

# Tax option costs senior rent relief

August 28, 2008

## **JAMES DAW**

A diligent tax preparer and his clients have discovered a major detriment to using the new pension-splitting strategy.

This tax-planning option, which became available to eligible couples in 2007, looked like a dandy way to save an elderly man and woman \$550 in federal and Ontario taxes.

But, as it turned out, the combined savings – plus much, much more – would disappear: Splitting their income cost them nearly \$4,800 when the wife lost her nursing home rent subsidy.

She had recently been diagnosed with dementia, and her daughter manages her affairs and helps her father to remain in the family home. Neither their tax preparer, nor the daughter, fully understood Ontario's nursing home subsidy rules.

That is small wonder, considering the difficulty I had getting general information from the Ministry of Health and Long-Term Care over the past two days. Full subsidy information is not obvious on government websites.

Karen Henderson, founder of the Long Term Care Planning Network, was able to point out that Ontario's support for nursing home residents is more generous than in some other provinces.

It does not force residents to sell assets, provided they are satisfied with staying in a ward of a long-term care or

nursing home. If need be, the province will even help pay part of the \$1,578.02 per month, or \$18,936.24 a year, that private and non-profit homes are now permitted to charge for ward accommodation.

Basically, low-income seniors are required to pay all of their after-tax income for a bed in a ward, minus a \$122-per-month comfort allowance to pay for personal items, said Henderson. (The allowance will rise to \$125 on Nov. 1.)

Additional help may be available if the cost of keeping one spouse in a nursing home would leave the other spouse without enough income to pay living expenses.

But Ontario provides no financial help if a person can afford the rent for a ward room, or wants more privacy. It costs \$1,821.35 a month or \$21,856.20 a year for a semi-private room; \$2,125.52 a month or \$25,506.24 for a private room.

The elderly couple's daughter says she was told the act of assigning about \$5,000 of her father's company pension income to her mother's tax return would raise the mother's cost of staying in a nursing home from \$1,145 a month to \$1,543.95, or an extra \$4,784.40 per year.

"When I spoke to an official at the ministry I was led to believe that the rate reduction was all or nothing," the daughter wrote to her tax preparer. "If the net income was less than \$19,955 you got (a rate reduction); if it wasn't you paid the full amount. There didn't seem to be any graduated scale."

These figures are unique to her parents' situation. To do a personalized calculation, internet users could go to <http://tinyurl.com/66xwt5> to find the application form for reducing accommodation fees.

Raisa Deber, a professor of health policy at the University of Toronto, says the rent subsidy is structured like "an old-fashioned, means-tested social program" such as welfare. Everyone's health care, for example, is subsidized, but "if you're not eligible, you don't get anything."

So the daughter and tax preparer will make the mother eligible. They have applied to revoke the election to split pension income, which Canada Revenue Agency says taxpayers may do within three years. Requests will be processed within eight weeks if forms and signatures are submitted properly.

*James Daw, CFP, appears Tuesday, Thursday and Saturday. He can be reached at 416-945-8633; or at [jdaw@thestar.ca](mailto:jdaw@thestar.ca)*