

# Life Letter

## Budget 2007 highlights

The budget tabled on Monday March 19, 2007 by Finance Minister Jim Flaherty has been called a "family friendly" one. Some of the proposed changes that can benefit you are:

**New Child Tax Credit** - Flaherty said, "We need to make it more affordable for people to have children and raise them." The new child tax credit (\$2,000 for children under age 18) means about \$310 in tax savings for up to 90% of families who qualify.

**Improved Registered Education Savings Plan (RESP) Program** - The budget proposes to eliminate the \$4,000 annual contribution limit. There will still be a lifetime contribution limit, but it has been raised from \$42,000 to \$50,000. The proposal also increases the maximum annual Canada Education Savings Grant (CESG) by \$100 to \$500.

**Increased Spousal and Dependent Amounts** - In the past, the income earning spouse could claim their full personal exemption plus a lesser spousal amount for their partner without an income. The increased amount now means a tax savings of \$209 (for 2007) for a two parent family with one spouse who earns little or no income. Single parents and those caring for a dependent also benefit from this increase.

**Registered Disability Savings Plan (RDSP)** - This is welcome news for parents of children with severe disabilities. Scheduled to begin in 2008 and based on the current RESP model, this plan will allow anyone eligible for the disability tax credit (DTC), their parents or legal representatives, to establish an RDSP

for the benefit of the disabled person. Contributions can be made until the end of the year the beneficiary turns age 59. The lifetime maximum contribution is set at \$200,000. Depending on family income and the amount contributed, RDSP deposits can attract Canada Disability Savings Grants (CDSG) at matching rates up to 300% to a maximum lifetime limit of \$70,000. CDSGs are only available until the end of the year the beneficiary turns age 49.

For those with net family income up to \$74,357, the CDSG is 300% of the first \$500 deposited and 200% on the next \$1,000. The CDSG is 100% on the first \$1,000 for those with net family income over \$74,357. The government intends to spend \$25 million and \$115 million over the next two years and \$200 million per year thereafter to fund this plan.

**Fuel-efficient Vehicle Rebate** - This rebate program offers up to \$2,000 for the purchase of a new fuel-efficient or alternative fuel vehicle. However, a "green levy" was also introduced that would be tacked onto fuel inefficient vehicles, such as SUVs and high powered sports cars.

**Increased Child Care Support** - The government committed \$250 million annually to help create up to 25,000 new child care spaces. As well, the budget proposes to provide a 25% investment tax credit, to a maximum of \$10,000 per new space, to businesses that create new child care spaces in the workplace.

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