

Your renovation toolbox now includes the popular federal tax credit

Despite the general economic slump, Canadians still have renovation fever. Renovating is seen by some as an alternative to “moving up”, and is also an excellent way to bolster the value of your principal asset. And there’s another incentive, too; this year you have the Home Renovation Tax Credit (HRTC), which is perhaps the most powerful new addition to your renovation toolbox.

For renovations done between January 28, 2009 and February 1, 2010, you’re eligible to claim a 15% credit against any of your renovation expenses after the first \$1,000. The maximum tax credit is \$1,350, which represents \$9,000 worth of renovations. It’s no small change; remember that a tax credit comes directly off your taxes owing.

Here are a few things to know about the tax credit. Renovations must be to any dwelling that you own and use personally, or is used by a spouse or child. Eligible dwellings include a cottage, provided it is for personal use. Rental properties are not eligible, although you may qualify for the credit if, for example, you renovated the personal use areas on a house that is your principal residence but which contains a rental unit. For expenditures made for common areas or that benefit the housing unit as a whole (such as re-shingling a roof), you must divide the expense between personal use and income-earning use.

A huge range of renovation expenses qualifies for the credit:

- renovating a kitchen, bathroom or basement,
- building an addition, deck, shed, or fence,
- new carpet or hardwood floors,
- installing a new furnace, fireplace or water heater,
- re-shingling a roof, a new driveway or resurfacing,
- painting (interior or exterior),
- permanent swimming pools, sodding or some landscaping.

Essentially the renovation must be of an enduring nature and integral to the dwelling, and can include the cost of labour and professional services, building materials, fixtures, rentals, and permits. Though it’s a great time to purchase furniture, appliances, electronics, or tools, these are not eligible for the tax credit. The cost of routine repairs, maintenance and cleaning normally performed on an annual or more frequent basis are also not eligible.

Keep in mind that the tax credit is family-based; one tax credit is available per household. If two families share the same home (as co-owners, not renters), then both are eligible for separate tax credits. The tax credit can be applied to the tax return of either spouse (so work with your tax professional to optimize your benefit).

Be sure to keep all documentation, such as agreements, invoices, receipts, and cancelled cheques. A new line will be incorporated in the 2009 income tax return to allow you to claim the credit.

If your renovation project includes some energy-saving home improvements, you may also be able to tap into grant money under the ecoENERGY retrofit and other government and local programs. You may therefore be able to benefit from both of these incentive programs for one renovation project.

Many homeowners are taking advantage of incredibly low mortgage rates to refinance their mortgages – potentially saving thousands of dollars – while extracting some of that equity for a renovation project or two. If you’re interested in renovating this year, a great place to begin your 2009 home renovation is with a call to your mortgage planner.

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