

DOCUMENTATION CHECKLIST

In the tax universe, 2007 is the year of the family. With a number of new rules introduced in the federal budget, advisors have a great opportunity to discuss new tax efficiencies.

By Evelyn Jacks

INCOME SOURCES

Employment

- ❑ T4 slips
- ❑ commissions
- ❑ research grants
- ❑ directors' fees
- ❑ details of casual income earned

Public Pension Benefits

- ❑ OAS: clawed back when income exceeds \$63,511
- ❑ CPP: retirement; disability; death; survivor; child

Private Pension Benefits

- ❑ superannuation, eligible pension and other annuity income
- ❑ RRSP or RRIF
- ❑ eligible pension income split from spouse

Foreign Pensions

- ❑ USA
- ❑ Other

Benefits

- ❑ employment insurance benefits: clawed back when net income is over \$48,750
- ❑ universal child care benefits — \$100 per month per child under 6

Taxable Dividends

- ❑ T3 slips and T5 slips: eligible dividends are subject to a 45% gross-up and other than eligible dividends are subject to a 25% gross-up; each will have a different dividend tax credit.

Note: With T3 slips, Return of Capital amounts (box 42) affect adjusted cost base of the investment only; not otherwise reported on the tax return

- ❑ self-reported amounts

- ❑ investment income from foreign sources

Interest Income

- ❑ T3 and T5 slips
- ❑ self-reported amounts, including interest from inter-spousal loans
- ❑ investment income from foreign sources

Partnership Income or Losses

- ❑ statements / T5013 slips
- ❑ resource investment statements
- ❑ income from certified films and productions

Rental Income

- ❑ gross income
- ❑ expenses
- ❑ capital asset acquisitions and dispositions

Support Payments

- ❑ gross and taxable income
- ❑ agreement details
- ❑ RRSP-earned income may be affected

Capital Gains

- ❑ proceeds of disposition on capital assets (self-reported)
- ❑ T4PS, T3, T5, T5013 slips
- ❑ adjusted cost base and expense details
- ❑ mortgage foreclosures; conditional sales repossession
- ❑ capital gains reserves (form T2017) and capital gains elections (form T664) (February 22, 1994)
- ❑ capital loss detail (prior years dating back to 1972)
- ❑ new tax treaty rules help emigrants who keep final documentation avoid double taxation

Other Income

- ❑ lump sum pension benefits
- ❑ resource losses
- ❑ payments from DPSP
- ❑ Recovery of exploration and development expenses
- ❑ taxable patronage payments
- ❑ taxable RESP or spousal RRSP withdrawals
- ❑ exempt scholarships include elementary and secondary school scholarships in 2007
- ❑ RESP educational assistance payments or Accumulate Income payments
- ❑ Apprenticeship Incentive grants
- ❑ reportable but not taxable: worker's compensation, social assistance, supplements

Self-Employment

- ❑ gross income
- ❑ expenses
- ❑ capital asset acquisitions; dispositions

DEDUCTIONS

- ❑ RRSP—current and prior year contributions; discuss new age eligibility rules
- ❑ union or professional dues—don't forget to claim the GST/HST rebate
- ❑ RPP: discuss new phased-in retirement rules
- ❑ pension income split to spouse
- ❑ other employee expenses on Form T777—includes deductions for tools bought by tradespersons
- ❑ Form T2200 must be signed by the

employer. Also qualify for GST/HST rebate if employer is registrant.

- ❑ family: child care; child support; moving expenses
- ❑ disability supports expenses
- ❑ business investment losses
- ❑ carrying charges: interest; safety deposit box; investment counsel; management; accounting fees
- ❑ exploration and development costs; depletion allowances
- ❑ stock option and shares deduction
- ❑ other: refund of RRSP; other RRSP/RRIF deductions; repayment of government benefits; legal expenses; CCA on Canadian feature films; foreign tax deductions; depletion allowances
- ❑ non-capital loss carry-overs: if losses are incurred after 2005, the carry-forward increases to 20 years with the exception of the non-capital loss components of Allowable Business Investment Losses (ABILs)
- ❑ capital gains deduction: the new \$750,000 amount now extends to qualified fishing property, farm property and small business corporation shares disposed of after March 19, 2007
- ❑ 15% of U.S. Social Security benefits
- ❑ foreign child support received
- ❑ new meal benefit for truckers

TAX BRACKETS, RATES AND CREDITS

- ❑ federal tax brackets are increased through indexing
- ❑ discuss retroactive changes to Basic Personal Amount and 15% tax rate applied at lowest bracket
- ❑ Personal amounts are increased; spousal amount enhanced
- ❑ personal amounts are indexed
- ❑ discuss new credit for minor children
- ❑ Canada Employment Credit increased to \$1,000 for those with employment income of at least that amount

- ❑ the amount for public transit passes has been enhanced, keep receipts
- ❑ disability credit for those with multiple medical restrictions, or those requiring extensive life-sustaining therapy, or those with certain memory impairments
- ❑ tuition / education / textbook amounts
- ❑ A new children's fitness credit requires receipts for sporting activities of those under 16; 18 if disabled.
- ❑ medical expenses include a host of eligible expenses, including the cost of drugs purchased under the Special Access Program and medical marijuana
- ❑ charitable donations will include tax-free rollovers of publicly listed securities to private foundations after March 18, 2007
- ❑ political contributions
- ❑ labour-sponsored investment funds
- ❑ quarterly tax installments. Note new 30000 threshold in 2008.

TRANSFERABLE PROVISIONS

From Spouse

- ❑ CPP spousal assignment
- ❑ eligible pension income
- ❑ unused minor child
- ❑ children's fitness credit
- ❑ moving expenses
- ❑ safety deposit box
- ❑ dividend tax credit (if spouse has low income)
- ❑ adoption tax credit
- ❑ public transit pass amount
- ❑ age, pension, disability, tuition / education / textbook amounts
- ❑ medical expenses
- ❑ charitable donations
- ❑ political contributions
- ❑ labour-sponsored funds tax credit (if in spousal RRSP)

From Child

- ❑ tuition / education / textbook
- ❑ medical expenses
- ❑ public transit pass amount

From Other Dependent Adults

- ❑ medical expenses; max. of \$10,000 per dependant

PROVISIONS AVAILABLE FOR MULTI-YEAR CARRY-OVER

Self-Employed & Some Commission Agents

- ❑ undeducted home office expenses until net business income reported; then apply
- ❑ undeducted CCA balances until asset is disposed of; note new rules for small tools under \$500

All Taxpayers

- ❑ undeducted RRSP contributions indefinitely to offset future income
- ❑ undeducted moving expenses until there is net income from actively earned sources at new location
- ❑ capital losses three years back, carry forward indefinitely
- ❑ non-capital losses three years back, carry forward 20 years if incurred after 2005; except ABILs in which carry-forward period stays at 10 years
- ❑ undeducted student loan interest five-year carry-forward
- ❑ undeducted tuition, education, textbook amounts indefinite carry-forward
- ❑ undeducted medical expenses best 12-month period ending in the tax year; final return: best 24-month period including date of death
- ❑ undeducted donations five-year carry-over; final return claim up to 100% of net income in year of death and immediately preceding year
- ❑ minimum taxes paid seven years forward for recovery when regular tax exceeds Alternative Minimum Tax

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