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These taxing times

By CARLY WEEKS

Tax time is usually about as welcome as a snowstorm in April. But this year, the annual ritual of hunting for receipts and struggling to understand accounting jargon is trying the patience and sanity of Canadians in myriad new ways.

Canadians who have been laid off, taken a pay cut or have a spouse who did, face the challenge of learning how to account for those changes on a tax return.

The frustration and strain from thousands of recession-weary Canadians is clear. As the April 30 deadline looms, people have been placing an escalating number of calls to the Taxpayers' Ombudsman's office, which handles public complaints about the Canada Revenue Agency.

"We have been getting more calls in recent weeks and in recent months," ombudsman Paul Dubé said. "We're seeing an increased level of frustration [from] taxpayers. They're under more stress is I guess what we're noticing."

Tax experts say even those who haven't been directly affected by the economic downturn are asking more questions, examining their returns line-by-line and looking to take advantage of the most minuscule tax credits in hopes of saving a few bucks.

"People are willing or want to make sure they're not paying any more taxes than they absolutely have to," said Alan Rowell, tax services specialist at the Accounting Place, a Stoney Creek, Ont., business that handles tax returns from across the country.

The office has seen a spike in requests from Canadians looking for help in filing their tax returns, Mr. Rowell said, a trend he attributes to a new consumer mentality that puts a premium on saving money.

"I think people who were doing it online before or doing it themselves are being more careful and want to make sure it's right."

Calls have also been pouring into H&R Block Canada from people who want to understand the implications of a change in income or a loss of investments.

"I hate to use the term 'being scared' but I think that's what it is," said Cleo Hamel, senior tax analyst at H&R Block Canada. "We were in such a very comfortable place. ... Everyone was happy and things were strolling along, and all of a sudden we've hit this bump in the road that's really throwing a lot of uncertainty into things."

But Ms. Hamel has noticed that while more people are showing concern over tax returns, fewer want to pay a professional to prepare them.

"I would say the cost probably does have a lot to do with it this year. There are do-it-yourselfers that just choose to do it themselves."

She warned that anyone who prepares his or her own tax return shouldn't rush through the job. Taking the time to figure out which tax credits you qualify for and looking for old receipts pays off, Ms. Hamel said. Many of her clients are unaware that certain medical expenses, transit passes and interest on student loans can be used to boost their refund, for example.

"They may not bring hundreds or thousands of dollars in savings, but whatever they are contributing in terms of a refund, I think people are more interested in taking advantage of them."

On the flipside, a major change in employment or income can leave unwitting Canadians holding a tax bill instead of a refund.

One major surprise for people who have been laid off is that their severance packages can be taxed at a very high rate, depending on its worth. Married or common-law couples who took advantage of pension splitting in order to qualify for a lower tax bracket may find that the benefits are no longer there if their income level has changed. And people who took on several part-time jobs over the course of a year may end up paying more in taxes than they would have earning the same income at one steady job.

"People are shocked," Mr. Rowell said. "They just figure they're going to stay at the same [tax rate]."

The accountant says the recession's toll is obvious. Whereas many clients were once content to simply hand over the information and have their returns prepared, now they are visibly anxious, demanding more answers and wanting to be involved in every step of the process.

"People are concerned, there's no question," Mr. Rowell said. "They're a little more touchy this year whereas last year maybe a \$100 fluctuation on their taxes from the prior year didn't matter."

Surprising deductions

Canadians aren't taking tax season lightly this year. The economic downturn means many people are paying greater attention to their returns in hopes of finding small savings and boosting refunds. Tax experts say there's a wide assortment of underused tax credits and a surprising amount of expenses that can be written off. The only catch: You may have to go on the search for receipts.

Hair transplants and breast augmentation surgery: Considered a medical expense because it's considered to be beneficial to the individual's health.

Lunch-time supervision costs: Considered to be child-care expenses, which means it can be claimed on a tax return. The same applies to before and after-school programs.

Home renovation tax credit:

Recently introduced as a non-refundable tax credit and applicable on expenses between \$1,000 and \$10,000.

Student loan interest: The interest is tax deductible for the length of the loan.

Public transit credit: Individuals can claim the cost of public transit, provided they have receipts and passes as documentation.

Child fitness tax credit: Parents can claim up to \$500 per child for fees paid to enroll in a physical activity program.

Source: H&R Block Canada,

Canada Revenue Agency



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