Practice with case studies Medical expenses

Claiming medical expenses

Pre-test question

Select **True** or **False**

Individuals may claim eligible medical expenses if they were not claimed in a prior year and were paid within a 12-month period that ended in the tax year for which they are submitting their tax return.

True

That's correct

Individuals may claim eligible medical expenses if they were not claimed in a prior year. They must have been paid for within a 12-month period that ended in the tax year they are submitting.

False

Sorry, that's incorrect

Individuals may claim eligible medical expenses if they were not claimed in a prior year. They must have been paid for within a 12-month period that ended in the tax year they are submitting.

Instructions

- 1. Open the tax software
- 2. Review the **Background information** and **Required slips** (tax slips, receipts, etc.)
- 3. Provide all required information for the appropriate sections of the tax software
- 4. Once completed, compare your results with the solution provided
- 5. Afterwards, refer to the **Takeaway points**

Background information

Situation

Michael Schneider and Elizabeth Jones-Schneider are married and live with their son, Jack. They also support Elizabeth's father, Adam Jones, who lives in low-income housing. Michael works for the XYZ Inc. company and Elizabeth has a part-time job at Sunny Grocers. Their son has no income to report and Elizabeth's father, who is widowed, receives Canada Pension Plan benefits and old age security payments. Adam's medical expenses were paid for by Michael and Elizabeth. Mr. Schneider has provided you with all of his slips and medical receipts. Although you are only expected to transmit the tax returns for Michael and Elizabeth, you must still provide complete information for Adam.

Identification information

Name	Michael Schneider
Social insurance number (SIN)	000 000 000
Address	123 Main Street City, Province X0X 0X0
Date of birth (DOB)	September 25, 1971
Marital status	Married to: Elizabeth Jones-Schneider SIN: 000 000 000 DOB: July 17, 1975
Dependant 1	Jack Schneider DOB: April 11, 2009 Relationship: son SIN: 000 000 000
Dependant 2	Adam Jones DOB: May 18, 1941 Relationship: Elizabeth's father SIN: 000 000 000 Address: 300 Queen St Apt 14 City, Province X0X 0X0 Marital status: Widowed

Medical receipts provided

Adam:

- \$1,500.00 2022-12-02 Hearing aid receipt indicates: 80% was reimbursed by a medical insurance plan. The amount was not claimed on a 2022 tax return.
- \$600.00 2023-11-21 Dental services fillings and routine cleanings receipt indicates: no amount was reimbursed

Jack:

- \$3,500.00 2023-03-12 Orthodontic braces receipt indicates: \$2,000 reimbursed by a medical insurance plan
- \$850.00 2022-12-29 Prescription eyeglasses receipt indicates: \$200 was reimbursed by a medical insurance plan. The amount was not claimed on a 2022 tax return.

Elizabeth:

- \$550.00 2023-05-06 Prescription contact lenses receipt indicates: \$200 was reimbursed by a medical insurance plan
- \$300.00 2023-05-23 Prescription for Vitamin B12 for Elizabeth's anemia receipt indicates: 80% was reimbursed by a medical insurance plan

Michael:

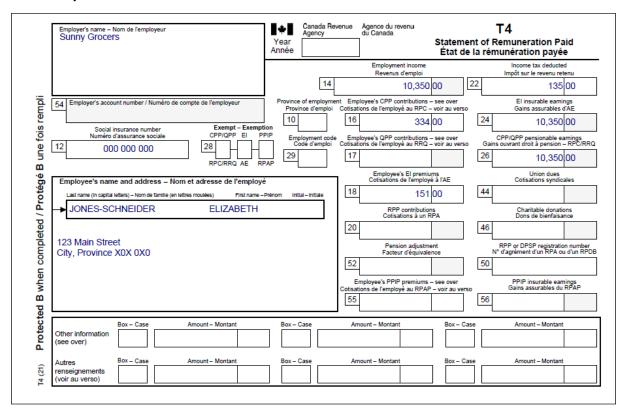
 \$800.00 - 2023-06-11 - Prescription drugs - receipt indicates: 80% was reimbursed by a medical insurance plan

Slips required

T4 – Statement of Remuneration Paid for Michael Schneider (XYZ Inc.)

