



# THE Tax Tipper

February 8, 2009

We take your taxes personally!

Issue 15

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### Dear Clients and Friends,

I trust you all had a wonderful 2008 and a good start to 2009. I've been steadily busy since the first week of the New Year, so it looks like another record year in the making. If this is your first **Tax Tipper**, remember you can download [previous editions](#) from our website. My goal is to provide better service than ever by bringing you cutting-edge information and a variety of resources that will not only make taxes more palatable but will hopefully lower your legal obligation to pay.

The new budget brought in two weeks ago has been passed by the House, and the current Conservative Government stands. No doubt challenging times lie ahead, despite all the incentives offered in January by the Government. Massive layoffs still dominate the Canadian, US, and global media, with a sagging car industry, depressed housing market, and continuously restructuring financial sector. Not many feel that 2009 will be a year of recovery, and even 2010 may not show upward signs until the latter part of the calendar. As CNN Money recently reported, the Obama stimulus program is indeed massive, but it may take months or even years before it trickles down to the street.

On a more positive note, there is much tax relief for almost everyone, so I will try my best to keep you informed as these changes are announced. Getting useful information in a timely manner is more important than it's ever been. Anything you missed yesterday is already in the history books and the next story is evolving. This means diligence is crucial to staying on top of things, and I aim to help you with this in the tax world. I always caution my clients about the amount of misleading information that looks legitimate. CRA has recently launched several programs to combat fraudulent activity, but too often the unsuspecting taxpayer foots the bill while the promoters disappear. Sounds like [Bre-X stock](#) of over 10 years ago? Unfortunately these soothsayers' materials aren't worth the paper they're written on, yet CRA milked billions of dollars in recovered taxes from jilted Canadians. The bottom line is this: if it looks too good to be true, it usually is!

Folks in the rural community where I have lived for many years tell a story that relates to this very well. A sophisticated, well-dressed city slicker decides to show off to the poor simple farmers. One day he ventures out in his new Cadillac Escalade with his laptop and a ton of high-tech equipment to a ranch an hour out of the city. He spots the farmer tending some sheep and approaches him with a proposition. "Hey, pardner," he says, trying to act like one of the locals, "if I can guess the number of sheep you have, can I take one of them?" The simple-looking farmer is no fool but has to admit that, with a herd stretching for miles, it'd be amazing if the guy can get it right. So the farmer says, "Sure, sounds good."

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## Neel's Message, continued

The city slicker races back to his SUV, turns on his computer, pulls out his mobile satellite, surfs the Net with Google Maps, and uses a complex Excel sheet to come up with a number in five minutes. He comes back and yells, "1,869!" Raising his eyebrows, the farmer says, "Yeah, that's right. Help yourself." As the city slicker chooses one and walks away, the farmer proposes, "Hey, pardner," with a real country accent, "if I can guess what you do for a living, can I have my animal back?" Seeing no harm in this, the slicker responds, "Sure, sounds good." "You're a consultant," exclaims the farmer. Amazed, the city slicker says, "Yeah, that's right. How did you know?" "Heck, that's easy," says the farmer. "Number one, nobody asked you to come here. Number two, you told me information I already knew. And number three—(long pause here)—that's ma DOG!" Happy 2009 and enjoy the Valentine's edition of **The Tipper!**

Neel Roberts  
President and Editor

## What's Happening

### 2009 Budget Stands!

The latest budget, delivered Tuesday, January 27, 2009, seems to be standing for now, and the NDP–Liberal–Bloc coalition has officially died off. Highlights of the budget are: reduced personal/corporate taxes across the board; massive infrastructure spending to stimulate the stagnant economy; enhanced unemployment insurance benefits; improved access to credit; and a one-time home renovation tax credit netting up to \$1,350 per person. You can get details of the budget at the [Finance Department's webpage](#), and for more information/commentaries our [January 28 Update Bulletin](#) can assist!



