

## The Cost of Commuting: Claiming the Public Transit Tax Credit

With summer at an end, the daily trek to work and to school has resumed, and for millions of Canadians, that means availing themselves of public transit. While the commute to work or to school is unlikely to be the best part of anyone's day, there may be some solace in the fact that the cost of that commute is subsidized, to a degree, by our tax system.

Since July 2006, the federal government has provided Canadians who commute using public transit with a non-refundable tax credit (meaning that any credit can reduce tax otherwise payable, but can't produce or increase a refund) equal to 15% (for 2009) of the cost of transit passes purchased during the year.

The credit may be claimed for qualifying travel on just about any possible form of public transit, including buses, streetcars, subways, commuter trains or buses and local ferries. And for those who are in the unfortunate position of having to take multiple forms of transit (e.g., bus, commuter train, and subway) to get to and from work or school each day, the cost for all of that travel may be claimed.

While just about any kind of commuter transit method will qualify for the credit, the rules do require that costs incurred be for passes that permit travel for longer periods – the purchase of a single-ride ticket or round-trip ticket will not qualify. When the credit was first introduced, the rules provided that only costs incurred for monthly (or longer) transit passes would qualify. Those rules were quickly seen, however, to be unduly restrictive and were soon amended to allow taxpayers to claim costs for shorter duration passes in some circumstances. The rules now provide that, in addition to monthly or longer passes, costs incurred for the following types of transit passes will qualify for the credit:

- Shorter duration passes may qualify if each pass entitles the user to unlimited travel for an uninterrupted period of at least five days, and if enough of these passes are purchased so that the user is entitled to unlimited travel for at least 20 days in any 28-day period.
- Cost-per-trip electronic payment cards can qualify if the card is used for at least 32 one-way trips during an uninterrupted period not more than 31 days.

Significantly, a taxpayer can claim the cost of such transit passes purchased by him or herself, a spouse or common-law partner, and any children who are under the age of 19 at the end of the tax year, and there is no limit on the total cost that may be incurred. Where two spouses each spend a couple of hundred dollars on monthly commuter train passes and have children of high school or university age who use public transit to attend school or get to and from part-time jobs, the monthly cost of the family's passes could very easily exceed \$500. For 2009, therefore, the total cost of qualifying transit passes could amount to \$6,000 (\$500 times 12 months), meaning a credit against federal tax otherwise payable for the year of nearly \$1,000.

Recently, the Canada Revenue Agency was asked whether the credit could be claimed for the cost of school busing. Students who take public transit to and from school, whether for high school or post-secondary education, can, of course, claim the cost of eligible passes purchased for that travel. Some school boards in Canada have moved to a user-pay school busing system, in which all students within the school district who require transportation to and from school are charged a fee to ride the school bus during the year. The question put to the CRA was whether the payment of such a charge would similarly qualify for purposes of the public transit tax credit, and the answer, unfortunately, was no. The CRA based its conclusions on the fact that the public transit tax credit is provided for commuter costs incurred in relation to "public commuter transit services", which in turn requires that the services be offered to the general public. In the Agency's view, a group consisting of only public school students within a given school district did not

constitute the general public and, as a result, the cost of school busing, even if payment was mandatory, would not qualify under the terms of the credit.

In some school boards, parents who live outside of a particular school's "catchment" area have the option of sending their children to that school, as long as they are prepared to assume responsibility for getting their children to and from school on a daily basis. In many such instances, a group of families who are in the same position contract for private busing services for their children, and the cost of such services can be significant. However, given the CRA's negative response to the query regarding the eligibility of general school busing charges for the public transit credit, it seems very unlikely that a claim for the credit could be made in respect of such private busing charges incurred to send children to an out-of-district school.

Claiming the public transit tax credit for qualifying expenses isn't difficult. The credit is claimed, like most other personal tax credits, on Schedule 1 to the federal individual tax return. To claim the credit, the taxpayer need only enter the total amount of qualifying transit costs incurred during the year on line 364. While transit passes (or the receipts to prove that such passes were purchased) should be retained by the taxpayer, in case the Canada Revenue Agency asks to see them, the passes or receipts do not have to be filed with the annual tax return, even if that return is paper-filed.