

The 2009 Federal Budget presents Canadians with a number of tax measures designed to help stimulate our economy and assist Canadians with lower and mid-range incomes. The tax measures provide incentives for individuals and small businesses alike.

What follows is a breakdown of some of the more pertinent tax measures, what will change, and what this means to you.

Changes To Personal Taxes

1. Personal Income Tax Rates

The Budget has increased personal income tax brackets for 2009. These increases would directly benefit Canadians with low to mid-level incomes.

The previously announced personal tax brackets for 2009 were:

Rate	Income
15%	Up to \$38,382
22%	Between \$38,382 and \$77,664
26%	Between \$77,664 and \$126,264
29%	Over \$126,264

The new Federal Budget offers the following increased tax brackets:

Rate	Income
15%	Up to \$40,726
22%	Between \$40,726 and \$81,452
26%	Between \$81,452 and \$126,264
29%	Over \$126,264

The first increased tax bracket will provide a federal tax savings of \$132. The second will provide a saving of \$76. No tax savings are offered in the third and fourth tax brackets.

2. Basic Personal Amount

The amount of income that you are able to earn before paying federal income tax is referred to as your “basic personal amount”. The basic personal amount, spouse or common-law partner amount and the eligible dependant amount will be increased to \$10,320. This amount is an increase from the previously announced \$10,100. This change translates into a \$33 savings in 2009 for each applicable credit.

3. Age Credit

The age credit is available for Canadians aged 65 and older and is calculated by multiplying the age amount by 15%. The new Budget gives a \$1,000 increase in the age amount to \$6,408.

This increase in the age amount provides a federal tax savings up to \$150 depending upon your annual taxable income. This credit begins to be phased out when net income exceeds \$32,312 and is fully phased out when net income reaches \$75,032.

Tax Measures For Homeowners

1. Home Renovation Tax Credit (HRTC)

This non-refundable tax credit is for individuals doing home renovations on eligible dwellings and offers a 15% tax credit based on eligible expenditures over \$1,000 to a maximum of \$10,000. The maximum federal tax credit is \$1,350 ($[\$10,000 - \$1,000] \times 15\%$).

So exactly how does this exciting tax measure work? There are a number of criteria that affect this tax credit.

- Work must be performed or goods acquired between January 28, 2009 to January 31, 2010. **Please note, the credit is not available if the expenditure is made pursuant to and agreement entered into before January 28, 2009.**

Continued on next page.

- There is a single HRTC limit per family. In this case, the definition of a family is an individual along with his or her spouse or common-law partner and their children under age 18.
- The tax credit can be claimed entirely by one member of the family or shared among family members up to the maximum credit amount.
- When two or more families share in the ownership of one property, each family is eligible for the tax credit.
- An eligible dwelling is a person's principal residence or the principal residence of one or more family members.
- When a home is used to earn business or rental income, qualifying expenditures made to common areas of the house or benefitting the entire unit must be allocated between personal and income-earning use to determine the portion that qualifies for the tax credit.

You can apply for the HRTC based on a renovation or an alteration of an eligible dwelling provided that the changes are enduring and integral to the dwelling. The following expenditures are eligible:

- Expenditures on labour and professional services.
- Building materials
- Fixtures
- Equipment rentals
- Permits

The following expenditures do not qualify for the HRTC:

- Routine repairs and regular maintenance
- Appliances
- Audio-visual electronics
- Financing costs - furniture, draperies etc.
- Construction equipment
- Tools

All expenditures must be supported by receipts and will not be eligible if provided by a non-arm's length personal unless he or she is legally registered for GST/HST purposes.

2. First Time Home Buyers' Tax Credit

A \$5,000 non refundable tax credit for "first time home buyers". This tax credit is for the purchase or construction of a home after January 27, 2009.

You are considered a first time home buyer if neither you nor your spouse or partner owned and lived in another home during the calendar year of the purchase or any of the four preceding calendar years.

Any unused tax credit may be claimed by the spouse or partner to a combined maximum of \$5,000. The tax credit is also available to individuals eligible for the disability tax credit.

3. Home Buyers' Plan

After January 27, 2009, a first-time home buyer will be able to withdraw up to \$25,000 from an RRSP to put towards the purchase or construction of a new home without having to pay tax on the withdrawal. This is an increase of \$5,000 over previous years.

Funds withdrawn from an RRSP must be used to by October 1st the following year and must be paid back into the RRSP within 15 years. The amount is not repaid within 15 years will be added to the individual's income for that year.

There are special rules for disabled beneficiaries even if first-time home buyer's requirements are not met.

Continued on next page.

Registered Retirements Savings Plans

Under current tax rules, in the absence of a spousal or dependent rollover, the Fair Market Value of investments in an RRSP or RRIF at the time of an annuitant's death is included in the income of the deceased for the year of death.

The Budget allows a deductions for the decrease in the value of investments held in an RRSP or RRIF between the annuitant's death and the final distribution of property. This deduction would be carried back and deducted against the year-of-death RRSP/RRIF income inclusion. This measure will apply where the final distribution from the RRSP or RRIF occurs after 2008.

Tax Measures For Small Business Owners

1. Small Business Deduction

Currently, private corporations are allowed to pay a low rate of federal tax (11%) on the first \$400,000 of qualifying business income. The new budget will increase the income amount to \$500,000 for fiscal periods ending in 2009.

2. Computers – Accelerated Tax Depreciation

This tax measure encourages businesses to invest in computer systems and is available for computers and software acquired after January 27, 2009 and before February 2011.

Businesses can write-off an eligible computer within one year if purchased before February 2011.