### CRA Launches Fraud-Busting Mandate

It seems that CRA made a New Year's resolution of [exposing fraudsters](#) and is doing a good job of keeping it. While tax evasion has always been illegal, [Project Trident's](#) mission is to focus mainly on identity theft, charity scams, and unscrupulous tax preparers. Project Trident currently has 70 cases under investigation, and there have already been 13 convictions, netting \$1.8 million in fines and 210 months of jail time. Charities such as [Little League Baseball Canada](#) and [The Millennium Charitable Foundation](#) have had their charity status revoked this year after several investigations found they were not operating within the Income Tax Act. Specifically, donation receipts are usually issued with the expectation of big benefits for the contributor, while the funds go to pay high promoters' fees rather than helping people in need. Regrettably, these donations are ultimately denied by CRA, and the taxpayer is left on the hook for large sums, with penalties and interest to boot. I have been warning clients for years to stay away from these or investigate them with the utmost skepticism by contacting the [CRA investigations department](#). Also, check out the [CRA Tax Alert page!](#)



### RRSP Deadline Approaching!

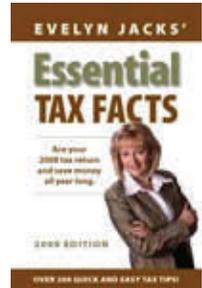
This year's contribution deadline is Monday, March 2, 2009, for your 2008 income tax return. If you miss the deadline, you can always use the contribution for your 2009 return. Make sure you have relevant information such as your contribution room, Home Buyer's Plan or Lifelong Learning Plan repayment requirements, and so forth. Check out the [RRSP webpage](#) for details or call 1-800-267-3100, and use your [Epass](#) to get your information online.



## More on What's Happening

### Evelyn Jacks' Book for 2008 Tax Returns Is Out

If you're wondering about the best way to spend \$25, it's by getting Evelyn Jacks' annual Essential Tax Facts, available mid-January each year. Believe me, it's worth it—in fact, it will actually pay you after the first few tips. One of the functions of her company, Knowledge Bureau, is to train tax preparers like me, so if you have liked my service over the years, she gets quite a bit of the credit. Some highlights of her latest book are:



#### **New Investments and Strategies for Investors**

- New Tax Free Savings Accounts
- New Registered Disability Savings Accounts
- Registered Retirement Savings Plan Maximums
- Registered Education Savings Plan Changes
- Inflation, stock market loss recovery with a tax viewpoint

#### **Retirement Income Planning**

- Keep more by understanding pension income splitting
- Plan RRSP/RRIF withdrawals to your advantage
- Real estate: understand the after-tax consequences of market cycles
- Cottages: Plan how to astutely pass personal residences to heirs

#### **New T1 Filing Tips and Traps for Families**

- New brackets, tax rates, and Personal Amounts for every taxpayer, plus new Clawback Zones
- Maximize Child Amounts, Children's Fitness Credits, Public Transit expenses
- Use all your deductible employment expenses including the Canada Employment Credit
- Manage your personal and business debt
- Learn how to treat inheritances with tax efficiency

And much, much more to help you take advantage of tax savings opportunities all year long.

### E-File Ready for 2008 Personal Returns

It's official. E-File starts first thing Monday, February 9, 2009, for all 2008 personal returns. Most refunds come in 1–2 weeks, and I suggest you get direct deposit. When you file your return, simply take your banking information or a blank cheque and you can have your refund, GST Credit, and Child Tax Benefits all done. If you forget, simply file the Direct Deposit form with CRA and they should be able to start in 1–2 months. Corporations can E-File all year round up to 4 years back, and can do direct deposit via the Corporate Direct Deposit form!



### Are You an Amateur Athlete? Tax Relief on the Way!

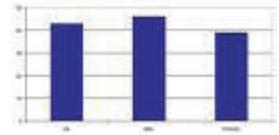
Last year the Minister of Finance announced proposed changes to the Income Tax Act that would increase the number of Canadian amateur athletes eligible to defer income tax on income from endorsements, prizes, and other remuneration related to the athlete's athletic endeavours. Under the existing income tax rules, athletes may defer paying tax on funds that are required to be held by a qualifying organization in order to preserve eligibility to compete at the amateur level. An athlete is generally taxed on those revenues only upon distribution to the athlete. Under the proposal, the Income Tax Act will be amended to extend the rules so that a broader category of athletes may benefit from the tax deferral. For further information, check out the Amateur Athletic Trust page!



## More on What's Happening

### Pension Income Splitting a Big Hit

Last year, many eligible pensioners took advantage of the new rules to split pension income and saved thousands in tax dollars. Certain pensions like CPP are not eligible for this. However, there is a move to make RRSPs and RRIFs eligible because the self-employed depend on these as their “exclusive income” rather than company or government pensions. For updates, check out the [pension income splitting page](#)!



