



Kam's Mortgage Monthly

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The Government Budget and You!

I know this sounds like the title of a bad "B" movie; one that most of us aren't really that interested in watching, but I thought now that the "hoopla" around it has died down, we could do a quick recap of the highlights. So go ahead and make some popcorn, settle in and I'll try not to put you to sleep!

Personal Income Tax Measures

Increase to the Basic Personal, Spousal and Eligible Dependant Amounts

The basic personal amount, the spousal and common-law partner amount, and the eligible dependant amount increased from \$9,600 in 2008 to \$10,100 for 2009. The Budget proposes to further increase these amounts to \$10,320 for the 2009 taxation year.

While the basic personal amount is not income tested, the spousal or common-law partner and dependant amounts are reduced by the net income of the spouse, common-law partner or dependant on a dollar for dollar basis.

Increase to Income Tax Brackets

Although no changes were announced to personal tax rates, the Budget proposes to increase the two lowest personal income tax brackets for 2009 beyond previously announced increases (which were based on inflation in 2008). The current and proposed tax brackets for 2009 are:

Tax Rate	Tax Brackets		
	2008 Actual	2009	
		Current	Proposed
15%	Up to \$37,885	Up to \$38,832	Up to \$40,726
22%	\$37,886 - \$75,769	\$38,833 - \$77,664	\$40,727 - \$81,452
26%	\$75,770 - \$123,184	\$77,665 - \$126,264	\$81,453 - \$126,264
29%	Over \$123,184	Over \$126,264	Over \$126,264

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Newsletter
Highlights

*The Government
Budget and You!*

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Something
to
Ponder

The only difference
between a tax man
and a taxidermist is
that the taxidermist
leaves the skin!

Mark Twain

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The bracket thresholds will continue to be indexed to account for inflation for 2010 and future years.

Home Ownership

Home Renovation Tax Credit

The Budget proposes a temporary Home Renovation Tax Credit (“HRTC”), which will provide a 15% non-refundable income tax credit on 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 credit may be claimed on the 2009 tax return for the portion of eligible expenditures that exceed \$1,000 but are less than \$10,000, and will provide up to \$1,350 in tax relief (i.e., 15% multiplied by (\$10,000 minus \$1,000)). Family members will be subject to a single limit based on their pooled expenditures. For this purpose, a “family” will generally be considered to consist of an individual, his or her spouse or common-law partner, and their children who were, throughout 2009, under the age of 18 years. Eligible dwellings are generally restricted to personal-use homes including houses, cottages, and condominium units.

Expenditures eligible for the HRTC

The HRTC is generally restricted to enduring renovations and alterations. Individuals will need to keep receipts for all expenditures. Certain expenditures will generally be considered eligible, including renovating a kitchen, bathroom or basement, purchasing new carpet, hardwood floors, a new furnace or water heater, building an addition, deck, fence or retaining wall, painting the interior or exterior of a house, resurfacing a driveway, or laying new sod. Most costs associated with such projects will be eligible for the credit, including the cost of labour and professional services, permits, building materials, fixtures, equipment rentals and incidental expenses. However, certain expenditures will generally be considered ineligible, including the cost of routine repairs and maintenance normally performed on an annual or more frequent basis, carpet cleaning, financing costs associated with a renovation (e.g. mortgage interest costs), the purchase of furniture and appliances (e.g. a refrigerator, stove or couch), audio-visual electronics, tools or construction equipment or maintenance contracts such as furnace cleaning, snow removal, lawn care and pool cleaning.

RSP Home Buyers' Plan

The Home Buyers' Plan (“HBP”) allows the owner of a registered retirement savings plan (“RRSP”) to withdraw amounts from their RRSP on a tax-free basis to purchase or build a home. The maximum amount that can currently be withdrawn from an eligible person's RRSP under the HBP is \$20,000. The Budget proposes that this withdrawal limit be increased to \$25,000 with respect to withdrawals made after January 27, 2009

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In order to be eligible to use the HBP, the RRSP owner must be considered to be a “first-time home buyer”. You are not considered to be a first-time home buyer if, at any time during the period beginning January 1 of the fourth year before the year of the withdrawal and ending 31 days before the withdrawal, you or your spouse or common-law partner owned a home that you occupied as your principal place of residence. (Special rules apply where the home is being acquired for the needs of a disabled person.) An HBP participant must repay amounts that were withdrawn under the HBP to his or her RRSP over a 15-year period, or the unpaid amounts will be included in his or her taxable income.

First-Time Home Buyers' Tax Credit

The Budget proposes a new non-refundable tax credit for first-time home buyers who acquire a qualifying home after January 27, 2009. (The closing date for the purchase of the home must be after that date in order for the tax credit to be available.) The amount upon which the tax credit is calculated is \$5,000, multiplied by the lowest personal income tax rate for the year (15%). The First-Time Home Buyers' Tax Credit may be claimed in the year in which the home is acquired. A “qualifying home” is a home that is eligible under the Home Buyers' Plan, and which the person or the person's spouse or common-law partner intends to occupy as their principal place of residence not later than one year after the acquisition. This new tax credit will also be available for the acquisition of a home acquired after January 27, 2009 either by an individual who is eligible for the Disability Tax Credit (“DTC”) or by an individual for the benefit of a relative who is eligible for the DTC. The home must be acquired to enable the DTC-eligible individual to live in a more accessible dwelling or in an environment better suited to the person's needs. The First-Time Home Buyers' Tax Credit may be claimed either by the person who acquired the home or by his or her spouse or common-law partner. A “qualifying home” is a home that is eligible under the Home Buyers' Plan, and which the person or the person's spouse or common-law partner intends to occupy as their principal place of residence not later than one year after the acquisition. This new tax credit will also be available for the acquisition of a home acquired after January 27, 2009 either by an individual who is eligible for the Disability Tax Credit (“DTC”) or by an individual for the benefit of a relative who is eligible for the DTC. The home must be acquired to enable the DTC-eligible individual to live in a more accessible dwelling or in an environment better suited to the person's needs. The First-Time Home Buyers' Tax Credit may be claimed either by the person who acquired the home or by his or her spouse or common-law partner.

For those of you still awake, the information I have provided is for information purposes only, always consult your tax and/or investment professional for complete clarification!

Referrals

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail to kam.brar@vericoselect.com or call me at **250-686-4246**. Never dealt with me, not sure what kind of service you're going to get? [click here](#) to see what some of my clients have to say!

If you have any questions or comments please contact Kam at kam.brar@vericoselect.com or visit www.kamthemortgageman.com

