

Canadian Income Tax

Medical Expense Deduction for Celiac Disease

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What this presentation covers -

- Introduction
- History of past Gluten Free related Deductions
- What do I need to calculate this claim?
- What is incremental cost? Exceptions?
- Spreadsheet for Calculating Incremental Costs
- Hints for filling out the Incremental Cost Spreadsheet and Calculations
- Submission information for Income Tax
- Tips from the Canada Revenue Agency
- Handouts
- If you have questions...

Introduction -

- Diagnosed with Celiac Disease in 1983
- Level 4 CGA
- Past Income Auditor for a large hotel in national chain
- 20 years of volunteer Income Tax preparation experience for various people and associations
- Various Treasurer jobs including the Vancouver Chapter
- Presentation based on:
 - Personal experience submitting GF Medical Expense claims and successful Desk Audits (including the GF Expense claim)
 - ***Eileen Reppenhagen, CGA***, talk to Vancouver Chapter, 2009
 - Interviews with Canada Revenue Agency February, 2013

History of Gluten Free Income Tax Deductions

Prior to 2001

- No deductions were available for any food related conditions.

2001-2003

- A “loophole” was found and Celiacs started using the T2201 form – Disability Deduction
- “You do **not** qualify for the disability amount (**line 316**) based on the additional amount of time it takes to shop for or prepare GF products” (loophole) was decided in 2004 and loophole closed.

2003 onwards

- Instead - Medical Expense for Incremental Cost of Gluten Free food claim allowed
- Government lobbied by CCA for a fixed amount deduction per person (or food item like bread) – not passed.
- Currently, Celiac Disease is **THE ONLY** medical condition where food can be deducted as a medical expense so we should be thankful.

Definition for Claiming Medical Expense Deduction

Persons who suffer from celiac disease are entitled to claim the incremental costs associated with the purchase of gluten-free products as a medical expense. (www.cra-arc.gc.ca)

What do I need to do now?

- You need to be diagnosed with Celiac Disease by an “Authorized Medical Practitioner”
- Obtain a note from that medical practitioner on their letterhead indicating your diagnosis of Celiac Disease, requirement for a gluten free diet and DATE of diagnosis. You can only claim for food from date of diagnosis onwards.
- Find all your grocery receipts for the time period being claimed where gluten free items were purchased.
- For your gluten free items purchased find similar “gluten” items (as cheap as possible for your area) and keep the evidence – take a photo online, store picture of item and price etc.
- Print out the Incremental Cost Calculation sheet from Canada Revenue Agency – type in Gluten Free or Celiac Disease and it should appear.

Terminology and Technology

Pencil, Pen and Calculator or a Computer Spreadsheet or anything in between that you feel comfortable using is how you can do the calculations for the GF Medical claim.

The word “**spreadsheet**” used in this presentation can mean a piece of **paperwithcolumns** on it that you draw and fill in or a **softwareprogram** – the choice is yours!

I hear the abacus is coming back in style...

Incremental Cost – what does this REALLY mean?

What is the "incremental cost"?

“The incremental cost is the difference in the cost of gluten free (GF) products compared to the cost of similar non-GF products. It is calculated by subtracting the cost of a non-GF product from the cost of a GF product.” (www.cra-arc.gc.ca)

So what are some exceptions to this “rule”?

Xanthan and guar gum do not have non-GF comparisons

Additional charges at restaurants for GF food products



"TIME TO PLAY GLUTEN ROULETTE!"

What is considered “Gluten Free”

According to Revenue Canada the items claimed on the spreadsheet to qualify as “gluten free item” must be:

1. Items purchased (or ingredients purchased to make gluten free food) that are made under Health Canada regulations
2. Must be LABELED “Gluten Free”.
3. Naturally GF items or ingredients are not to be included in the claim unless number 2 applies – such as rice (if not marked GF).
4. The ingredients used to make GF food must meet number 2 so the bag of rice flour at the Asian market does not qualify if not marked GF.

Sample of summary chart for incremental cost calculation

* total of additional fees paid for pizza crusts, bread etc when dining out (not averaged)

1	2	3	4	5	6
Item	Number of items purchased	Average cost of non-GF product	Average cost of GF product	Incremental cost (4)-(3)	Claim for GF Item (5)x(2)
Bread	52	\$3.49	\$6.99	\$3.50	\$182.00
Rice flour	4	\$6.34	\$9.59	\$3.25	\$13.00
Cookies	10	\$2.49	\$7.99	\$5.50	\$55.00
*Dining Out		\$0.00	\$25.00	\$25.00	\$25.00
Total Incremental cost allowable (add all amounts in column 6)					\$ 272.00

Filling out the Spreadsheet - Hints!

Gluten Free Items

- Group like items – such as breads, cookies, crackers
- Keep restaurant receipts (ask for a 2nd itemized bill) if additional costs were paid for GF items
- Use an envelope and place chart on front
- Do this regularly – monthly or quarterly!

