

## EARLIER THAN USUAL

We're publishing this edition of *Eraser Dust* in the winter of 2006 as a test issue; it is our hope that the inclusion of some tax tips will make it even more worthwhile. Emailed versions will be received much earlier than snail mail. Your feedback on this is valuable and will be appreciated for future planning purposes. For complete information, members should access the full text of Tax Tips by following the link to "Tax Tips 2005" on the English home page at [www.rto-ero.org](http://www.rto-ero.org) or request a free hard copy by phoning 1-800-361-9888 (Liz Timms).

**The tax information in this newsletter, extracted mostly in point form, is not necessarily inclusive and should be considered as an enticement to read the full-text version. We are not tax advisors. Accuracy is assumed but not guaranteed. If you have questions about any of this information, consult your personal tax advisor.**

## INCOME SPLITTING FOR TAX PURPOSES

RTO, in cooperation with CARP and others, is lobbying the federal government to amend the income tax laws to permit spouses/partners to split their pension income to reduce their individual income tax burden. You are encouraged to sign a petition (and to encourage others to sign) and to send a letter to their MPs on this topic. Both the petition and the sample letter are available on the District web site. Print the petition, get as many signatures as you can and consider using the draft letter to your MP.

## DISTRICT RESTRUCTURING

We're in the process of a friendly proposal to split our district into two. This was a unanimous decision by our District Executive Committee last

year and was supported (again unanimously) by a recorded vote at our fall unit meeting. Muskoka unit is taking the lead on this project and, if approved provincially, will form the new district. Muskoka president Margaret Couture reports that 80% of Muskoka members have approved of this restructuring in writing. This is unprecedented support and should be significant information for the provincial executive which begins its part of the process soon. The procedure for creating a new district is provided in the provincial constitution. The District Executive is following this procedure to the letter. If restructuring is approved, District 6 would consist of the current units 1 and 2, East and West Parry Sound.

## PSA TESTING REVISITED

In the last newsletter, we reported that PSA testing would be covered by OHIP. Just after we published, the bill died on the order paper when the legislature recessed without approving the bill. The good news is that it will be re-introduced and thanks in part to the successful lobbying of our provincial executive, the bill should pass.

## INTERNET FRAUD ALERT

Email fraud continues to be a problem for all of us who communicate via the internet. We all need to refresh our own approach to and be vigilant with our personal email knowing that some items in our inbox or bulk mail box should never be opened, just deleted or reported as fraud. *Phishing* is the attempt by fraud artists to get you to divulge personal and financial information so that your identity can be compromised. For instance, some people are reporting that there is fake Royal Bank email circulating.....this one asks account holders to confirm certain information.

Your editor was recently phished by fake Amazon and Ebay in the same way. NEVER RESPOND TO THESE EMAILS. **NEVER PROVIDE IDENTITY INFORMATION** UNLESS YOU ARE ABSOLUTELY CERTAIN THE REQUEST IS VALID and they seldom are. You can always check for validity by phoning or emailing the company in question. The sad thing is, the requests look legitimate, often have the correct web address and logo, but are actually fraudulent. One quick way to check is to go the legitimate web site yourself, look around and see if the company has a link to "fraudulent requests" or similar, and find out how they like you to deal with it. In the case of Amazon, they requested that the suspect email be forwarded to them. It turned out to be a fraud, which they reported back with thanks.

## MILESTONES

Welcome to **Nancy Piper** and **Carol White**, both recently retired, our unit's newest full members. John, husband of **Jean McDermott**, celebrated his 80<sup>th</sup> in December, 2005. **Eileen McGowan's** mother passed away, December 2005. **Lisa Fry** celebrated her 80<sup>th</sup>, January 2006. Margaret White, 102, a former Perry Central teacher, died January 2006. Roger Marshall, a graduate of AHSS, retired from teaching there in January. Retired AHSS teacher Warren, husband of **Jean Wanless**, celebrated his 60<sup>th</sup> in January.

