

# A PRACTICAL GUIDE TO UNDERSTANDING THE CANADIAN DISABILITY TAX CREDIT

The Government of Canada, in an effort to better serve its disabled citizens, offers a variety of tax initiatives designed to help offset the unique expenses these people incur relative to their disability.

This short guide is intended to provide the disabled and their families with information that will help them determine their eligibility for one such initiative: the Canada Revenue Agency's *Disability Tax Credit*. The hope is that these persons will take the time to read the information contained herein and then use said information to access important benefits made available to them by the Canadian government.

## **THE DISABILITY TAX CREDIT**

The Disability Tax Credit (DTC) has been in existence since 1988. It is a non-refundable tax credit designed to lower the tax burden of the disabled, thereby increasing the amount of income available to them to pay for healthcare related expenses. The disability tax credit is a fairness measure intended to ensure that people with disabilities and their families are able to retain a certain minimum quality of life that would otherwise be compromised by said expenses. To qualify, the disabled person must experience a prolonged and significant impairment of their mental or physical functions resulting in their ability to perform at least one of their basic daily life activities being markedly affected.

In certain cases, the disabled or their family may be eligible to claim up to 10 years of DTC credit retroactively. However, should the application of the disability tax credit result in a negative tax balance the negative amount does not create a 'refund' situation and no such refund is issued.

It is possible to transfer any unused portion of an eligible person's disability tax credit amount to a "supporting person." For the purposes of the disability tax credit a 'supporting person' is defined as someone who the disabled person relies/relies upon for some or all of their food, shelter and clothing needs. This supporting person can be a spouse, parent, child, grandparent, grandchild, sister, brother, aunt, uncle, niece, nephew or common-law partner of the disabled person.

## **THE DISABILITY TAX CREDIT CERTIFICATE (FORM T2201):**

No application for the disability tax credit shall be considered until the disabled person first fills out and submits to the Canada Revenue Agency (CRA) a completed "[Disability Tax Credit Certificate](#)" form T2201. This form - which can be obtained online - contains a self-assessment questionnaire which will help the CRA determine the eligibility of the filer's case and also provide the filer with information that may be helpful as the application process moves forward. (It should also be mentioned that, even if, for income reasons, a person is unable to actually receive any refund or benefits from the disability tax credit application, if they are approved for the disability tax credit after filling the T2201 they can still qualify for the [Registered Disability Savings Plan](#).)

The Disability Tax Credit Certificate form T2201 is composed of two parts which must both be filled out in their entirety. Part "A" provides information about the disabled person including their name and

address, their date of birth and their SIN number. If disability tax credit benefits will be transferred to a “supporting person” as mentioned above, information about that person must also be provided including their relationship to the disabled person, their SIN number and more. Part “A” of form T2201 is also where information is collected detailing the financial relationship between the disabled applicant and the supporting person. The supporting person is not required to be living at the same residence with the disabled person but evidence must be provided detailing the disabled person’s financial dependency if they are at separate residences.

Part “B” of form [T2201](#) is to be filled out by a qualified medical practitioner familiar with the case of the prospective disabled claimant. What qualifies a medical practitioner to be considered “qualified” will be determined by the condition in question. The chart below is intended to help prospective claimants determine exactly which type of medical practitioner Part “B” should be sent to for completion.

CONDITION:	QUALIFIED PRACTITIONER:
Blindness/Vision Impairment	Optometrist or Medical Doctor (MD)
Speaking Impairment	Speech-Language Specialist, Pathologist, MD
Deaf/Hearing Impairment	Audiologist or MD
Walking Impairment	Occupational Therapist, Physiotherapist, MD
Elimination (bladder or bowel functions)	MD
Feeding	Occupational Therapist, MD
Dressing	Occupational Therapist, MD
Impairment of mental functions required to everyday life	Psychologist, MD
Life-Sustaining therapy to support a vital function	MD
Cumulative effects of significant restrictions	Occupational Therapist (for walking, feeding and dressing only) or MD

### **RESPONSIBILITIES OF THE QUALIFIED MEDICAL PRACTITIONER**

The medical practitioner shall determine which categories on form T2201 will need to be completed with regard to the patient’s disability. It will be up to the medical practitioner to determine whether the patient’s condition amounts to being “markedly restricted” with regard to the performance of basic daily living skills and activities. Such determination will be arrived at by answering questions provided on the form. The medical professional will also indicate to the best of their ability the date on which the marked restriction began. While this date is not necessarily the date of the original diagnosis it is important nonetheless because CRA will use this initial date as the date when the disabled person became disability tax credit eligible, meaning it will impact and may limit the disabled person’s ability

to claim retroactive benefits (read ahead for additional information regarding claiming previous years). For the record, categories of eligible conditions are:

- vision
- hearing
- walking
- elimination (bowel or bladder functions)
- feeding
- dressing
- mental functions necessary for everyday life
- cumulative restrictions
- Life-sustaining therapy (required at least 3 times a week for a minimum of 14 hours per week)

Once both Parts “A” and “B” of form T2201 are completed and signed by all appropriate parties the form is forwarded to the CRA for consideration. Remember to keep a copy of everything you send to the CRA relative to your application for the Disability Tax Credit as this will save time and trouble should submitted documents get lost.

