

On behalf of Canada Basketball, please find below a message from the Director General of Sport Canada regarding the government's new children's fitness tax credit.

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MEMORANDUM / NOTE DE SERVICE

<p>TO: National Sport Organizations Multisport Service Organizations Canadian Sport Centres</p> <p>FROM: Tom Scrimger Director General Sport Canada Canadian Heritage</p> <p>DATE: January 22, 2007</p> <p>SUBJECT: Children's Fitness Tax Credit</p> <p>Attached please find a fact sheet on the recently announced Children's Fitness Tax Credit. The fact sheet was compiled using information from the Finance Canada and Canada Revenue Agency web sites. I encourage you to share it with your membership and, where appropriate, encourage them to further distribute it to their membership.</p> <p>It is important to note that eligibility for the tax credit is based on the nature of the program and not the type of organization. For example, not all of the programs of a specific sport may be eligible for the tax credit, just those that meet the tax credit criteria.</p> <p>Responsibility for administering the tax credit lies with the Canada Revenue Agency. Should you have any questions about the Children's Fitness Tax Credit, you should contact the Canada Revenue Agency at 1-800-959-5525.</p>	<p>À : Organismes nationaux de sport Organismes de services multisports Centres canadiens multisports</p> <p>DE : Tom Scrimger Directeur général Sport Canada Patrimoine canadien</p> <p>DATE : Le 22 janvier 2007</p> <p>OBJET : Le crédit d'impôt pour la condition physique des enfants</p> <p>Vous trouverez ci-joint une fiche de renseignements sur le crédit d'impôt annoncé récemment pour la condition physique des enfants. La fiche a été rédigée à partir d'information qui figure sur les sites Web de Finances Canada et de l'Agence du revenu du Canada. Je vous invite à la diffuser à vos membres et, si vous le jugez opportun, à encourager ceux-ci à faire de même.</p> <p>Soulignons que l'admissibilité au crédit d'impôt dépend de la nature du programme et non du genre d'organisme. Par exemple, pour un sport en particulier, seuls les programmes qui remplissent les critères du crédit d'impôt donnent droit à ce crédit.</p> <p>Il incombe à l'Agence du revenu du Canada d'administrer le crédit d'impôt. Pour toute question sur le crédit d'impôt, veuillez prendre contact avec l'Agence du revenu du Canada en composant le 1-800-959-5525.</p>
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**Fiche de renseignements
Le crédit d'impôt pour la condition physique des enfants**

Les renseignements suivants concernent le crédit d'impôt proposé et visent les organismes qui offrent des programmes d'activité physique admissibles. Ces renseignements sont tirés de législation déposée devant la Chambre des communes mais qui n'a pas encore été adoptée.

Fact Sheet Children's Fitness Tax Credit

The following is information about the proposed tax credit for organizations that provide eligible programs of physical activity. This information is based on legislation that has been tabled in the House of Commons but that has not yet become law.

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 programs that involve sport but recognizes that the practice of any sport 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.

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". The eligible portion of the program's membership and registration fees could, in general, be pro-rated for the purposes of the credit where it constitutes 50 per cent or less of the total program cost.

Organizations can issue a receipt for the portion of a family membership that covers a child's participation in an eligible program.

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.

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.

Calculating eligible fees

To be eligible for the children's fitness tax credit, the fees must be paid for a child who is under 16 at any time in the year. The fees must relate to the cost of registration or membership in an eligible program of physical fitness activity. If your organization provides family memberships relating to an eligible program of physical activity, you will be able to issue a tax receipt for the child's portion of the membership fees.

Registration and membership costs can include the costs of administration, instruction, and the rental of facilities. If the fees charged to parents include a part for accommodation, travel, food, or beverages (for example, room and board at a fitness camp), then this part must be deducted when calculating the part of the fees that qualify for the tax credit.

Example:

Parents pay an all-inclusive registration fee of \$700 for a one-week, away-from-home hockey camp for children.

The camp provides hockey pucks, jerseys, and goalie nets that are shared during the camp but that are retained by the organization at week's end. Children must bring all other necessary equipment with them and parents are responsible for transporting the children to and from the camp. The \$700 fee includes \$200 for accommodation and \$150 for meals. The portion of the fee that is eligible for purposes of the children's fitness tax credit is \$350 (\$700 - \$200 - \$150).

Issuing receipts

You should issue a receipt for income tax purposes for eligible amounts paid in 2007 only. Amounts 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 child's year of birth
- Authorized signature.

Note: An authorized signature is not required for electronically generated receipts.

For more information

Canada Revenue Agency
<http://www.cra.gc.ca/fitness>
1-800-959-55251-800-387-1193

Finance Canada
<http://www.fin.gc.ca/news06/06-084e.html#Backgrounder>