

Building the Future for Canadians

Budget 1997

Helping Canadians With Disabilities

February 1997



Canada



“Despite the many difficulties Canadians face in day-to-day life, most are able to do so as healthy, able-bodied citizens. However, Canadians with disabilities do not have the same opportunities. They face real barriers in everyday life. What these Canadians seek is not special treatment. They seek equal citizenship. And they need our support to secure it.”

*Finance Minister Paul Martin
1997 budget speech*

The Tax System and Canadians With Disabilities

Canada’s income tax system is an important mechanism for delivering assistance to people with disabilities. The system currently includes two key measures that recognize the impact of a disability on the ability to pay tax: the **medical expense tax credit** and the **disability tax credit**.

The medical expense tax credit, which is available to all taxpayers with above-average medical costs, provides combined federal and provincial tax relief of about 25 per cent of eligible medical costs – i.e. qualifying expenses that are not otherwise reimbursed and exceed the lesser of \$1,614 and 3 per cent of individual net income. Over 1.3 million Canadians claimed this credit in 1995.

The disability tax credit – available to taxpayers with a severe and prolonged physical or mental disability – reduces federal and provincial income tax by up to \$1,120. About 543,000 Canadians claimed this credit in 1995.



A number of other existing tax measures are designed to make it easier for people with disabilities to join the workforce:

- allowances provided by employers for taxi fare, para-transport, parking and attendant care are not taxable for individuals who qualify for the disability tax credit;
- earners who qualify for the disability tax credit may also deduct up to \$5,000 in attendant care expenses; and
- the education credit, normally available only to full-time post-secondary students, is available to individuals who attend part-time because of a disability.

The 1996 federal budget doubled the assistance provided to those who care for infirm dependants. It also led to the establishment of a Federal Task Force on Disability Issues which consulted broadly throughout the past summer and reported in October.

1997 Budget Measures for Canadians With Disabilities

The 1997 budget proposes a number of important initiatives which constitute part of the government's response to the Task Force report. These measures reflect the report's two key thrusts in the area of taxation: increasing tax recognition of the costs of disability, and reducing barriers to employment for people with disabilities. The budget initiatives include a number of tax measures, tariff relief and a new Opportunities Fund to help Canadians with disabilities overcome difficulties in participating more fully in society.



Improving recognition of the costs of disability

The budget proposes a substantial broadening of the medical expense tax credit to include:

- 20 per cent of the cost of a van that is adapted (or will be adapted within six months), for the transportation of an individual using a wheelchair (to a maximum of \$5,000);
- 50 per cent of the cost of an air conditioner necessary to help an individual cope with a severe chronic ailment, disease or disorder (to a maximum of \$1,000);
- expenses incurred for moving to accessible housing;
- reasonable expenses relating to alterations of the driveway of the principal residence of an individual with a severe and prolonged mobility impairment to facilitate access to a bus;
- sign language interpreter fees; and
- an increase in the limit on part-time attendant care expenses from \$5,000 to \$10,000.

Other proposed measures for Canadians with disabilities include:

- audiologists will now be allowed to certify an individual's eligibility for the disability tax credit;
- the definition of a preferred beneficiary under a trust will be broadened to include adults who are dependent on others by reason of mental or physical infirmity; and
- the *Customs Tariff* will be amended to provide duty-free entry for all goods designed for the use of people with disabilities.



Reducing barriers to employment

“Tax recognition of these [disability-related] costs is not a subsidy based on sympathy or charity but fair tax treatment.”

**Federal Task Force
on Disability Issues**

To reduce the barriers that can sometimes prevent Canadians with disabilities from entering the labour force, the 1997 budget proposes the creation of a **refundable medical expense credit** for low-income working Canadians with high medical expenses.

The new refundable credit will supplement the assistance that is already provided through the existing medical expense tax credit. The maximum refundable credit will be the lesser of \$500 and 25 per cent of eligible medical expenses. (The fact that it is “refundable” means it will be available to those who qualify even if they do not pay tax.) In order to target the credit to low-income earners, it will be available to those individuals earning over \$2,500, and will be reduced by 5 per cent of net family income in excess of \$16,069.

The refundable medical expense credit will provide additional support to about 280,000 low-income working Canadians with disabilities.



Opportunities Fund

The 1997 budget proposes the creation of a new Opportunities Fund of \$30 million a year over three years. The Fund will help to develop strategies that reduce barriers to participation for Canadians with disabilities who are seeking to move from reliance on social assistance to greater financial independence.

The Fund's primary objective will be to generate innovative projects, which will be developed in partnership with disability groups and the private sector, working in conjunction with provincial governments. During its third year, the Fund will be evaluated to determine future directions and federal involvement.

\$100 million in additional assistance

Together, the measures proposed in this budget provide an additional \$100 million of support annually to the disabled community.

Extending VRDP

The Vocational Rehabilitation of Disabled Persons Program (VRDP) has been helping people prepare to participate in the workforce or rejoin it after they have become disabled. The government announced in December that this program is being extended for another year with federal funding of \$168 million, which will be matched by provinces and territories.



Supporting the Voices of Persons With Disabilities

Voluntary and non-governmental groups play an important role in helping people with disabilities lead productive lives. The federal government will maintain funding to these groups at 1996-97 levels. As of 1997-98, it is committing \$5 million for operational funding, \$4.6 million for project funding and \$3 million in support of community integration.

“The Government of Canada is committed to enhancing the well-being of Canadians with disabilities, and improving the economic opportunities open to them.”

*Pierre Pettigrew
Human Resources
Development Minister*

Looking Ahead

The Government of Canada will continue working with groups representing people with disabilities to ensure that its measures are as effective as possible in addressing the needs of Canadians with disabilities.



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