

January 2010

Dear Client:

While Canada did not escape the economic turmoil that affected much of the world, the stability of the Canadian banking system mitigated many of the problems experienced elsewhere. This was also reflected in the tax changes for the year. The following are items of importance:

**Average Canada/US Exchange Rate:** It was 87.63¢ for 2009 (or \$1.1412 Cdn/\$1.00 US)

**Non-residents:** There is no deduction on your Québec tax return for alimony payments nor contributions to an RRSP account, even if you are employed or self-employed in the Province.

**Tax-Free Savings Accounts (TFSA):** Beginning in 2009, individuals age 18 and older were able to contribute up to \$5,000 annually to a TFSA. Contributions are *not* deductible. Interest earned within an account, including capital gains, will not be taxed and withdrawals will be tax-free.

**First-Time Home Buyer's Tax Credit:** For purchase of a qualifying principal residence after January 27, 2009, a \$5,000 non-refundable tax credit is available.

**Home Renovation Tax Credit:** Homeowners can claim a 15% non-refundable tax credit on eligible improvement expenditures exceeding \$1,000 made between January 27, 2009 and February 1, 2010. Maximum credit is \$1,350 per family, and 2010 expenses must be claimed on your 2009 tax return.

**Business Use Computers:** Eligible computers and software acquired after January 27, 2009 and before February 1, 2011 will be eligible for a full write-off in the year acquired.

**Caregiver Credit:** If you are the caregiver of a relative (over age 18) who is dependent on you because of an infirmity, you may be eligible for this credit if the relative's income is below a qualifying amount.

**Children Fitness Tax Credit:** This non-refundable tax credit lets parents claim up to \$500 in eligible fees for enrolling a child under age 16 in an eligible physical activity program.

**Canadian Snowbirds:** Certain US tax rules continue to have an impact on some Canadians. As a result of still increasing US Homeland Security efforts, foreigners overstaying their visitor status are more likely than ever to be identified - with the unexpected consequence that they could be considered residents of the US for tax purposes. Canadian Snowbirds who spend more than four months each winter in the southern US could fall into this trap - not necessarily resulting in US taxes, but usually involving filing US financial disclosure reports and possibly US tax returns.

**Foreign Bank Accounts:** US banks are required to report to the Internal Revenue Service (IRS) the names, addresses, and amount of interest paid to all Canadian residents. This will be required even if a taxpayer uses a US address on the account. Please note: both the IRS and Inland Revenue (United Kingdom) tax departments regularly exchange information with the Canada Revenue Agency.

Our standard Canadian engagement letter is enclosed along with our checklist. Please answer the questions on page two of the letter, sign the letter, and return it to us. We cannot begin your tax return until we have received the signed engagement letter.

We encourage you to meet with us or send in your tax data as early as is reasonable, but please do your best to have complete information. We try to prepare returns on a first-come, first-served basis once we have all the data needed. You can also visit us at our website: [www.herrickltd.com](http://www.herrickltd.com).

Sincerely,

Herrick, Ltd. CPAs