

DISABILITY TAX CREDIT INFORMATION

The Disability Tax Credit can provide significant tax relief for individuals who have a severe and prolonged impairment in their physical or mental functions. The disability tax credit also includes a supplement for individuals with a severe impairment that are under the age of 18.

In order to be eligible for the credit, an individual needs to have a prolonged impairment of at least one year. The individual also has to be markedly restricted in the ability to perform basic activities of daily living.

The following are considered basic activities of daily living:

- Mental functions necessary for everyday life
- Feeding oneself or dressing oneself
- Speaking so that one can be understood
- Hearing so that one can understand what is being said
- Eliminating (bowel or bladder function)
- Walking

The disability tax credit can also be transferred to a supporting person, if it is not needed by the individual applying, to reduce their taxes payable. A supporting individual is someone, other than a spouse, who supports the eligible person with a disability. The supporting individual needs to provide the basic necessities of life (food, shelter and clothing) on a regular and consistent basis. A supporting person includes the disabled individual's child, parent, grandparent, grandchild, aunt, uncle, niece or nephew.

The disability tax credit can be applied retroactively, up to 10 years, or to the date the impairment began.

In order to set up a disability credit for transfer, the T2201 Disability Tax Credit form must be completed by a medical practitioner, usually the individual's family doctor. The form is then sent to CRA, separately from the individual's tax return, with a request to adjust the years affected and to transfer any remaining credit to the supporting individual. This process can take several months.

The tax refunds for this credit can be quite significant. As of 2018, the maximum amount of refund is \$1630.39 – just for the one year.

In my experience, this credit is one of the most commonly missed credits in Canadian taxes.