## JUNK MAIL AND TELEMARKETERS – ASSETS OR AGGRAVATION?

If you are pestered by junk with your bills or by telemarketers, usually just as dinner is going on the table, here are a few tips for deflecting unwanted calls:

1. Say "Hold on please". Put down your phone and carry on with your business. Hang up later when you hear the rapid beeps.
2. If you pick up and no one is there (an irritating technique they sometimes use), immediately start hitting the pound key (#) as quickly as possible. This is reported to confuse the machine that dialed the call and kick your number out of their system.
3. If you get a bunch of ads with your bills, return the ads with your payment. Let them look at the junk. If you pay by

- internet banking, return the ads in the self-addressed stamped envelope, just for spite.
4. Never give in to high-pressure tactics. Be strong enough to hang up if people get rude or pushy.
5. Never give personal or financial information over the phone. Banks, credit card companies and others are getting a lot of their own junk back in the mail, but we need to overwhelm them. This way, they pay twice in postage for their junk mail inclusions.

## GOOGLE TIPS FOR INTERNET USERS

1. Want pictures for your report? Just go to the Google home page, click on "images" and pick out what you want. Use the advanced search function to further refine your search.
2. Use "google.ca" instead of "google.com".
3. If you have a phone number and need the name, type in the number with no hyphens or periods or spaces.
4. Need a phone number? Type *phonebook name city (or state/province initials)* and up should come the name (i.e. phonebook Smith Denver)
5. Want to refine your search to eliminate unwanted hits? Use a "Boolean" technique. For example, if you want information on "mines" but specifically don't want to deal with "land mines", in the search box, type "mine -land". The minus sign should tell Google not to include any references to "land mines". There are other Boolean search techniques. For more information, google "Boolean search".

## PROJECT STO FUNDS DELIVERED LOCALLY

Board superintendent Bill O'Hallarn received a cheque for \$3,500 from **Peggy Salisbury** who spearheaded a Project Service To Others (STO) proposal on behalf of our unit last year. The money will be used to co-fund a facility likely to be centrally housed at AHSS.....this unique multi-sensory room will be used to help increase awareness for individuals with severe sensory impairment, children and adults alike. Peggy and several local educational ensured the success of this project, successfully funded through the provincial RTO" Service To Others" initiative.

**NEXT ISSUE?** May, 2006 in time for the spring unit meeting.

## TAX TIPS

*See disclaimer and advice on page 1. Bracketed numbers below refer to page number in the full text version.*

**Rental Properties:** Formerly, landlords have had to prove that there was a reasonable expectation of earning a profit from rental property to claim expenses. Recent supreme court decisions held that as long as the rental property activity *was undertaken in pursuit of profit* (i.e. a *bona fide* commercial activity), there is no reason for CRA to review such returns, and the losses should be deductible. This issue may be appealed. (3)

**Real Estate:** If you own a rental property (not land) that has declined in value, you may be able to realize a capital loss by transferring the property to certain related persons (3)

**Income Splitting:** 13 tips on (4). Among them:

- the higher income spouse or partner should assume most or all of the personal household expenses so that as much income as possible is left in to the lower income partner for investment purposes.
- Buy capital property with a low yield but high capital gains potential in the names of your minor children...thus taxing future capital gains in the children's hands.
- Give cash or other assets to adult children.

**Loss Utilization (capital gain/loss):** If your spouse or partner has realized a capital gain and you own investments with an unrealized loss (or vice versa) there are ways to transfer the loss to the spouse with the gain, thus reducing his/her tax burden. (5)

**Using RRSP funds for education:** You can make a tax-free withdrawal from your RRSP to finance full-time training or education for you or your spouse or partner. If you've always wanted to be a rocket scientist, now's your chance. Withdrawals are limited to up to \$10K per year over a four year period and are subject to a cumulative total of \$20K. (7)

**Non-registered mutual fund investments:** (8)  
Many tips on the timing of investments to manage potential tax burden

**Interest deductibility:** Interest is generally deductible from income for tax purposes provided it is incurred on money borrowed to earn business or property (or investment) income. Borrow the maximum for business and investment purposes, as little as possible for personal reasons. (9)

**OAS clawback:** You can use the income-splitting advantage for your CPP to reduce your overall income. This might just put you below the \$60,608 threshold at which the OAS starts to be subject to clawback. (9) and (4, item 4)

**Old Age Credit:** Notwithstanding the fact that 65 year olds don't generally admit to being "old", there's a tax benefit which can result in a tax savings of up to \$879 in Ontario (9)

**Pension Income Tax Credit:** If you are 65 or older, you are entitled to a non-refundable tax credit on up to \$1,000 of OTPP income. (resulting in a savings of about \$220) (10)

**Medical Expense Tax Credit:** Generally, medical expenses should be claimed by the lower income spouse/partner for maximum benefit. There is a slew of information on (10 & 11). Remember to claim the premiums for your Johnson's (or other) insurance, and any premiums you pay extra for out of Canada travel insurance, or other health plans) as well as your co-payments for benefits such as drugs, glasses and medical practitioners. If you suffer from celiac disease, you can claim for additional costs related to gluten-free products. You can deduct the ODB co-payment of \$100, as well as any dispensing fees for medications you have to pay out of pocket. Modifications to your house to gain access for handicapped residents are eligible.

