WELCH TIMES

AUTUMN 2024

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BILL IRWIN BURSARY

Welch LLP is proud to announce that we have committed another five years in funding the Bill Irwin Bursary for undergraduate accounting students at Sprott School of Business at Carleton University.

The bursary was established in 2019 to commemorate the retirement of Welch LLP Partner Bill Irwin, who was dedicated to mentoring accounting students at the firm.

Valued at $2,000, the Bill Irwin Bursary is awarded annually to Sprott School of Business students in demonstrated financial need who are entering their third and fourth year of the Bachelor of Commerce program with a concentration in Accounting.

Congratulations to the recipient of this year's 2024 Welch LLP Bill Irwin Bursary!

We can't wait to see where your career takes you!

TAX BLOG

Home Renovation Credits for Seniors

There are several tax credits available to assist seniors with renovations necessary to make their homes accessible and safe. The following tax credits were introduced at the beginning of the 2023 calendar tax year.

Home Accessibility Tax Credit (HATC)

This is a non-refundable tax credit for eligible home renovation or alteration expenses that assist a qualifying individual to stay in their dwelling. A qualifying individual is anyone who is 65 years of age or older at the end of the calendar year and who is eligible for the disability tax credit at any time in the year.

The HATC is a non-refundable credit of 15% on up to $20,000 of eligible expenses, allowing a maximum tax credit of $3,000 (15% x $20,000).

Qualifying expenditures include outlays or expenses made or incurred during the year that include building materials, fixtures, equipment rentals and permits that provide an alteration or renovation that is of an enduring nature and is integral to the dwelling. The renovation must either:

1. allow the individual to gain access to, or be mobile or functional within the dwelling; or
2. reduce the risk of harm to the qualifying individual within the dwelling or in gaining access to the dwelling.

Multigenerational Home Renovation Tax Credit (MHRTC)

This is a refundable credit to assist with the cost of renovating an eligible dwelling to establish a secondary unit that enables a qualifying individual to live with a qualifying relation. A qualifying individual is anyone who is 65 years of age or older at the end of the calendar year and who is eligible for the disability tax credit at any time in the year. A qualifying relation means an individual who is at least 18 years of age and at any time in the year is a parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece, nephew or common-law partner.

The costs must be incurred for an alteration that is of an enduring nature and be undertaken to enable the individual to reside in the dwelling with a qualifying relation by establishing a secondary unit. A secondary unit is defined as a self-contained housing unit with a private entrance, kitchen, bathroom and sleeping area.

The credit is available for qualifying expenditures made or incurred after December 31, 2022, for services performed or goods acquired after that date.

The MHRTC allows for a refundable credit of 15% on up to $50,000 of eligible expenses, allowing a maximum tax credit of $7,500 (15% x $20,000).

Additional details for both tax credits, including details on qualifying and non-qualifying expenditures for HATC and MHRTC can be found on the Government of Canada's website.

Does your home qualify for a tax credit? Speak to your Welch LLP advisor to help assess.

Author: Cody Lombardo, CPA, Manager

New Clean Technology Investment Tax Credit

Author: Cody Lombardo, CPA, Manager

HOW TO QUALIFY

A qualifying taxpayer must be one of the following:
- A taxable Canadian corporation (including a taxable Canadian corporation that is a member of partnership); or
- A mutual fund trust that is a real estate investment trust.

WHAT IS A QUALIFYING PROPERTY

To qualify, in addition to other limitations, clean technology (CT) property must be property that is intended for use exclusively in Canada and not have been previously used or acquired for use or lease for any purpose before acquisition by the taxpayer.

The Clean Technology Investment Tax Credit ("CTITC") was a welcomed investment tax credit that received royal assent as part of Bill C-59 on June 20, 2024 and was designed to incentivize investments in clean technology such as equipment used to generate electricity through solar, wind and water sources.

The CTITC is a refundable tax credit available to taxpayers that make eligible investments in clean technology property that become available for use between March 28, 2023 and December 31, 2025. The credit varies depending on a variety of factors described below but can equate to as much as 30% of the cost of qualifying assets.

Investment in the following types of clean technology property may result in a refundable credit:
- Equipment used to generate electricity from solar, wind and water energy;
- Stationary electricity storage equipment that does not use any fossil fuel in operation (such as batteries and pumped hydroelectric storage);
- Active solar heating equipment, air-source heat pumps and ground-source heat pumps;
- Non-road zero-emission vehicles and related charging and refueling equipment that is used primarily for such vehicles;
- Equipment used exclusively for the purpose of generating electrical energy or heat energy (or a combination of both), solely from geothermal energy, unless it is part of a system that extracts fossil fuels for sale;
- Concentrated solar energy equipment; and
- Small modular nuclear reactors.

How is the CTITC Calculated:
The refundable credit is generally calculated as *the qualifying expenditure* multiplied by *the applicable rate* based on the table below:

	Acquired after March 27, 2023 and before 2034	Acquired after 2033 and before 2035
Labour rate acheived	30%	15%
Labour rate not achieved	20%	5%

The labour rate is achieved when the following criteria are met:
1. Each covered work must be compensated for their labour in accordance with the worker's relevant collective agreement and is made aware of the requirements; and
2. Reasonable effort must be made to ensure that apprentices registered in a Red Seal trade work at least 10% of the total work performed by Red Seal workers on the installation of the clean technology property.

The above requirements are seen as a high bar for taxpayers to meet and must be substantiated if the credit claim is reviewed by the CRA.