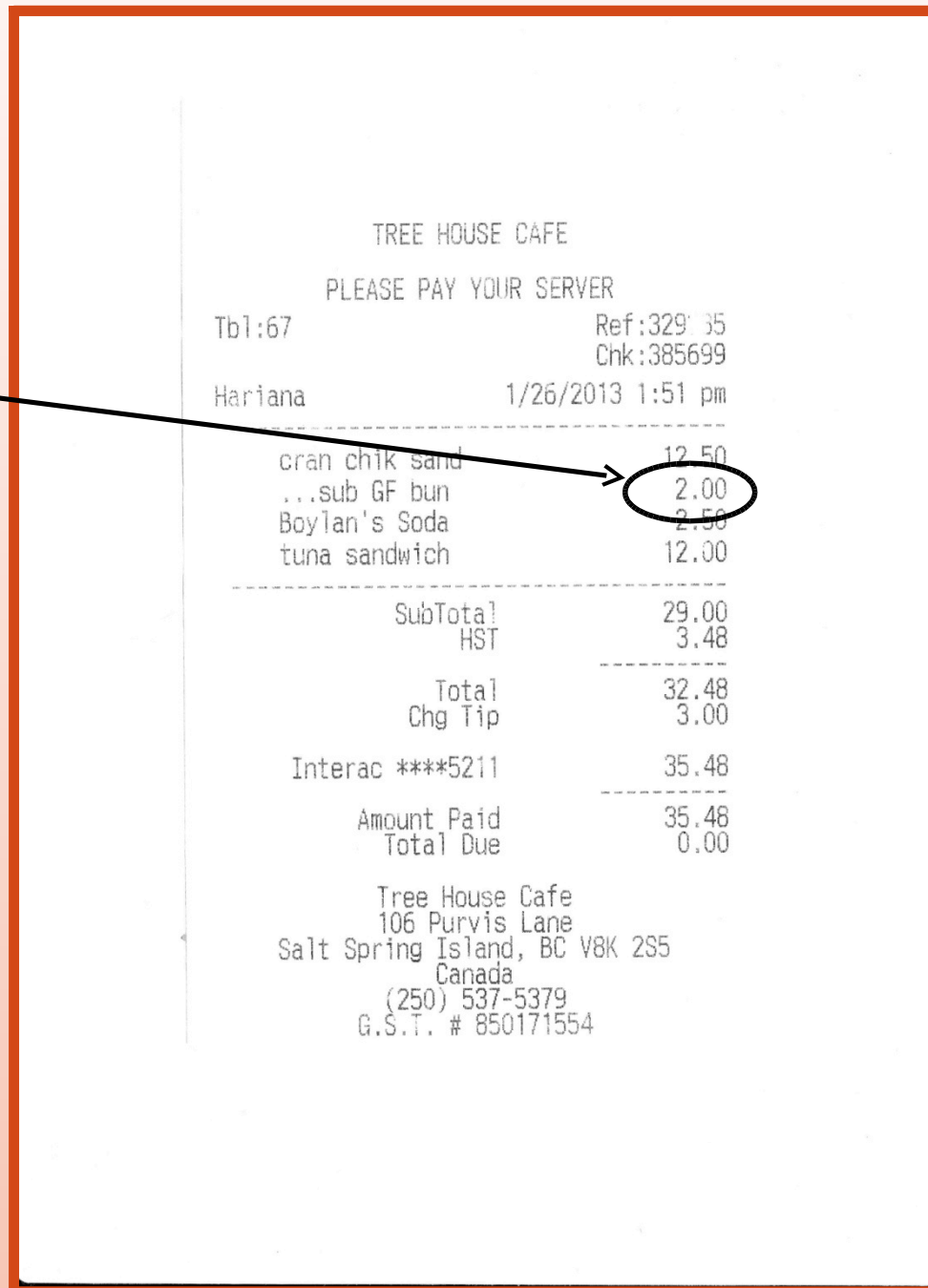
Non-GF Items

- Flyers are your best friend!
- Clip out item/date/flyer name - add to receipts bag
- Replace clip out flyer info if better price seen.
- Try for closest equivalent to grouped items such as size or take into account when calculating.
- Go to store for rest of ingredient/item prices – cheapest store possible!

Restaurant Receipt

Example

Incremental cost of \$2.00 paid for a GF bun – this cost is added to the spreadsheet – there is no comparable non-gf cost for this. Total up all your incremental GF dining out charges paid for GF products that are charged to you in making your meal. NOTE: If the amount is included in the charge for your meal, you cannot claim this incremental



Income Tax Submission

- You can still eFile and I recommend it – no need to manually file your taxes.
- Keep your receipts and doctors note (original) – no need to send it to the government unless asked to
- Desk audit when a total of \$5000 of Medical Expenses are claimed – if you receive a letter from Revenue Canada questioning your total Medical Expense deduction this is what you need to submit for the GF expense claim:
 - Original Doctors note (get it **now** not when audited as that might be a problem as the claim is based on the date of diagnosis)
 - All receipts you used for your calculations plus comparison non-GF item cos
 - The spreadsheet to calculate the GF expense.
 - Any other receipts they ask for (they usually audit your whole Medical Expense category not just the gluten free claim)
 - Copy ALL of the above and keep the copies for your records (it is a lot of copies).
- Once the Original doctors note with regards to your Celiac Disease diagnosis is on file at CRA, you do not need another from your doctor if you are audited again for Medical Expenses. Just send the copy from your previous audit.

Message from Revenue Canada

- Over the years I have interviewed both medical staff and supervisors from Revenue Canada. This is what they passed along as TIPS in what NOT to do when submitting a GF medical expense claim
 - “Estimate” your costs, what you purchased, or non gluten cost comparisons
 - Submit costs if you are not diagnosed with Celiac Disease
 - Submit costs for non-Celiacs in your family or for others
 - Submit costs for running a business selling GF products – such as Farmers Market
- In terms of a Desk Audit related to the GF medical expense:
 - They review of each receipt and will deduct what they do not deem qualifies.
 - They have the ability to audit you back 7 years.

Handouts from CRA website

Gluten Free page including calculation layout

<http://www.cra-arc.gc.ca/gluten-free/>

Authorized medical practitioners for the purposes of
claiming medical expenses

<http://www.cra-arc.gc.ca/tx/txprfssnls/srvcs/chngmtcprctnrlist-eng.html>

Thank-you!

Further Questions?

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