It is entirely possible that the Canada Revenue Agency may decline a disability tax credit request based on the submitted information. If this occurs the disabled person has the right to amend their submission with additional relevant information. If the disability tax credit request is denied yet again the disabled person retains the right to launch a Formal Objection in order to appeal the decision and seek a reversal. You can find information related to launching a Formal Objection on form T2201.

### **APPOINTING A REPRESENTATIVE**

If the prospective claimant requires assistance either filling out or submitting a T2201 they may want to appoint another person or organization to represent them. If that is the case the disabled and claimant (if applicable) will need to complete [CRA form T1013](#) (“Authorizing or Cancelling a Representative”). This form will empower the named individual or organization to act as their representative to the CRA and give them access to the disabled’s CRA tax records. Like the T2201, form T1013 can also be downloaded from the web.

### **QUALIFYING FOR THE DISABILITY TAX CREDIT**

The Disability Tax Credit is intended to help those suffering a severe and prolonged impairment of either mental or physical function. Such impairment must result in the person being markedly restricted all or most of the time in their ability to carry out a basic daily activity. If they require and receive extensive therapy that allows them to perform a basic daily activity they might also qualify. By definition of the CRA a “prolonged impairment” is one that has lasted or is expected to last for a period of at least 12 consecutive months. The CRA defines “markedly restricted” as meaning that a person is unable to perform - or that it takes them an inordinate amount of time to perform - one or more basic daily skills or functions even with the assistance of therapy (aside from the aforementioned life-sustaining therapy which supports a vital function), appropriate assistive devices and/or medication. To be clear, CRA guidelines require this marked restriction to be present 90% of the time or more.

All information relevant to the disabled’s condition will be included on the T2201 form, certified by the appropriate qualified medical practitioner and submitted to the Canada Revenue Agency by the disabled or their designated representative. Such information shall demonstrate that the disabled has a

prolonged impairment (as defined above by the CRA) and that the effects of that impairment result in at least one of the following conditions being applicable:

- That the claimant is blind and that corrective lenses or medication do not relieve their blindness.
- That they are 'markedly restricted' in the performance of any of the following basic daily functions:
  - Hearing
  - Speaking
  - Walking
  - Bowel or bladder functions
  - Eating
  - Dressing
  - or in the performance of basic mental functions required for everyday life
- That they require life-sustaining therapy to support one of their vital daily functions and that this therapy occupies a certain amount of time per day.
- Or that one of the following criteria applies:
  - That because of such impairment the claimant is significantly restricted in at least 2 basic daily activities.
  - That the disabled is significantly restricted in vision and one or more basic daily activities, regardless of therapy, appropriate assistive devices and/or medication.
  - That any restrictions exist concurrently at least 90% of the time.
  - And that the claimant's restrictions are equivalent to being markedly restricted in a basic activity of daily living.

## **MEDICAL RECORDS / REVIEWS**

In recent years the CRA has taken a more conservative stand when it comes to getting approved for the disability tax credit. Requests for increasingly detailed medical records have become the norm and in many cases CRA will not approve a disability tax credit application without a concurring second opinion as well. As a result, great care must be taken when filling out form T2201 to ensure total accuracy of the information submitted when applying for the disability tax credit.

It is also important to note the length of period that the certifying medical practitioner has been the attending and qualified practitioner of the disabled being assessed for the T2201 completion. CRA may require additional proof of the patient's impairment if the certifying practitioner's relationship with the client is recent.

## **DOCTOR CLARIFICATION QUESTIONNAIRES**

### **PROOF OF IMPAIRMENT**

CRA plainly states that a diagnosis of impairment is not enough. The medical practitioner must provide details regarding the exact nature of the claimant's impairment and how it impacts her or his ability to perform 1 or more of the basic activities for daily living. Even then, upon review, CRA may determine the information is either insufficient or contradictory, in which case they will contact the medical practitioner for additional information or clarification.