The taxpayer must attest that the labour requirements were met in the prescribed manner set by the CRA as part of the tax filing for the year the CTITC is claimed. As of the writing of this article, the prescribed form has not been released by the CRA, but details about the required attestation have been provided on the CRA's website.

The CTITC involves detailed criteria that must be met for purposes of the labour rate requirements. Speak to your Welch LLP advisor to help assess whether you may qualify for this tax credit.

U.S. Estate Tax for Non-U.S. Persons

Author: Diana Walsh, Principal

Under U.S. Tax law, U.S. citizens are subject to estate taxation with respect to their worldwide assets, regardless of whether they are residents of the U.S. on passing. On the federal level, when a U.S. person passes away, their estate in excess of the yearly exemption amount would be subject to this estate tax. The passing of the Tax Cuts and Jobs Act (TCJA) in 2017 saw the estate tax exemption double to USD $10 million and, as it has been indexed for inflation and increases marginally on a yearly basis, it currently sits at USD $13.61 million per person for 2024.

But what does this mean for non-U.S. persons?
Certain deceased non-residents of the U.S. are subject to U.S. estate taxation in respect to their U.S. situated assets, and these include:

- Real estate located in the U.S.,
- Tangible personal property (excluding some art), and
- Stock of corporations organized in or under the U.S. law, even if held in an account in a country other than the U.S.

Should a non-U.S. person pass away with these types of assets in their estate, the filing of Form 706-NA- United States Estate (and Generation-Skipping) tax return is required. It should be noted that if the U.S. situated ("situs") property has a fair market value of less than USD $60,000 on their passing, the filing is not required.

Under the Canada-U.S. Tax Convention (1980) ("the Treaty"), there is an allowance given to Canadian residents to benefit from the same exemption amount that a U.S. resident can claim in relation to the U.S. estate tax on their U.S. situs property. It should be noted that his exemption is prorated based on the ratio of the value of U.S. sit assets compared with the value of the worldwide estate. Canadians are allowed, based on this, to access the "unified credit" which represents the tax on the effective exempted amount. For 2024, the unified credit is USD $5,389,800.

U.S. estate tax is based on the following rates as of 2013 and onward:

Taxable Estate		**Estate Tax**	
From (USD $)	**To (USD$)**	**Tax on bottom of range (USD $)**	**Rate on Excess**
0	10,000	0	18%
10,000	20,000	1,800	20%
20,000	40,000	3,800	22%
40,000	60,000	8,200	24%
60,000	80,000	13,000	26%
80,000	100,000	18,200	28%
100,000	150,000	23,800	30%
150,000	250,000	38,800	32%
250,000	500,000	70,800	34%
500,000	750,000	155,800	37%
750,000	1,000,000	248,300	39%
1,000,000	and over	345,800	40%

To illustrate:

A single Canadian resident, non-U.S. person passes away with a condo in Florida worth USD $1,500,000 and a worldwide estate of USD $18,000,000:

Estate tax on USD $1,500,000: **Tax on the first USD $1,000,000**	$345,800
Tax on balance at 40%	200,000
Total before unified credit	$545,800
Less: Prorated unified credit **($1,500,000/$18.000,000 x $5,389,800)**	(449,150)
Net US estate tax in 2024	$96,650

In addition, the Treaty also makes allowances for the U.S. estate taxes paid on death to be credited against U.S. source income in the year of death on the Canadian tax return.

It should be noted that the revised estate tax exemption has a "sunset clause" which, without governmental intervention, will revert back to USD $5 million on January 1, 2026, its original value pre-2018.

Speak to your Welch LLP advisor to discuss whether how this issue impacts your situation and what planning may be available.

WELCH IN THE *COMMUNITY*

WIGLE, WAGGLE, WALK & RUN

What a paw-esome day at the Ottawa Humane Society's Wiggle, Waggle, Walk & Run charity event! The Welch Team participated in the 5K walk/run on Sunday Sept 29th, 2024 to help raise money for the Ottawa Humane Society.

CIBC RUN FOR THE CURE 2024

Check out our Welch Team at the CIBC Run for the Cure event in support of the Canadian Cancer Society! The event took place on Sunday Oct 6, 2024 at the Rideau Carleton Raceway & Casino.

CHEO RACE FOR THE KIDS 2024

What a great time in the sun!

Nicole, Stacy, Mona, and Haidi participated in CHEO's Race for the Kids 5K walk/run event, which took place on Oct 6th, 2024 at Wesley Clover Parks.

WELCH QUINTE DAY OF CARING

Way to go, Welch Quinte, on another amazing Day of Caring! The annual volunteer day is an event we are proud to participate in each year. The team at Welch Quinte participated in the volunteer activity, spending the full day staining a pergola at Quinte Vitality & Social Support.

our CLIENTS IN THE NEWS

MAXBOUNTY

ACQUIRED BY GERMAN COMPANY

PLANTAFORM's

FUNDRAISING DRIVE SHIFTS INTO HIGH GEAR WIHT HELP FROM F1 STAR

TRYCYCLE

RANKS #20 ON CANADA'S TOP GROWING COMPANIES LIST

MERKLEY SUPPLY

CEO ROBERT MERKLEY TO RECEIVE 2024 LIFETIME ACHIEVEMENT AWARD

FIDUS SYSTEMS & RAIN TECHNOLOGIES INC.

RECEIVE 2024 BEST OTTAWA BUSINESS AWARD


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