

# CANADA'S ECONOMIC ACTION PLAN

## The Home Renovation Tax Credit



**H**ome renovations are smart investments in the long-term value of a home and also create economic activity by increasing the demand for labour, building materials and other goods. Renovations can also reduce energy consumption and the long-term cost of owning a home.

To provide some \$3 billion of much-needed fiscal stimulus and encourage investments in Canada's housing stock, Canada's Economic Action Plan proposes to implement a temporary Home Renovation Tax Credit (HRTC).

### Temporary, Timely and Targeted Stimulus

The HRTC will apply to eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009, and before February 1, 2010, pursuant to agreements entered into after January 27, 2009. The temporary nature of the credit will provide an immediate incentive for Canadians to undertake new renovations or accelerate planned projects.

The HRTC can be claimed for renovations and enduring alterations to a dwelling, or the land on which it sits.

### How the HRTC Will Work

The 15-per-cent credit may be claimed on the portion of eligible expenditures exceeding \$1,000, but not more than \$10,000, meaning that the maximum tax credit that can be received is \$1,350.

The credit can be claimed on eligible expenditures incurred on one or more of an individual's eligible dwellings. Properties eligible for the HRTC include houses, cottages and condominium units that are owned for personal use.

Renovation costs for projects such as finishing a basement or remodelling a kitchen will be eligible for the credit, along with associated expenses such as building permits, professional services, equipment rentals and incidental expenses.

Routine repairs and maintenance will not qualify for the credit. Nor will the cost of purchasing furniture, appliances, audio-visual electronics or construction equipment.

### Who Can Claim the HRTC?

About 4.6 million families in Canada are expected to benefit from the credit.

Taxpayers can claim the HRTC when filing their 2009 tax return.

Eligibility for the HRTC will be family-based. For the purpose of the credit, a family is generally considered to consist of an individual and, where applicable, the individual's spouse or common-law partner.

Family members will be able to share the credit.

## Examples of HRTC Eligible and Ineligible Expenditures

### Eligible

- Renovating a kitchen, bathroom or basement
- New carpet or hardwood floors
- Building an addition, deck, fence or retaining wall
- A new furnace or water heater
- Painting the interior or exterior of a house
- Resurfacing a driveway
- Laying new sod

### Ineligible

- Furniture and appliances (e.g., refrigerator, stove, couch)
- Purchase of tools
- Carpet cleaning
- Maintenance contracts (e.g., furnace cleaning, snow removal, lawn care, pool cleaning)

## Examples of the Benefits of the HRTC

### The following examples illustrate how homeowners can benefit from the HRTC

- Sally and Ed are a couple who have recently purchased a house. In response to the temporary HRTC, they decide to replace their old windows and improve the insulation in their home in 2009, instead of waiting, incurring \$10,000 in expenditures. After taking into account the \$1,000 minimum threshold, a 15-per-cent credit will be available on \$9,000 in eligible expenditures, providing tax relief of \$1,350.
- William and Marie are a couple who are planning to purchase a more energy-efficient furnace for their home, and build a deck at their cottage sometime later. To take full advantage of the temporary HRTC, they decide to do both projects in 2009 rather than waiting. They pay \$5,000 for the furnace and \$3,500 for the deck. They also decide to have the area around the deck landscaped for \$2,500, bringing their total costs to \$11,000 (\$5,000 + \$3,500 + \$2,500). Marie claims a credit of \$1,350 on the maximum allowable amount of \$9,000.
- Karen and Heather are sisters who share ownership of a condominium unit. They each incur \$7,500 in expenditures renovating the kitchen in the condo. Karen and Heather each claim a \$975 credit on eligible expenditures of \$6,500 (\$7,500 – \$1,000).

## The Economic Action Plan also includes:

### Home Buyers' Plan Withdrawal Limit

To provide first-time home buyers with additional access to their RRSP savings to purchase or build a home, Budget 2009 proposes to increase the Home Buyers' Plan (HBP) withdrawal limit to \$25,000 from \$20,000.

This is the first increase in the withdrawal limit since the HBP was introduced in 1992.

### First-Time Home Buyers' Tax Credit

To assist first-time home buyers with the costs related to the purchase of a home, Budget 2009 proposes to introduce a First-Time Home Buyers' Tax Credit. A 15-per-cent credit will be applied to a \$5,000 amount, and will provide up to \$750 in tax relief to reduce the costs associated with first home purchases completed after January 27, 2009.

### ecoENERGY–Retrofit Homes Grant

Canadians who spend money on home renovations will also be eligible to receive an ecoENERGY Retrofit–Homes grant. To be eligible for an ecoENERGY Retrofit–Homes grant, homeowners must first have a pre-retrofit evaluation. ecoENERGY Retrofit–Homes provides home and property owners with grants of up to \$5,000 to offset the cost of making energy-efficiency improvements. Federal grants paid through the ecoENERGY Retrofit–Homes program will not reduce the value of claims made for the expenditures under the HRTC.

Eligible renovation expenditures claimed under the Medical Expense Tax Credit may also be claimed under the HRTC.

## How Can I Get More Information?

Additional information on the HRTC is available on the Canada Revenue Agency's website at [www.cra.gc.ca](http://www.cra.gc.ca).

Information is also available at [www.actionplan.gc.ca](http://www.actionplan.gc.ca).

Copies of this brochure are available from the Department of Finance Canada or Service Canada:

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