

## Home Renovation Tax Credit

Home renovations can represent a smart investment in the long-term value of a home and generate broad-based economic activity. They can also reduce energy consumption and the long-term cost of owning a home. To support economic growth during these challenging times, Budget 2009 proposes to introduce a temporary Home Renovation Tax Credit (HRTC).

The HRTC will provide a temporary incentive for Canadians to undertake new renovation projects or accelerate planned future projects, thus providing timely stimulus to the Canadian economy while boosting energy efficiency and the value of Canada's housing stock.

### How the Temporary HRTC Will Work

The proposed HRTC will provide a temporary 15-per-cent income tax credit on eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010, pursuant to agreements entered into after January 27, 2009. The credit may be claimed for the 2009 taxation year on the portion of eligible expenditures exceeding \$1,000, but not more than \$10,000, and will provide up to \$1,350 in tax relief.

### Who Can Claim the HRTC

The HRTC will be family-based. For the purpose of the credit, a family will generally be considered to consist of an individual, and where applicable, the individual's spouse or common-law partner. Family members will be able to share the credit.

The amount eligible for the credit will be based on the total value of eligible expenditures incurred across all eligible dwellings. A dwelling will generally be considered eligible if it is used for personal purposes. This will include a house, a cottage, and a condominium unit.

It is estimated that about 4.6 million families in Canada will benefit from the HRTC.

#### Benefits of the Temporary Home Renovation Tax Credit—Examples

The following examples illustrate how homeowners can benefit from the HRTC.

- 1.** Sally and Ed are a couple who have recently purchased a house. To take advantage of the temporary HRTC, they decide to replace their windows and improve the insulation in their home in 2009, instead of waiting, incurring \$10,000 in expenditures. After taking account of the \$1,000 minimum threshold, a 15-per-cent credit will be available on \$9,000 in eligible expenditures, providing tax relief of \$1,350.
- 2.** William and Marie are a couple who are planning to purchase a more energy-efficient furnace for their home, and build a deck at their cottage sometime later. To take full advantage of the temporary HRTC, they decide to do both projects in 2009 rather than waiting. They pay \$5,000 for the furnace and \$3,500 for the deck. They also decide to have the area around the deck landscaped for \$2,500, bringing their total costs to \$11,000 (\$5,000 + \$3,500 + \$2,500). Marie claims a credit of \$1,350 on the maximum allowable amount of \$9,000. This credit is in addition to the ecoENERGY Retrofit grant that William and Marie expect to receive for installing a more energy-efficient furnace.
- 3.** Karen and Heather are sisters who share ownership of a condominium unit. They each incur \$7,500 in expenditures renovating the kitchen in the condominium, in part to provide access for Heather's wheelchair. Karen and Heather each claim a \$975 credit on eligible expenditures of \$6,500 (\$7,500 - \$1,000). This credit is in addition to the Medical Expense Tax Credit that Heather may claim on the portion of expenses eligible for that credit.

## Expenditures Eligible for the HRTC

It is proposed that the HRTC be claimed for renovations and alterations to a dwelling or the land on which it sits that are enduring in nature. For example, homeowners will be able to claim expenditures for major renovation projects such as finishing a basement, renovating a kitchen, or building an addition. Costs associated with such projects will be eligible for the credit, including permits, professional services, equipment rentals and incidental expenses.

Routine repairs and maintenance normally performed on an annual or more frequent basis (e.g. cleaning, lawn fertilization, and snow removal) will not qualify for the credit. The cost of purchasing furniture, appliances, audio-visual electronics and construction equipment will not be eligible.

Individuals will need to keep receipts for expenditures, and may claim the HRTC when filing their income tax returns for 2009.

### Examples of HRTC-Eligible and Ineligible Expenditures

#### Eligible

- Renovating a kitchen, bathroom or basement
- New carpet or hardwood floors
- Building an addition, deck, fence or retaining wall
- A new furnace or water heater
- Painting the interior or exterior of a house
- Resurfacing a driveway
- Laying new sod

#### Ineligible

- Purchase of furniture and appliances (e.g. refrigerator, stove, and couch)
- Purchase of tools
- Carpet cleaning
- Maintenance contracts (e.g. furnace cleaning, snow removal, lawn care, and pool cleaning)

The HRTC will complement support provided by the Government for Canadians to undertake energy-saving improvements to their homes. Federal grants paid through the ecoENERGY Retrofit program will not reduce the value of claims made for these expenditures under the HRTC. Eligible renovation expenditures claimed under the Medical Expense Tax Credit may also be claimed under the HRTC.