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Children's Arts and Cultural Activities

When the Children's Fitness Tax Credit was introduced in 2007, similar credits were introduced by some of the provinces. These credits had broader eligibility criteria and included non-sports programs such as music and art. The federal government has finally recognized the importance of these programs with the introduction of the new Children's Arts Tax Credit in the 2011 Budget. This article will be the first in a series of articles that will provide comparisons of various income tax credits being offered by the federal government and various provinces.

Federal Credits

Children's Fitness Tax Credit

Since its introduction in 2007, the Children's Fitness Tax Credit has provided a 15% non-refundable tax credit for families who register their children in a program that involves physical activity. A taxpayer can claim up to \$500 of expenses for each child who is under the age of 16 at the beginning of the taxation year. This will result in a tax credit of \$75.

The age limit has been increased to include children under the age of 18 if the child is also eligible for the disability tax credit. The taxpayer can also claim an additional \$500 disability supplement amount as long as a minimum of \$100 is paid in eligible expenses. This is to recognize

the additional expense children with disabilities incur in order to participate in such programs, such as specialized equipment, attendant care, and transportation.

Children's Art Tax Credit

Beginning in 2011, the Children's Arts Tax Credit will allow taxpayers to claim a 15% non-refundable tax credit for the cost of children's artistic, cultural, recreational, or developmental activities. The rules surrounding the new credit, including age and monetary limits, are the same as under the Children's Fitness Tax Credit. The only difference is the kind of activities that would be eligible for the credit.

The eligible activities include supervised activities suitable for children that:

- contribute to the development of creative skills or expertise in an artistic or cultural activity;
- provide a substantial focus on wilderness and the natural environment;
- help children develop and use particular intellectual skills;
- include structured interaction among children where supervisors teach or help children develop interpersonal skills; or

- provide enrichment or tutoring in academic subjects.

Programs that are eligible for the credit must include a significant amount of eligible activities and must be either

- a weekly program lasting a minimum of eight consecutive weeks or,
- in the case of children's camps, a program lasting a minimum of five consecutive days.

Programs that are offered as part of a school curriculum are not eligible.

Where a child has membership in a club, association, or similar organization, the cost of membership is eligible for the credit if more than 50% of the activities include a significant amount of eligible activities.

Nova Scotia

Sports and Recreational Activity Tax Credit

Nova Scotia introduced this credit for children, also known as the Healthy Living Tax Credit, in 2005.

Taxpayers who register their children in a designated sport or recreational activity are eligible for a maximum non-refundable credit of \$500 per child. Nova Scotia uses its lowest personal tax rate (8.79%) to calculate the credit of \$43.95 per child. The credit is available for children under the age of 18 at the end of the year.

The 2008 Budget announced that Nova Scotia would extend the credit to all Nova Scotians and remove the age limit. However, Nova Scotia did not implement this proposal or enact any legislation due to budgetary constraints.

Programs or organizations offering sports, physical recreation, or physical activities must register with the Nova Scotia Department of Health and Wellness in order to qualify for this credit. Their Web site, which can be found at <http://www.gov.ns.ca/hpp/pasr/healthy-living-eligibility-2011.asp>, shows a list of registered programs.

To date, Nova Scotia has not announced an intention to extend this credit to arts and cultural activities.

Manitoba

Children's Fitness Tax Credit

Manitoba introduced a non-refundable Children's Fitness Tax Credit in 2007. The eligibility criteria are similar to the federal credit. In 2011, however, Manitoba expanded the eligibility to include individuals up to the age of 25 and renamed the credit to the Fitness Tax Credit.

The eligible expenses are up to \$500 and Manitoba also allows individuals with disabilities to claim an additional \$500 amount so long as at least \$100 is spent on qualifying activities.

Manitoba calculates the credit using the lowest personal income tax rate (10.8%), for a maximum credit of \$108 for individuals with disabilities and \$54 for other individuals. Spouses or common-law partners of individuals aged 18 to 25 may claim the credit.

Children's Arts and Cultural Activity Tax Credit

This credit, introduced in 2011, is a 10.8% non-refundable credit for the cost of eligible artistic, cultural, recreational, and developmental activities such as supervised lessons in music, dramatic arts, dance and visual arts, language instruction, natural environment and wilderness activities, private tutoring in school subjects, and the development of interpersonal skills.

Children's organizations such as Girl Guides, Scouts, Cadets, and 4H will also qualify. Taxpayers can claim eligible expenses of up to \$500 per year for each child under the age of 16. Taxpayer of children under the age of 18 with disabilities can claim an additional \$500 per year if at least \$100 is spent on eligible activities.

Yukon

Child Fitness Tax Credit

Similarly, the Yukon introduced the Yukon Child Fitness Tax Credit in 2007 to match the federal government's credit.

However, the Yukon did not introduce its own legislation but simply took the amount under the federal Children's Fitness Tax Credit and used its lowest tax rate (7.04%).

Accordingly, the maximum credit is \$35.20 for most children and \$70.40 for children with disabilities. These amounts are 5% higher for taxpayers who are subject to the territorial surtax. All eligibility criteria are identical to the federal credit.

Currently, there is no indication that the Yukon will announce an intention to match the new federal Children's Arts Tax Credit.

Saskatchewan

Active Families Benefit

Saskatchewan introduced the Active Families Benefit in 2009. It provides a maximum rebate of up to \$150 per child for the cost of participation in eligible programs.

This refundable credit was the first to expand eligibility to include cultural and recreational activities, as well as sports. Eligible cultural activities include programs in the arts (including literary arts, visual arts, performing arts, film and video, crafts, and electronic and multimedia arts), heritage (including language, customs, genealogy, cultural legacy, historic sites, and archaeology), and multiculturalism (with respect to race, culture, religion, ethnicity, or ancestry).

Eligible recreational activities include cultural, physical, outdoor, leadership, and leisure activities designed to provide physical, emotional, or mental benefit.

In terms of monetary and eligible activities, the credit is more generous than others. However, it is restricted to children aged 6 to 14.

Ontario

Children's Activity Tax Credit

Ontario was the latest province to offer such credits when it introduced the 10% refundable Children's Activity Tax Credit in September 2010.

Credit amounts are indexed annually for inflation. Accordingly, for 2011, the maximum credit amount is \$509, for a maximum credit of \$51 per child or \$102 per child with a disability.

Activities eligible for the Ontario credit include fitness activities, as well as certain non-fitness activities, designed for children. Fitness activities eligible for the credit include those eligible for the federal credit.

Non-fitness activities eligible for the credit include instruction in music, dramatic arts, dance, and visual arts, language instruction, wilderness and natural environment activities, activities designed to teach children interpersonal skills, and tutoring in academic subjects.

Other Jurisdictions

In the fall of 2008, the Alberta Legislature passed a private member's Bill to introduce a physical activity tax credit. However, the bill has never been proclaimed in force.

To date, none of the other provinces or territories have introduced similar credits.