### Come and Learn Taxes with Neel in His Hometown of Vulcan

Have you ever wanted to do your own taxes? If not, how about a bit more insight into how to prepare them? The [Vulcan County Continuing Education](#) talked me into teaching an introductory course on doing your own 2008 personal return on Monday, February 23, 2009, from 7 to 10 p.m. Cost is \$30. For further details and registration, check out <http://www.telusplanet.net/public/cvlearn/courses/gen.htm#5>!



### 2009 Tax Service Schedule Filling Up!

Friends, waiting until the last minute to get your taxes done is never a good idea, especially if you need them assessed soon. Once you're ready to file your 2008 return, make arrangements TODAY rather than on April 30. Most pros like me are jammed to the rafters with appointments, and you may have to wait weeks before getting in. Take advantage of our e-mail, fax, phone, and mail service. The days of office locations and 9–5 hours are a thing of the past, and regrettably businesses stuck in yesterday's ways will get left there. Most clients are demanding more options, and—no surprise—conventional appointments are becoming a thing of the past too!



### Our readers respond!

Hi, Mr. Roberts,

I was researching online for tax advice and services, and your site is the most comprehensive one that I have stumbled upon. It will serve to inform and prepare me for all things accounting. Thanks, and best regards!

**Andrew Holding, House Painter  
Toronto, Ontario**



Check out what others say about us in our [testimony page](#) and [media room](#)!

As always, we welcome your comments on the Tax Tipper!

[Send us an e-mail.](#)

## Severance, RRSPs, and Career Transitions

Real People with Real Questions About Real Situations



Dear Neel,

After many years at one of the “Big Three” car makers, I’ve decided to take a buyout of six months’ pay and leave Windsor, Ontario, for the West.

My wife and I are very nervous

because we are in our early fifties, but we don’t feel there’s much hope left here, given the state of the auto industry and economy in general. We’ll be lucky to get \$50,000 cash out of our house because the market is so depressed, and wonder if we should roll the severance into an RRSP to save taxes in 2010. I’m sure we’ll find work in Alberta, but what and how much is still to be determined. Your input is much appreciated, as many here are in the same situation!

Bill G.

Dear Bill,

I commend you and your wife for having the courage to do something about your situation. Many experts agree that if the auto industry does survive, it will not be like its prosperous past, and therefore communities like Windsor will not thrive for years as they once did. Rolling your severance into an RRSP does in fact save

tax dollars, but given that you and your wife are entering uncertain territory, your first priority should be your cash flow while you search for work, housing, etc.

You should retain the services of a good financial planner who is familiar with the tax rules and can help you with the transition. Alberta has an overall lower tax burden, which is good, but a big move like this is quite an adjustment, and that usually eats up cash. I would suggest making a very small RRSP rollover to start, as conservative planners always look to the “worst case scenario” to make sure you’re not strapped. Deregistering RRSPs down the road costs tax dollars and defeats the purpose of contributing in the first place. Also, in your new place, you should consult a career counsellor and decide what you want to do. While Alberta remains an employer-leader, keep in mind that this can change. A good coach will weigh the pros and cons of a new venture over the long haul. I wish you only the best!

**Are You *Just Asking* tax questions?  
Neel can Just Answer them.**



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## Celestial Treat — Don’t Miss New Comet Lulin!



Whatever you’re doing mid to late February, if you’re in the northern hemisphere be sure to check out the southeastern skies in the evening between dinnertime and midnight for [Comet Lulin](#), discovered in 2007. It should be visible to the naked eye or with a cheap set of binoculars!

## It's a Photo Finish! Getting Hitched Down Under?



Courtesy of [Cobalt Coast Travel](#)

This Valentine's Day, when you tell your friends and family you're planning to get married down under, most will think you're tying the knot in Australia. But when this couple informed everybody, they weren't kidding about going down under—way underwater, that is. So, next time someone asks if you want to “come up” for our wedding, I hope you aren't afraid of heights. After all, how else are you going to skydive!

[Send us your fascinating photo or story.](#)

## Did You Know?

Within a three-day period around Valentine's Day, 110 million roses will be sold and distributed, the majority of which will be the classic romantic red. Believe it or not, 15% of women send those flowers to themselves on Valentine's Day!



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