

Home Renovation Tax Credit Explained



By Brian Madigan LL.B.

Here is an excerpt of a recent publication from the Government of Canada explaining the new Home Renovation Tax Credit.

Temporary Program

“The HRTC will apply to eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010, pursuant to agreements entered into after January 27, 2009. The temporary nature of the credit will provide an immediate incentive for Canadians to undertake new renovations or accelerate planned projects.

The HRTC can be claimed for renovations and enduring alterations to a dwelling, or the land on which it sits.

How the HRTC Will Work

The 15-per-cent credit may be claimed on the portion of eligible expenditures exceeding \$1,000, but not more than \$10,000, meaning that the maximum tax credit that can be received is \$1,350.

The credit can be claimed on eligible expenditures incurred on one or more of an individual’s eligible dwellings. Properties eligible for the HRTC include houses, cottages and condominium units that are owned for personal use.

Renovation costs for projects such as finishing a basement or re-modelling a kitchen will be eligible for the credit, along with associated expenses such as building permits, professional services, equipment rentals and incidental expenses.

Routine repairs and maintenance will not qualify for the credit. Nor will the cost of purchasing furniture, appliances, audio-visual electronics or construction equipment.

Who Can Claim the HRTC?

About 4.6 million families in Canada are expected to benefit from the credit.

Taxpayers can claim the HRTC when filing their 2009 tax return.

Eligibility for the HRTC will be family-based. For the purpose of the credit, a family is generally considered to consist of an individual, and where applicable, the individual's spouse or common-law partner. Family members will be able to share the credit.

Examples of HRTC Eligible and Ineligible Expenditures

Eligible

- Renovating a kitchen, bathroom, or basement
- New carpet or hardwood floors
- Building an addition, deck, fence or retaining wall
- A new furnace or water heater
- Painting the interior or exterior of a house
- Resurfacing a driveway
- Laying new sod

Ineligible

- Furniture and appliances (refrigerator, stove, couch)
- Purchase of tools
- Carpet cleaning
- Maintenance contracts (furnace cleaning, snow removal, lawn care, pool cleaning, etc.)

Examples of the Benefits of the Home Renovation Tax Credit

The following examples illustrate how homeowners can benefit from the HRTC

- Sally and Ed are a couple who have recently purchased a house. In response to the temporary HRTC, they decide to replace their old windows and improve the insulation in their home in 2009, instead of waiting, incurring \$10,000 in expenditures. After taking into account the \$1,000 minimum threshold, a 15-per-cent credit will be available on \$9,000 in eligible expenditures, providing tax relief of \$1,350.

- William and Marie are a couple who are planning to purchase a more energy-efficient furnace for their home, and build a deck at their cottage sometime later. To take full advantage of the temporary HRTC, they decide to do both projects in 2009 rather than waiting. They pay \$5,000 for the furnace and \$3,500 for the

deck. They also decide to have the area around the deck landscaped for \$2,500, bringing their total costs to \$11,000 (\$5,000 + \$3,500 + \$2,500). Marie claims a credit of \$1,350 on the maximum allowable amount of \$9,000.

- Karen and Heather are sisters who share ownership of a condominium unit. They each incur \$7,500 in expenditures renovating the kitchen in the condo. Karen and Heather each claim a \$975 credit on eligible expenditures of \$6,500 (\$7,500 - \$1,000).”

All in all, the program is really just a 15% reduction in the costs. It amounts to just slightly more than the current taxes, GST and PST. However, it might encourage many small projects to be properly invoiced, which does not appear to be the case at the moment.

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