



# Snapshots™

## STARTING OUT: MONEY-SAVING TAX TIPS FOR STUDENTS AND PARENTS

IT IS GENERALLY ACKNOWLEDGED THAT HIGHER EDUCATION IS A WORTHWHILE PURSUIT, BENEFITING STUDENTS AND SOCIETY ALIKE. AS SUCH, BOTH FEDERAL AND PROVINCIAL GOVERNMENTS HAVE INSTITUTED TAX POLICIES THAT EASE THE TAX BURDEN ON THOSE PURSUING POST-SECONDARY EDUCATION. THESE POLICIES SERVE TO REDUCE TAX PAYABLE FOR STUDENTS AND IN CERTAIN CASES CAN BE TRANSFERRED TO PARENTS OR OTHER SUPPORTING PERSONS.

### Moving Deductions

The Income Tax Act (ITA) provides a deduction from income for expenses incurred to move to pursue summer employment or educational opportunities.

#### 1) Moving expenses incurred to attend an educational institution

Moving expenses incurred to move to attend school full-time at a recognized post-secondary institution can be deducted if:

- the move results in the student being at least 40 km closer to the institution
- the deduction reduces reported taxable income from scholarships, fellowships, research grants and other similar awards to zero (Note that employment income is not eligible for reduction)

Eligible moving expenses include vehicle rental, gas, reasonable accommodations and meals. Full-time enrolment is generally regarded by the CRA as at least 60% of the normal course load for a particular program of study. I can provide you with more details on what constitutes eligible expenses, full-time studies, and recognized institutions.

#### 2) Moving expenses incurred to accept summer employment

Where a move of more than 40 km is made to accept summer employment, eligible expenses to the extent of the income earned at the new location can be deducted.

### Deduction of Interest on Student Loans

While interest on student loans does not accrue until the student leaves school, students should be aware that the interest expenses are eligible for a tax deduction at Line 319 of the general return. If the deduction is not needed, it can be carried forward for up to five years. The deduction may only be claimed by the student and is not transferable. It should be noted that this deduction applies only to student loans recognized under federal or provincial legislation and does not apply to personal loans or where student loans have been consolidated with other loans.

## Tax Credits

There are several tax credits available to students that will reduce their tax payable. In many cases, students have small amounts of income and will actually have more credits than they need to reduce their taxable income to zero. In these cases, the credits can be carried forward to a subsequent tax year or transferred to an eligible person such as a parent for their use when filing their taxes.

### Tuition Tax Credit

The tuition tax credit provides some tax relief for students enrolled in post-secondary education. This is a 'non-refundable' credit, so it can be used to reduce taxes payable to zero but cannot create a refund. However, there are several options available if the amount of the credit exceeds tax payable in a given tax year.

In many cases, students will not have substantial income and may have little or no tax payable. Consequently, the tuition tax credit may not be needed. In these cases, the student has two options:

#### 1) Transfer the credit

Any credit amount in excess of the amount needed by the student to reduce their tax payable to zero can be transferred to a parent, grandparent, spouse, or parent or grandparent of a spouse. The amount that can be transferred is limited to \$5,000 less any amount claimed by the student. If there is still a credit amount available, it can be carried forward to subsequent tax years for use by the student.

#### 2) Carry forward the credit

Where a credit cannot be used by the student in the current tax year, they can carry the credit forward for use in a later year. As described above, credits can be transferred but any excess can be carried forward. It should be noted that any credits carried forward cannot be subsequently transferred to an eligible person so it is usually prudent to make any transfers in the year the credits arise.

### Education Tax Credit

#### Transfer and/or Carry Forward

Education tax credits that cannot be used by the student can either be transferred to an eligible person (parent, grandparent, spouse, spouse's parent or grandparent of spouse) or carried forward to be used by the student in subsequent tax years. The amount transferred is limited to \$5,000 less any amount claimed by the student and cannot be transferred in later tax years.

### Textbook Tax Credit

If a student is eligible for the full-time education tax credit, they will also be eligible for a textbook tax credit of \$65 per each month or part month of full-time enrollment. Students eligible for the part-time education amount will be eligible for a textbook credit of \$20 for each month of eligible part-time enrollment.

Note: The transfer limitation of \$5,000 (less amounts claimed by the student) refers to the total of the tuition, education and textbook amounts. The provincial and territorial governments also provide credits relating to education.

## Public Transit Credit

If a student is using public transit (buses, streetcars, subways, commuter trains or Canadian ferries) to attend school, they can claim the costs as a tax credit provided that:

- A transit pass of monthly or longer duration has been purchased or
- The pass is of unlimited use for at least five days and enough have been purchased to cover at least 20 days in a 28-day period

I can provide you with more information regarding the specifics of the various credits discussed above.

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