**Full-time attendance or nursing home costs** (or sometimes a retirement home) can be deducted. If you have to travel more than 40 km to obtain medical services not otherwise available nearer to home, you can claim \$.47 for each kilometer. Meals and accommodation may also be claimed but documentation may be required. Save receipts. I

keep a computer list of medical appointments for my wife and myself, with whom and where, mileage and other expenses as they occur, so that all I have to do at tax time is print the list and keep it with my tax return stuff.

RTO fees: are not deductible. (11)

Disability Tax Credit (12) New legislation is pending that would extend the ability to claim the disability credit in some situations where severe or prolonged disability has not occurred (e.g. kidney dialysis and CF sufferers). This is not yet law. See full text for more information.

Caregiver tax credit: Credit is available if you reside with and provide in-home care for an older parent or grandparent with low income. (13)

Charitable donations: Should be claimed by the lower income partner/spouse. Donations do not have to be cash (e.g. life insurance policies or capital property). Unused claims can be carried forward to up to five years and back one year for donations made in the year of death. There are annual limits. (13)

Northern Residents' Deduction. (14) Form T4039 lists eligible areas. Parry Sound isn't one of them.

Alimony and Maintenance: The rules are generally the same for situations which occurred before May 1, 1997. After that, things changed. (14/15)

Foreign reporting requirements: (15) You must report world-wide income on your T4, even if the vehicle earning the income is not known to Canadian authorities (!) If you own foreign property (shares, cash, property etc) with a combined cost over CA\$100K, you must report and provide details on such holdings using a CRA-prescribed form by April 30 each year, or incur substantial penalties. If you own US real estate which you receive rent from, a US withholding tax of 30% normally applies. As an alternative, you can elect to pay tax on a net income basis by filing a US tax return. By making this election with IRS, the withholding is not required, but the election is not reversible. (16)

Canadian residents owning certain (17) US property such as real estate, shares of US companies etc. may be subject to US federal estate tax liability on

death. You should consult your tax advisor (ideally before) purchasing property down there to review your tax exposure. There are strategies available to defer, reduce or eliminate this potential liability.

US residency regulations: (17) If you spend a considerable amount of time in the US each year, you should ensure that you are complying with US residency rules. You may find that you are required to complete a "Closer Connection Exemption Statement" to be exempt from paying US taxes. The Canadian Snowbird Association has good information on this, as does C.A.R.P.

Tax preparation software: Many of these tips are automatically invoked if you qualify, when you use reputable tax preparation software such as Quick Tax (the one I use). This a cheap and virtually fool-proof way to do your taxes, and aims to ensure that all loopholes that are available to you and used. You can do "what if" scenarios to try alternatives to see what is to your best advantage. You can e-file easily with your CRA access number. Information once entered can be recalled quickly in subsequent years. With the cheapest version, you can do your family tax returns, plus unlimited returns for low income folks, thus enabling you to volunteer to help out friends or, say, members of a seniors' club, at no cost to you or them.

## PHONY CHARITY SCAM

The provincial Pension and Retirement Concerns Committee has released a warning about fake charities, which, on the phone or in the mail, might be suspiciously similar to legitimate organizations.

Among the tips: Plan your giving early in the year. Adhere to your plan. Be fully informed before mid-year changes to your plan. If you are solicited for funds and you want to give, **ask for the 800 number** of the national organization, call it for legitimacy, and offer your contribution in exchange for a tax receipt. Offer to mail a cheque. Be circumspect with your VISA number. Never give in to high-pressure tactics. Be strong enough to hang up if people get rude or pushy. Never give personal or financial information over the phone. Banks etc. don't normally ask for personal information on the phone. If you are asked, it's quite possibly a fraud.

**CAN ANYBODY IDENTIFY** this elderly retired teacher, very well dressed, hair groomed, great looking suit, flower in lapel, who walked into an upscale cocktail lounge? Seated at the bar is an equally elderly lady. Gent walked over, sat beside her, ordered a drink, took a sip, turned to her and said, "So tell me, do I come here often??"