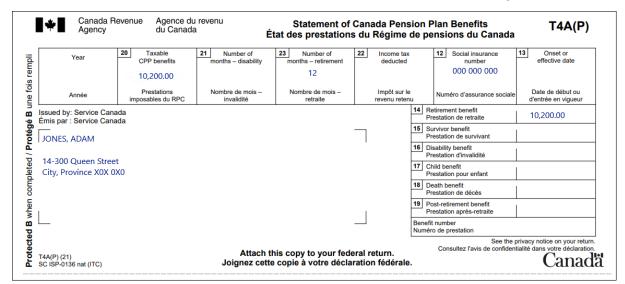
	Employer's name – Nom de l'employeur XYZ Inc.	Year Année	Canada Re Agency	venue	Agence du revenu du Canada			T4 Remuneration Pa émunération payéé	
					Employment income Revenus d'emploi			Income tax deducted Impôt sur le revenu rete	
			14		27,500	00.00	22	2,385	00
une fois rempli	54 Employer's account number / Numéro de compte de l'employeur				loyee's CPP contributions ons de l'employé au RPC			El insurable earnin Gains assurables d	
is re	Social insurance number Exempt – Exempt			16	678	00	24	27,500	00
e fo	Numéro d'assurance sociale CPP/QPP EI PI 12 000 000 000 28 2	Cc	loyment code de d'emploi	Cotisat	loyee's QPP contributions ons de l'employé au RRQ	– see over – voir au verso		CPP/QPP pensionable ea ains ouvrant droit à pension -	mings - RPC/RRQ
8		29 PAP		17			26	27,500	00
	Employee's name and address – Nom et adresse de l'employé			1	Employee's El premi Cotisations de l'employ	ums yé à l'AE	_	Union dues Cotisations syndica	les
when completed / Protégé	Last name (in capital letters) – Nom de familie (en lettres moulées) First name –	Prénom Initi	al – Initiale	18	395		44		
d/P	SCHNEIDER MICHAEL			l	RPP contributio Cotisations à un f			Charitable donatio Dons de bienfaisar	
olete	123 Main Street			20			46		
mo	City, Province X0X 0X0			 	Pension adjustm Facteur d'équivale		-	RPP or DPSP registration N° d'agrément d'un RPA ou	n number d'un RPDB
en				52			50		
Bwh					nployee's PPIP premiums ons de l'employé au RPAF		56	PPIP insurable earn Gains assurables du l	ings RPAP
				55			50	2	
rotected	Box – Case Amount – Montant Other information	Box - C	Case	Am	ount – Montant	Box – Ca	se	Amount – Montant	
Pro	(see over)								
(21)	Autres Box - Case Amount - Montant renseignements	Box - C	Case	An	ount - Montant	Box – Ca	se	Amount – Montant	——I
14 ()	(voir au verso)								

T4 – Statement of Remuneration Paid for Elizabeth Jones-Schneider (Sunny Grocers)



T4A(OAS) – Statement of Old Age Security for Adam Jones

	Canada Agency	Revenue Agence du re du Canada	evenu		ent of Old Age Se a sécurité de la v		T4A(OAS)
empli	Year	18 Taxable pension paid	19 Gross pension paid	20 Overpayment recovered	21 Net supplements paid	22 Income tax deducted	Quebec income tax deducted
ois r		7,277.52			4,101.24		
nue f	Année	Versement de pension imposable	Versement brut de pension	Paiement en trop recouvré	Versement net des suppléments	Impôt sur le revenu retenu	Impôt sur le revenu du Québec retenu
gé B	Issued by: Se Émis par : Se	ervice Canada				12 Social insu	rance number
oté	Emis par : Se	ervice Gariada				000	000 000
P	JONES, ADAI	M			I,	Numéro d'as	surance sociale
ted	14-300 Quee	en Street				Old Age Se	ecurity number
ple	City, Province	e X0X 0X0					
n con						Numéro de la Sé	curité de la vieillesse
Protected B when completed / Protégé B une fois rempli							
cted						See the Consultez l'avis de confide	e privacy notice on your return. entialité dans votre déclaration.
Prote	T4A(OAS) (21) SC ISP-0137 nat (IT	C)		this copy to your f te copie à votre dé			Canadä



