
FREQUENTLY ASKED QUESTIONS

Q. What amounts are eligible for the credit?

A. Up to \$500 in eligible fees may be claimed, per child, to enroll a child in a qualifying program of sport or recreational activity, up to and including the year in which the child turns 16.

Q. What special provisions are there for children with disabilities?

A. Some children with disabilities already benefit from the Disability Tax Credit (DTC). To recognize the particular challenges faced by those children, they will qualify for the Fitness Tax Credit up to the year in which they turn 18 years, consistent with other federal tax measures targeted to children with disabilities.

As well, the Income Tax Act will be amended to introduce an additional \$500 nonrefundable amount for DTC-eligible children subject to spending a minimum of \$100 on registration fees for an eligible program.

This additional non-itemizable amount recognizes the extra costs that children with disabilities may encounter in participating in programs of physical activity, notably with regard to specialized equipment, transportation and attendant care.

Q. What is the credit worth?

A. The credit is calculated at the lowest tax rate on a maximum of \$500 of fees. At the 2007 rate of 15.5%, this means a reduction at the federal level of up to \$77.50 on federal taxes owing.

For DTC-eligible children, the credit would be worth 15.5% of fees, plus a 15.5% credit on an additional amount of \$500, if the fees paid were at least \$100. This means a maximum reduction, by virtue of the credit, on federal taxes owing, of up to \$155.

Example 1:

A parent pays \$200 to register a child in a qualifying sports program.

- The resulting tax credit is worth $15.5\% \times \$200 = \31.00

Example 2:

A parent pays \$600 to register a child in a qualifying sports program.

- The resulting tax credit is worth $15.5\% \times \text{maximum of } \$500 = \$77.50$

Example 3:

A parent of a child also eligible for the disability tax credit (DTC) pays \$100 to register the child in a qualifying sports program.

- The resulting tax credit is worth $15.5\% \times \$100 = \15.50
- The additional amount for DTC-eligible children is $\$500 \times 15.5\% = \77.50
- The total credit for this DTC-eligible child = \$93.00

Q. Can a parent purchase equipment for a child and have those costs covered by the credit?

A. No. The credit essentially covers participation in a supervised program.

Q. How can parents get more information about how to claim the credit?

A. Parents are encouraged to keep ALL receipts for sport and recreation programs for 2007. The Government plans to release full guidelines for claiming the credit with the 2007 general tax and benefit guide.

Q. What if a parent has prepaid fees for an eligible program taking place in 2007?

A. The Canada Revenue Agency states: "The year in which the tax credit can be claimed is determined by the date when the fees are paid, not when the activity takes place."

Example - Mary registered:

- her daughter Julie in an eligible physical activity program and paid the eligible fees of \$750 on August 30, 2006. This program started on September 15, 2006, and ended on April 21, 2007
- her son Eric in an eligible physical activity program and paid the eligible fees of \$750 on December 20, 2006. This program started on January 6, 2007, and ended on April 28, 2007
- her daughter Samantha in an eligible physical activity program and paid the eligible fees of \$750 on January 2, 2007. This program started on January 6 and ended on April 28, 2007.

On her 2007 income tax return, Mary will only be allowed to claim the maximum amount of \$500 for Samantha's program because the other two were paid in 2006.

Q. What if children participate in two six-week programs in succession?

A. CRA has indicated that parents will be able to claim fees for programs (either consecutive or one single program) if the total length of participation is eight weeks.

Q. Are fees for drop in programs or admission fees for public swim and skate programs eligible?

A. The language in the current definition states that programs must be supervised and that the supervisor present is sufficiently engaged to encourage active participation by the children. This means that traditional coaching or instruction is not mandatory, but leadership of some kind is required.

Q. What kinds of programs are not covered by the credit?

A. Motorized sports will not qualify for the credit. This is consistent with Sport Canada guidelines and with the view of the Canadian Council of Provincial and Territorial Sports Federations. This restriction will not preclude eligibility of programs connected with sailing or equestrian sports.

As well, expenses relating to school physical activity programs that are part of the core curriculum will not be covered by the credit.

Q. Why is the Fitness Tax Credit limited to children?

A. The objective of the Children's Fitness Tax Credit proposed in Budget 2006 is to promote physical fitness among children because of the positive impact of physical activity on children's growth and healthy development.

Q. What is a nonrefundable tax credit?

A. A nonrefundable tax credit means you must have income against which the credit can be applied. If your income is \$0, then you cannot claim this credit as part of a refund.