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Memorandum

To: All Sask Sport Inc. Members

From: Trevor Forrest, VP Sport

Date: January 16, 2007

Re: New information concerning the Children's Fitness Tax Credit for Sport organizations and Parents

The Canada Revenue Agency (CRA) has been providing information on the Children's Fitness Tax Credit, which will assist children's participation in programs that significantly contribute to their fitness. This initiative can assist sport development by offsetting some of the costs associated with participation activities, and start children down the road to a lifetime of healthy, active living.

As new regulations and clarifications are released, Sask Sport Inc. will forward them to all members. Please forward this information to your members by posting it on your websites, including it in newsletters, and any other communications vehicles you use.

This memo includes important information regarding tax receipts. Organizations that provide eligible programs of physical activity must be aware of the proper procedures.

Starting in 2007, the Government of Canada proposes to allow a non-refundable tax credit on eligible amounts of up to \$500, paid by parents, to register a child (under the age of 16) in an eligible physical activity program.

The Government of Canada has issued two important documents:

1. *Definition of an Eligible Program*

On December 19, 2006, the government released details of the proposed definition of an eligible program, which is attached. Please review this information carefully.

Important points to remember when deciding if programs are eligible:

- Although there is currently a prescribed amount of moderate-to-vigorous physical activity included in the definition, the government has stated that the definition will consider the general nature of the activities and the benefits of long-term involvement. This is particularly important for programs where children are learning new skills. Decisions should be made at the discretion of each organization.

- The definition states that 50 percent of time spent in camps must be devoted to physical activity. This also applies to club or association membership. However, membership and registration fees for programs, where the eligible portion of the program constitutes 50 percent or less of available programs, could in general be pro-rated for the purposes of the credit. This will mean that organizations will be responsible for interpreting the amount of physical activity in a program and will reflect that percentage on program receipts.
- Sporting, recreation and other activities in which motorized vehicles are used as an essential component of the activity will be excluded. Fees paid for regular school physical education programs are also excluded.
- The final regulated definition has not yet been released, but the guidelines contained in the government document are intended to provide programmers and managers with enough information to make decisions about the eligibility of their programs. CRA is recommending that all organizations begin issuing receipts using the guidelines listed below, beginning January 1, 2007.
- CRA states that it is up to organizations to decide what portion of fees paid are eligible. If any questions arise regarding the eligibility of a program, CRA will be responsible for interpreting the definition of an eligible program as regulated by the Department of Finance. Recreation providers or parents may contact CRA if there are any questions regarding the eligibility of a specific program.

2. Information for Parents and Program Providers from Canada Revenue Agency (CRA)

On December 20, 2006, CRA issued a guide for parents and organizations providing eligible programs of physical activity. Please visit www.cra-arc.gc.ca/fitness/ to view the document and share this resource with parents. CRA has attempted to keep the receipting process simple; however, there are several important points, which may affect your current process for issuing receipts.

Important guidelines for organizations that provide eligible programs of physical activity:

- The tax credit can only be claimed on fees for eligible programs paid in 2007. Fees paid in 2006 do not qualify, even if all or part of the activity takes place in 2007.
- A receipt should contain the following information: organization's name and address; name of the eligible program or activity; total amount received, date received, and the amount that is eligible for the Children's Fitness Tax Credit; full name of the payer; name of the child and year of birth and an authorized signature (unless the receipt is generated electronically).
- Registration and membership fees can include the cost of administration, instruction, equipment retained by the provider and facility rental. Fees for accommodation, food, beverages and travel are ineligible. For example, if fees for a hockey camp are \$700 but the camp includes food and lodging, then the portion of the fee corresponding to the value of those items cannot be included in the eligible amount. If lodging and food costs \$200 per participant, the receipt issued to parents must include the total amount paid (\$700) and an eligible amount of \$500 for tax credit purposes (i.e. \$700 - \$200).
- There are additional provisions for children eligible for the Disability Tax Credit. Details of these have not yet been released. However, the government has indicated there is a separate \$500 nonrefundable tax credit for participants with disabilities and that the age restriction for children with disabilities has been raised to eighteen (18).

For more information contact Warren Proctor, Manager – Community Sport Development, Sask Sport Inc. at (306) 975-0805 or email wproctor@sasksport.sk.ca.

Federal Children's Fitness Tax Credit

Backgrounder

1. Proposed Definition of a Program of Prescribed Physical Activity

An eligible program of prescribed physical activity, for the purposes of the credit, will be defined as

An ongoing, supervised program, suitable for children, in which substantially all of the activities undertaken include a significant amount of physical activity that contribute to cardio-respiratory endurance, plus one or more of:

- muscular strength,
- muscular endurance,
- flexibility, and
- balance.

This definition will cover many sports, as well as other children's recreational programs that also involve significant physical activity, such as dance lessons. It recognizes that the practice of any sport or physical activity does not always call on cardio-respiratory endurance, notably in the initial learning stages. Eligibility of a program would be based on the general nature of the activities, and the benefits of involvement over time. The definition will also take into account the average participants' age, health, skills, presence of a disability, and other relevant factors.

- In keeping with the expressed purpose of the tax credit, and in the spirit of *Canada's Physical Activity Guides for Children and Youth* published by the Public Health Agency of Canada, programs of prescribed physical activity for which tax receipts are issued should encourage children to strive towards at least 30 minutes of sustained moderate to vigorous physical activity per session for children under 10, and 60 minutes of sustained moderate to vigorous physical activity for children 10 and over.
- By requiring a supervisory presence and by referring to activities that are "suitable for children", the proposed definition acknowledges parents' role in assuring the safety of their children. It reminds those delivering programs of prescribed physical activity for children that safety is paramount and that such programs should comply with federal and provincial safety regulations.

2. Categories of Eligible Programs

In addition to the above definition, and in order to recognize the many ways in which children are enrolled and participate in organized physical activity, the *Income Tax Regulations* will provide that programs are eligible for the tax credit if they last at least eight weeks at a minimum of one session per week, or, in the case of children's camps, five consecutive days—provided in the latter case that more than 50 per cent of the program time is devoted to physical activity.

A child's membership in a club, association or other organization for two months or more would also be considered participation in an eligible program if more than 50 per cent of the programs available as a result of membership are in the nature of an "eligible program", or more than 50 per cent of the available time is devoted to activities in an "eligible program".

Membership and registration fees for programs where the eligible portion of the programs constitutes 50 per cent or less of available programs could in general be pro-rated for the purposes of the credit.

As well, that portion of a family membership covering a child's participation in an eligible program will be eligible, and the organization will be able to issue a tax receipt for that portion.

While fees charged for extracurricular programs that take place at a school will be eligible, the credit will not cover fees charged for regular school physical education programming.

Sporting, recreational and other activities in which motorized vehicles (e.g., automobiles, motorcycles, power boats, airplanes, snowmobiles) are used as an essential component of the activity will also be excluded.

3. Measures for Children With Disabilities

In recognizing the particular challenges that children with disabilities face, the *Income Tax Act* will be amended to raise the age limit for disability tax credit (DTC)-eligible children from under 16 to under 18 years of age for the purposes of the Children's Fitness Tax Credit. The Act will also be amended to introduce a separate \$500 non-refundable amount for DTC-eligible children subject to spending a minimum of \$100 on registration fees for an eligible program. This additional non-itemizable amount provides general recognition of the extra costs that children with disabilities encounter in becoming involved in programs of physical activity, notably with regard to specialized equipment, transportation and attendant care.