## **DURATION OF IMPAIRMENT**

The medical practitioner must provide confirmation that the significant impairment will last or has lasted continuously for a period of at least 12 months. They must also signify whether the claimant's marked restriction is likely to improve and when they believe that may happen.

The medical professional must address both issues to the satisfaction of the CRA. In some cases the CRA may request additional documents or information pertaining to the disability before they will render a decision. Failure to comply with these requests will almost certainly result in the claim being denied.

## **QUALIFYING FOR RETROACTIVE BENEFITS**

Once approved for the Disability Tax Credit, the qualified individual or their supporting person are allowed by the Income Tax Act to refile their income tax returns for up to 10 of the previous years when, for whatever reason, they received no benefits under the disability tax credit. This could result in a significant refund of taxes previously paid by the disabled individual or their supporting person. It should be noted that the refund cheque may take up to 6 months to be processed.

## **FUTURE FILING**

Once approved for the disability tax credit, the disabled person or their supporting person may claim the credit for all future years in which the disability remains in place. It is possible that a permanent grant of the Disability Tax Credit will be issued and therefore the disabled person or their supporting person will be eligible to claim the disability tax credit on the tax return for all subsequent years. If the supporting person is the one claiming the credit such claim shall be entered on line 318 or their tax return. If the disabled person is claiming the credit themselves the claim shall be entered on line 316 of their income tax return. Such claim will reduce the tax due in the current year to as little as zero and such will be the case for subsequent years as well.

## **THE DISABILITY TAX CREDIT FOR CHILDREN**

The CRA's Child Disability Benefit (CDB) provides up to \$224 per month in supplemental benefits to families caring for a disabled child under 18 years of age. The child must be eligible for the Disability Tax Credit, meaning they must exhibit a 'severe and prolonged impairment' of normal mental and physical functions.

## **CALCULATING THE CDB**

The amount you receive through the CDB program is calculated based on family net income. Family net income is the income entered on line 236 of your tax return. If you are married or have a common law spouse their income is added to yours to determine the total family net income. This final total may be adjusted to exclude any Registered Disability Savings Plan (RDSP) income you receive, along with any Universal Child Care Benefit (UCCB).

## **RETROACTIVE CDB BENEFITS**

If you qualify for the Disability Tax Credit's retroactive benefits you may also qualify for retroactive benefits of up to \$2,500 per year under the CDB.

## **THE REGISTERED DISABILITY SAVINGS PLAN (RDSP)**

The RDSP is intended to provide parents, supporting persons or others caring for a disabled child under 18 years of age the ability to save money that can be put toward the long-term care of the disabled child. Once a person is approved for the disability tax credit, eligibility for the RDSP is automatic. A person is qualified to open an RDSP if they are:

- Less than 60 years old
- The legal parent of the disabled child
- The legal guardian or other individual authorized to act on behalf of the disabled child
- A public agency or other institution empowered to act on behalf of the disabled child

RDSP contributions are not tax deductible although disbursements from the RDSP are not considered as net income for the beneficiary. Other types of benefit income are, however; including that from:

- The Canada Disability Savings Grant
- The Canada Disability Savings Bond
- Investment income derived from the plan
- Various rollovers

## **THE CANADA DISABILITY SAVINGS GRANT**

The Canada Disability Savings Grant (CDSG) is a matching contribution from the government of Canada to an RDSP. This matching amount will be either 100%, 200% or 300% depending on the income of the beneficiary's family as well as the amount contributed to the RDSP. Note that the beneficiary's family income is indexed to inflation.

A single RDSP is eligible to receive up to \$3,500 in matching funds annually with a lifetime ceiling of \$70,000. RDSP contributions from the CDSG may continue up until December 31st of the calendar year in which the beneficiary turns 49.

### **For family income of \$87,907 or less the CDSG amount is:**

- \$3 for each dollar contributed up to \$500: maximum \$1,500 per year
- \$2 for each dollar contributed on the next \$1,000: maximum \$2,000 per year

### **For family income of more than \$87,907 the CDSG amount is:**

- \$1 dollar for every dollar contributed up to \$1000: maximum of \$1,000 per year

## **CONCLUSION**

The Disability Tax Credit has proven a significant aid in allowing persons with disabilities or their supporting persons to restore a modicum of financial breathing room in their life which was taken from them by extraordinary costs incurred relative to a disability. Benefits provided by the disability tax credit can be substantial and are something every disabled person should consider applying for. If, for whatever reason, you are unable to complete the necessary forms on your own, or are simply uncomfortable doing so, you should not hesitate to retain the services of a qualified individual or organization for assistance.