed exclusively for use by a person with an impairment to allow him or her to access different areas of a building, to enter or leave a vehicle, or to place a wheelchair on or in a vehicle;
- reasonable moving expenses (that have not been claimed as moving expenses on anyone's income tax and benefit return) to move a person who has a severe and prolonged mobility impairment to housing that is more accessible to the person or in which the person is more mobile or functional, to a limit of $2,000;
- incontinence products;
- needles and syringes;
- orthopaedic shoes, boots, and inserts.
- payments for wheelchairs, crutches, hearing aids (including repairs and batteries), prescription eyeglasses or contact lenses, dentures, heart monitoring devices and pacemakers;
- premiums paid under a private health care services plan;
- prescription drugs and medications, including insulin or substitutes, that have been prescribed by a physician and dispensed by a pharmacist.
- over-the-counter medications, vitamins, or supplements, even if prescribed by a medical practitioner, cannot be claimed;
- renovation or construction expenses paid to make changes to give a person access to (or greater mobility or functioning within) their dwelling in the event that that person has a

severe and prolonged mobility impairment;

- a scooter that is used in place of a wheelchair;
- teletypewriters or similar devices that enable a person who is deaf or unable to speak to make and receive phone calls;
- television closed caption decoders for a person who is deaf;
- the cost of medical tests such as electrocardiographs, electrocardiograms, metabolism tests, radiological services or procedures, spinal fluid tests, stool examinations, sugar content tests, urine analysis, and x-ray services that are not covered by government or private health care plans; and
- volume control feature (additional) used by a person who has a hearing impairment.

For many of the expenditures listed above, with the exception of renovation and moving expenses and some types of assistive equipment or products, the expenditure must be one prescribed by a physician in order to be claimable for purposes of the medical expense tax credit.

There are, as well, two notable omissions from the list of eligible medical expenses. The cost of blood pressure monitors or personal safety alarm systems (like Lifeline or Health Line Services) does not constitute an eligible expense for purposes of the medical expense tax credit.

Claiming attendant care expenses

Anyone who has been responsible for the payment of, or has even looked into obtaining attendant care for an elderly relative, whether in that relative's home or in an institutional setting, knows that such care is costly. The cost of care varies depending on the location and the level of care required but, unless a subsidy is obtainable, that cost is seldom less than $2,000 per month.

In some cases, part or all of the cost of that care can be claimed as a medical expense eligible for the medical expense tax credit. Except as otherwise noted, the rules outlined below apply to relatives who are dependent on family caregivers for support. The rules governing when attendant care expenses paid for such individuals qualify for the credit are very specific in their requirements and, regrettably, neither easy to follow nor ever consistent in their application.

Aging "in place"

Most individuals, given a choice, would prefer to remain living in their own homes for as long as that is possible. With help, where such aging "in place" is a viable option, some of the costs involved in having a full-time attendant can be claimed as a medical expense by either the person who needs the full-time attendant or by a caregiver on whom that person depended for support. In order for those expenses to qualify as medical expenses it's necessary that a doctor certify in writing that the person is and will continue to be dependent on others and in need of full-time attendant because of mental or physical infirmity.

Even once certification of the need for a full-time attendant is obtained, not all attendant-related expenses can be claimed for purposes of the medical expense tax credit. In particular, the manner in which the care is provided can determine whether the cost of the care is or is not a qualifying medical expense. At the outset, the CRA position is that attendant care can include carrying out such tasks as meal preparation, cleaning services, transportation, and personal services like banking or shopping. It can also include the provision of companionship. However, if a person is employed as what the CRA terms a "single service provider" (such as providing meals or cleaning services or transportation, but not all of those) then the provision of that service does not qualify as attendant care and no medical expense tax credit can be claimed for the associated costs. Only the services of a full-time attendant (which, practically speaking, would mean several attendants each working a different shift) who looks after the entirety of an individual's needs will qualify.

