

New budget has homeowners thinking renovations; budget to also help first-time buyers

The recent federal budget is getting mixed reviews, but there's one program that's causing widespread excitement for Canadian homeowners: a new tax break for home improvements.

Here's the gist of the new home renovation credit. If you spend money on goods or renovation services for your home in the next year – that's anywhere between now and February 1, 2010 – you're eligible to claim a 15% credit against any of your expenses after \$1,000. There is a limit, of course; the maximum credit you can get is \$1,350. The tax credit comes right off your taxes owing.

The budget measure will help Canadians maintain the value in their homes, and will help bolster business for the construction sector and other skilled trades related to home improvements. It should also help furniture and appliance stores as consumers often buy these items to complement their renovations. So this is good news for you, and great for employment and the economy.

The tax credit applies to renovations on houses, cottages or condos. What's eligible for the tax credit? In addition to major upgrades – like new bathrooms, kitchens or finished basements – there are a host of other smaller upgrades: like new flooring or carpet, replacing a furnace or hot water heater, painting both inside and outside your home, as well as landscaping work like a new lawn or driveway. It doesn't cover electronics – like a new plasma TV and regular home maintenance is not included either.

The credit is offered per household, although any member of the household can claim it (so work with your tax professional to optimize your benefit). And keep your receipts, which must be dated between January 27, 2009 and February 1, 2010 in order to be eligible.

There are some great reasons to make 2009 your renovation year. If your renovation project includes some energy-saving home improvements, you may also be able to tap into grant money under the ecoENERGY retrofit

and other government and local programs. The government plans to expand the amount of money available through its ecoENERGY Retrofit program, which provides grants of up to \$5,000 to offset the cost of making energy-efficient home improvements. You may therefore be able to benefit from both of these incentive programs for one renovation project.

The budget also has some good news for those getting into home ownership for the first time, including a First-Time Home Buyers' Tax Credit designed to help offset legal fees and land-transfer taxes. For homes bought after January 27, a 15-per-cent tax credit would apply on expenditures of up to \$5,000, with a maximum tax savings of \$750.

First-time buyers can also benefit from an improvement made to a federal program introduced a few years ago. Federal Finance Minister Jim Flaherty announced a new withdrawal limit for the Home Buyers' Plan, which allows tax-free withdrawals from RRSPs for the purpose of buying that first home. The new withdrawal limit will go to \$25,000, up from \$20,000.

The increased limit for the Home Buyers' Plan and the new First-Time Home Buyers' tax credit will also be available to existing homeowners with disabilities (eligible for the disability tax credit) who want to move to a more accessible home, or can be used to buy a home for a disabled relative.

If you are a new homebuyer or thinking about a large renovation project, a great place to begin is to give us a call. Home renovations are a great way to build value in your home – and mortgage rates are very low. We can help you use the equity in your home to complete your renovation. At the same time, we can help you restructure yesterday's mortgage to fit today's needs.



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