T4A(P) - Statement of Canada Pension Plan Benefits for Adam Jones

Takeaway points

Steps to follow

- 1. Review their background information, required slips, and medical receipts
- 2. Verify if the medical expenses are eligible or need a prescription on Canada.ca
- 3. Click **add spouse** next to the **Family Head** (Michael Schneider) tab
- 4. Click **add dependant** next to the **Spouse** (Elizabeth Jones-Schneider) tab to add each dependant
- 5. In both Michael and Elizabeth's profiles, Click T4 and employment income in the left-side menu, then click the + sign next to T4 income (earned in any province except Quebec) in the T4 and T4E section and enter the required information
- In both Michael and Elizabeth's Interview setup, tick the box next to Medical expenses, disability, caregiver in the Common tax deductions section
- 7. In both Jack and Adam's profiles, click **Medical and disability** in the left-side menu, then click the + sign next to **Medical expenses for the dependant** in the **Medical expenses** section

- 8. Enter the eligible medical expenses into the profile of the family member who directly benefited from them
- 9. It is not necessary to enter each medical receipt individually. Enter **See list** in the description and indicate the total amount of eligible medical expenses

In this case, although amounts paid for vitamins are generally not eligible medical expenses, vitamin B12, when prescribed by a health care professional is considered eligible.

In this case, the medical receipts paid in December of 2022 may be claimed on the 2023 tax return since they were paid within the 12-month period ending in the year the tax return is being submitted for and were not previously claimed.

The eligible medical expenses claimed must be reduced by any amount that has been reimbursed.

The tax software determined it is more beneficial to claim all the medical expenses for the family in Michael's tax return. Michael is eligible to claim the medical expenses paid for Adam even though he does not live at the same residence because Adam is Elizabeth's father, depends on them for support and his medical expenses were paid for by Michael and Elizabeth.

Since Michael earns a modest working income and is claiming a large amount of medical expenses for his family, he is eligible for the refundable medical expense supplement (line 45200). The tax software automatically calculates and claims the amount on line 45200.

For more information, refer to UFile instructions.

Review your results

	Elizabeth Jones-Schneider	Michael Schneider
• Total income		
10100 Employment income	\$10,350.00	\$27,500.00
15000 Total income	\$10,350.00	\$27,500.00
Net income		
22215 Deduction for CPP and QPP enhanced contributions	\$56.13	\$113.95
23600 Net income	\$10,293.87	\$27,386.05
Taxable income		
26000 Taxable income	\$10,293.87	\$27,386.05
20000 Taxable Income		
 Non refundable tax credits 		
30000 Basic personal amount	\$15,000.00	\$15,000.00
30300 Spouse or common-law partner amount		\$4,706.13
30800 CPP or QPP contributions through employment	\$277.87	\$564.05
31200 Employment Insurance premiums through employment	\$151.00	\$395.00
31260 Canada employment amount	\$1,368.00	\$1,368.00
33099 Medical expenses		\$2,720.00
33199 Allowable amount of medical expenses for other dependants		\$252.64
33200 Allowable portion of medical expenses	\$0.00	\$2,151.06
33500 Total	\$16,796.87	\$24,184.24
33800 Total @ 15%	\$2,519.53	\$3,627.64
35000 Non refundable tax credits	\$2,519.53	\$3,627.64
• Refund or balance owing		
42900 Basic federal tax	\$0.00	\$480.27
40500 Federal foreign tax credit (T2209)	\$0.00	\$0.00
40600 Federal tax	\$0.00	\$480.27
41700 Line 40600 - 41600		\$480.27
42000 Net federal tax	\$0.00	\$480.27
42800 Provincial or territorial tax	\$0.00	\$300.00
43500 Total payable	\$0.00	\$780.27
43700 Total income tax deducted	\$135.00	\$2,385.00
Payments and credits		
45200 Refundable medical expense supplement		\$201.97
45300 Canada workers benefit (CWB) (schedule 6)		\$2,616.00
48200 Total credits	\$135.00	\$5,202.97
48400 Refund	\$135.00	\$4,422.70