It's also the case that a person providing full-time attendant care for which a medical expense tax credit claim is being made can't be the person's spouse or common law partner. It is possible to claim a medical expense tax credit for salary or wages paid to another relative over the age of 18 for providing full-time attendant care, assuming that the other criteria outlined above are met.

Where the cost of having full-time care in a person's home does qualify as a medical expense, the amount of that expense is generally the total of the salaries and wages paid to the full-time attendant(s).

Obtaining nursing home care

In some circumstances, the level of care required by an elderly relative simply can't be provided (or can no longer be provided) in his or her own home, and it's necessary to obtain specialized care in a nursing home. Once again, the cost of obtaining nursing home care can qualify as a medical expense, but the rules are much more restrictive than those which apply to full-time attendant care provided in one's home. In order for the cost of obtaining full-time care in a nursing home to qualify as attendant care expenses eligible for the medical expense tax credit, a medical practitioner must certify in writing that the person is and will continue to be dependent upon others for personal needs and care because of a "lack of normal mental capacity".

Where that criterion is satisfied, a medical expense claim can be made for some of the costs of full-time care in a nursing home. Generally, it is the CRA's view that costs related to salaries and wages paid to individuals who are involved in food preparation, housekeeping services for the individual's personal living space, personal laundry services, health care, social programs, transportation and salon services will qualify as medical expenses. Costs incurred for rent, food or cleaning supplies do not, nor do the cost of salaries for individuals in administrative or maintenance and janitorial positions. Usually, the receipts provided by the nursing home for the cost of care will break out or itemize the amounts involved so that a determination can be made of what costs do or do not qualify for the medical expense tax credit.

The rules outlined above apply where an individual is someone who requires assistance with personal care (as certified by a physician) but for whom a disability tax credit certificate (as outlined above) has not been issued by the CRA. Where such a certificate has been provided by the Agency and remains in effect, then no further certification by a medical professional is required in order to claim a medical expense tax credit for the cost of attendant care provided to the disabled individual. In the case where such expenses are claimed for nursing home care, the disability tax credit cannot be claimed by or for the disabled individual. Where the expenses claimed are for attendant care provided in Canada but not in a nursing home, it's possible to claim both the disability tax credit and up to $10,000 in attendant care expenses or, where it is more beneficial, to claim only the attendant care expenses, without regard to the $10,000 ceiling.

It's more than apparent that the rules governing the tax treatment of attendant care expenses require very careful reading to determine when and to what extent such expenses can be claimed for purposes of the medical expense tax credit. Some assistance is provided by the CRA through its website and publications on the subject. Website information on attendant care or care in a facility can be found at www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/330-331/ttndcr-eng.html, while the most recent CRA publication on the medical expense tax credit generally, Income Tax Folio S1-F1-C1: Medical Expense Tax Credit is also available on the CRA website at www.cra-arc.gc.ca/tx/tchncl/ncmtx/fls/s1/f1/s1-f1-c1-eng.html.

General tax credits available to family caregivers

While the medical expense tax credit outlined above enables family caregivers to claim a credit for specific costs incurred, caregivers can also claim a number of non-refundable tax credits without the need to incur actual costs. Such "status" credits are provided where the circumstances of the individual fit within the prescribed criteria for a particular credit or credits.

There are four federal credits currently allowed to caregivers. For each such federal credit, the credit amount is multiplied by 15% to arrive at the amount by which federal tax payable is actually reduced. Parallel provincial or territorial credits are also allowed, but the percentage credit allowed will differ by jurisdiction.

The requirements for claiming each credit differs, and while those requirements are fairly straightforward, a degree of complexity arises because, in some cases, a claim for (or even eligibility for) one type of credit disqualifies the taxpayer from claiming another. The credits themselves, and the eligibility criteria for each, are as follows.

