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Tax incentives for Post-Secondary Graduates

This article deals with provincial incentives to further post-secondary education, retain graduates within their jurisdictions, or attract them from elsewhere. It is the second in a series of articles on how certain tax credits compare among various provinces and/or the federal government.

The five provinces that have these types of incentives available to post-secondary graduates are Nova Scotia, New Brunswick, Quebec, Manitoba, and Saskatchewan. These credits are in addition to the general tax credits available to students for tuition and education expenses, which are standard in most provinces. The general purpose of these additional tax incentives is not to attract talent from other jurisdictions, but primarily to retain talent already in the province. To accomplish this, these credits are only available to residents of that particular province and applied against their provincial taxes payable. They are also structured to be paid out over several years, thus creating an incentive for the graduate to remain in the jurisdiction.

Nova Scotia Graduate Retention Rebate

This non-refundable credit is very simple and applies for a period of six years, including the year of graduation. A university graduate can deduct an amount of \$2,500 per year from their income for a total deduction of \$15,000, and college graduates can deduct \$1,250 per year for a total of \$7,500. The amount of the credit is not dependent upon the amount of tuition paid.

It is important to note that deductions not used in any particular year cannot be carried forward, so graduates who do not find paid employment immediately after graduation will not benefit to the full extent of the credit. To qualify, graduates need not have gone to university or college in Nova Scotia—they simply need to have graduated from a Designated Educational Institution, and live and work in Nova Scotia. The rebate is claimed on the graduate's income tax return.

New Brunswick Tuition Rebate

The Nova Scotia Tuition Rebate allows a graduate of a qualified educational institution to request a

rebate of provincial taxes paid of the lesser of:

- up to \$4,000 per year, to a maximum of \$20,000; or
- 50% of total tuition paid since January 1, 2005;

Unlike those in other provinces, this rebate is not applied to reduce income on the tax return; instead, the graduate must file a rebate application after receiving a notice of assessment for the year showing that New Brunswick taxes were indeed paid. The rebate will then be paid by cheque or direct deposit, depending on the circumstances.

Unlike in Nova Scotia, if the graduate has insufficient income to claim the full \$4,000 credit in any year, he/she has up to 20 years from the date that the tuition was paid to claim the full \$20,000 rebate available. The student must remain living in the province to qualify.

The graduate need not have gone to school in the province to qualify and there is no distinction as to the type of institution attended (i.e., college or university). If a graduate has obtained more than one degree or has attended more than one institution, he or she can apply the tuition paid to all programs or institutions, provided they qualify, up to the \$20,000 lifetime maximum.

Quebec Tax Credit for Recent Graduates Working in Remote Resource Regions

The Quebec credit is a bit different in that it is restricted to graduates moving to or working in certain parts of the province. It only applies to graduates living in the following regions:

- Bas-Saint-Laurent;
- Saguenay-Lac-Saint-Jean;
- Abitibi-Temiscamingue;
- Cote-Nord;
- Nord du Quebec;
- Gaspesie-Iles-da-la-Madeline;

- The urban agglomeration of LaTuque; and
- The regional county municipalities of Antoine-Labelle, Vallee-de-la-Gatineau, Mekinac, and Pontiac.

The Quebec credit also works differently, in that it is not tied to the tuition a graduate pays, but rather to the income that is reported. It is a non-refundable credit of 40% of the graduate's eligible wages, up to a maximum of \$3,000 per year, to a cumulative maximum of \$8,000. The graduate must reside in one of the eligible regions mentioned above, and be working in that region at a job related to his or her field of study, within 24 months of graduation.

To qualify, the graduate must have graduated with a degree, diploma, or certificate from a Quebec Educational Institution, or an institution outside Quebec for which the Minister of Immigration and Cultural Communities has issued an equivalence. A form (TP-776.1ND-V) must be filed with the graduate's Quebec income tax return in order to claim the credit. Thus, Quebec's credit is a bit more restrictive than that of the other provinces.

Manitoba Tuition Fee Income Rebate

Graduates who obtain their degrees or diplomas after January 1, 2007 can claim a credit against their Manitoba taxes on tuition fees paid since 2003. The credit is calculated based on 60% of tuition fees paid since 2003, and is limited to 10% of such eligible fees per year, to a maximum of \$2,500 per year. Thus, it will take at least 6 years for graduates to accumulate the full 60% deduction. The maximum lifetime deduction is \$25,000, and graduates who cannot claim the full credit in any year can carry the credit forward for up to 20 years.

The individual can have graduated from any institution in the world, as long as the tuition fees qualify for the federal tuition tax credit. The rebate is a non-refundable tax credit that is applied to the Manitoba taxes payable, and is claimed directly on the provincial tax return. The fees paid can be for any number of courses. They expire on a "first in" and "first out" basis, and expire entirely after 19 years. The first claim must

be made within 10 years of graduation. This rebate will not affect bursaries and scholarships or the regular tuition and education credit.

An eligible post-secondary student may claim an advance on his or her rebate by applying for an advanced refundable tax credit. This advanced credit is limited to 5% of tuition paid, up to \$250 for 2010 (\$500 for subsequent years), to a maximum of \$5,000. This advance credit applies to reduce any subsequent tuition fee rebates described above.

Saskatchewan Graduate Retention Program

Saskatchewan was the first province to introduce a graduate retention program. The program has been through several revisions and this article will only comment on the most current version.

The current graduate retention program allows for a refundable credit to qualifying graduates based on the amount of tuition actually paid, with certain maximums established for differing programs as set out below:

- Programs of less than two years, including journeypersons—\$3,000
- Two or three-year certificate and diploma programs—\$6,400
- Three-year undergraduate degrees—\$15,000
- Four-year undergraduate degrees—\$20,000

It is interesting to note that Master or Doctorate degrees do not qualify for this credit.

A student who graduates from more than one program can apply all programs toward this credit; however, there is a lifetime maximum of \$20,000. Eligible programs must be at least six months in duration and must result in either a certificate, diploma, or undergraduate degree, or provide certification to a journeyperson. Eligibility for the credit depends on obtaining a certificate of graduation from the Student Financial Assistance Branch of the Saskatchewan Ministry of Advanced Education, Employment & Labour. The graduate need not have attended a Saskatchewan institution as long as he or she can obtain the certificate.

To encourage its graduates to stay in Saskatchewan, the program will apply to pay out the credits as follows:

- 10% of the maximum tuition rebate in the first four years after graduation; and
- 20% of the maximum tuition rebate in the following three years.

This has the effect of enticing the graduates to stay in Saskatchewan for at least seven years or lose the full benefit of the program. It is a refundable tax credit, so to the extent that it exceeds any provincial tax that is owed, a refund is due to the graduate.