Children’s Fitness Tax Credit Policy



HR managers in any part of the *country can adapt this Model Policy for use at their own workplace.*

ABC COMPANY

NOTICE TO EMPLOYEES

TO: Employees

FROM: ABC Company Management

RE: Helping You Save Money on Your Income Taxes

WHAT YOU NEED TO KNOW ABOUT THE CHILDREN’S FITNESS TAX CREDIT

Do you have young children under 16 who play organized hockey, soccer or participate in other sports or fitness-minded recreation programs?

If so, you might be able to save up to $150 per child on your income taxes.

1. **PURPOSE OF THIS NOTICE**

In case you weren’t aware, the federal government provides a tax credit for parents of children enrolled in sports, recreational and other programs involving activities that promote physical fitness. The purpose of this Notice is to explain Children’s Physical Fitness Tax Credit, how to determine if you’re eligible for the Credit and how to claim it if you are.

1. **ARE YOU ELIGIBLE?**

To figure out if you’re eligible for the Credit, you need to answer two questions: [If your child is disabled, follow the “Disability Rules” in Section III below]:

1. **Are any of your children eligible for the Credit?**

Instructions: You or your spouse can claim a Credit of up to $1,000 per child on any children who are under age 16 at any time during 2016 (or in the future tax year for which you claim the Credit).

2. **Is the program in which your child is enrolled eligible?**

Instructions: You can claim the Credit only for sports and recreation programs that meet certain eligibility criteria. To determine eligibility, ask the following questions:

1. Is the program organized and supervised by an adult? YES/NO [*If NO, the program is not eligible; if YES, proceed to question b.*]
2. Does the program encourage "sustained physical activity"? YES/NO [Answer YES if:
    1. The program lasts 8 weeks and involves at least one session per week;

OR

1. The program is a children's camp lasting at least 5 consecutive days, more than 50% of the time of which is dedicated to physical activity;

OR

- The program is a club, organization or association of which more than 50% of the time is spent on physical activity.

[*If the program doesn't meet at least one of these criteria, it's not eligible. If it does, proceed to question c.*]

1. If the child is under age 10, is at least 30 minutes of each session dedicated to sustained physical activity? If the child is 10 or older, is at least 60 minutes per session dedicated to sustained physical activity? YES/NO [If NO, the program isn't eligible. If YES, proceed to question d.]
2. Does the activity promote cardio-respiratory endurance and at least one of the following: Muscular strength, muscular endurance, flexibility and balance? YES/NO Note: You must answer "NO" to this question if use of a motorized vehicle like a car, power boat, snowmobile, airplane or motorcycle is an essential part of the activity. [*If NO, the program is not eligible; if the answers to questions a, b, c and d are all YES, it is.***]**
3. **HOW DO YOU CLAIM THE CREDIT?**

The company can't claim the Credit for you. You must claim it for yourself on your personal income tax return. You can claim a separate Credit of up to $1,000 per year for each qualified child who's enrolled in an eligible program.

Caution: The Credit must be claimed in the tax year the fee was paid, not the year in which the activity takes place.

Step 1: Ask the program administrator how much of the fee is subject to the Credit. Make sure you get a receipt from the organization. You don't have to submit the receipt with your tax return but you must keep it for at least 6 years.

Step 2: Make sure you haven't already listed these fees as a child care expense deduction on your return.

Step 3: Multiply the amount of the fee that's subject to the Credit up to $1,000 by the lowest marginal tax rate for the year. In 2016, that rate is 15%.

Step 4: Deduct the total amount you arrived at under Step 2 from the amount of taxes you owe for the year.

EXAMPLE

On January 20, 2016, you pay $750 to enroll your 10-year-old daughter in dance school and another $750 to enroll your 15-year-old son in a hockey program. Both programs

run from February to April 2016 and qualify for the Credit. Assume that you haven't already listed the fees as a child care expense deduction. Here's how you should calculate the Credit on your 2016 return (assume you owe $2,500 in taxes for the year without accounting for the Credit):

Step 1

$1,000 (maximum allowable amount per child)

x 2 (number of children enrolled in eligible programs)

$2,000 (total allowable amount eligible for Credit)

Step 2

$2,000 (allowable amount)

x 15% (lowest marginal tax rate for 2016)

$300 (total Credit amount)

Step 3

$2,500 (2016 taxes owing)

– $300 (Credit amount)

$2,200 (total taxes owing)

- **SPECIAL RULES FOR DISABLED CHILDREN**

If your child qualifies for the Disability Tax Credit (DTC), the rules are slightly different.

1. **Eligibility Rules:** A Credit can be claimed on disabled children if they're under age 18. The rules governing eligibility of the program are the same as for non-disabled children.
2. **Separate Credit:** Parents of a DTC-eligible child can also claim an additional Credit of up to $500, provided that they incur at least $100 in registration fees.