Amount for an eligible dependant (Line 305)

The Line 305 credit (which is sometimes referred to as the "single parent amount") allows individuals who are not married but who supported a dependant who lived with them during the tax year to claim a non-refundable tax credit. The amount of that credit is calculated as the amount by which the dependant's income for the year is less than (for 2016) $11,474. In many cases, that dependant is a child of a single parent, but the claim is also available where an unmarried taxpayer lives with and supports a parent or grandparent. There is no requirement that the parent or grandparent need support because of any physical or mental impairment, and so no medical certification of any kind is needed.

Amount for an infirm dependant aged 18 or older (Line 306)

A taxpayer who is married but who has a parent or grandparent who lives in Canada and is dependent on the taxpayer for support because of impaired mental or physical functions can claim, for 2016, a non-refundable tax credit amount of $6,788. It's not necessary that the dependent parent or grandparent actually live with the taxpayer making the claim, but a claim for a Line 306 credit amount can be made only where the parent or grandparent's income for the year is less than $13,595. To make the claim, it's also necessary to have a signed statement from a medical doctor certifying the fact that the parent or grandparent is dependent upon others because of an impairment in mental or physical functions. The statement must also indicate when the impairment began and how long it is expected to last.

Caregiver amount (Line 315)

Any taxpayer who lives in the same household with a parent or grandparent can claim a caregiver tax credit amount of $4,667 for 2016. For the Line 315 credit, it's not necessary that the parent or grandparent have any impairment of mental or physical functions – the credit is claimable as long as the parent or grandparent was born in 1947 or earlier, lives with the taxpayer making the claim, and has income for the year of less than $20,607.

Family caregiver amount

The family caregiver amount of $2,121 for 2016 is not actually a separate tax credit but rather an amount which may be added to any of the credits listed above.

The family caregiver amount is provided to taxpayers who support a dependant who has an impairment in physical or mental functions. Where a caregiver is entitled to claim the family caregiver amount, the $2,121 amount is added to the credit already available under lines 305, 306, or 315.

Claiming more than one credit

Although there are a number of potential tax credit claims available to family caregivers, it's not the case that all such credits can be claimed in the same year in respect of the same individual. Once again, the rules are sufficiently complex as to require careful reading to determine just what credit or credits may be claimed in different circumstances. The following summary, adapted from one which appears in the CRA publication RC 4064, *Disability-Related Information* (available on the CRA website at www.cra-arc.gc.ca/E/pub/tg/rc4064/rc4064-15e.pdf), outlines the interaction of the various credits.

If you have determined that you can claim Line 305 – Amount for an eligible dependant:

Line 306 – You may also be able to claim a part of the amount for infirm dependants age 18 or older for the dependant you claimed at line 305. However, you cannot claim the dependant on Line 306 if someone else has claimed them at Line 305.

Line 315 – You may also be able to claim a part of the caregiver amount for the dependant that you claimed at Line 305. However, you cannot claim the dependant amount at Line 315 if someone else has claimed them at Line 305.

If you have determined that you can claim Line 306 – Amount for infirm dependants age 18 or older:

Line 305 – You may also be able to claim an amount for an eligible dependant as long as no one else has claimed them at Line 305 or 306.

Note that if, for a particular dependant, you or anyone else can claim an amount at Line 315, you cannot claim an amount at Line 306 for that dependant.

If you have determined that you can claim Line 315 – Caregiver amount:

Line 305 – You may also be able to claim an amount for an eligible dependant as long as nobody else has claimed them at Line 305 or 306.

Note that you cannot claim an amount at Line 306 for a dependant you or anyone else has claimed at Line 315.

Conclusion

The role of family caregiver is one which will fall to more and more Canadians – both the baby boomers and, ultimately, their children – as our population ages. It is almost always a stressful role to fulfill, as caregivers must usually balance multiple concurrent and often competing work, family and financial obligations.

Given the number of taxpayers who are and will be affected, the complexity of the rules governing the tax treatment of the obligations taken on by family caregivers is unfortunate. It is, however, worth determining what sorts of credits can be claimed through our tax system, as making those claims can help to turn what would otherwise be an unsustainable financial obligation onto a manageable one.