

January 2014

Dear Client:

Probably the biggest development coming along in 2014 is the information sharing agreement between Canada and the U.S. (see Canadian Snowbirds below). However, please keep in mind that this also gives the Canada Revenue Agency the ability to know how long non-residents are spending north of the border. And now for some tax items:

Canada/U.S. Exchange Rate: The average rate was \$0.9709 for 2013 (or \$1.0300 Cdn/\$1.00 U.S.); year-end rate was \$1.0640 Cdn/U.S.

Pooled Registered Pension Plan (PRPP): The PRPP is a new retirement saving plan designed to provide retirement income for employees and self-employed individuals who do not have access to a workplace pension. Please contact our office for more information if you feel this could be beneficial.

Tax-Free Savings Accounts (TFSA): As of January 1, 2013, Canadian residents, age 18 and older, can contribute up to \$5,500 annually to a TFSA. This is an increase from the annual contribution limit of \$5,000 for 2009 through 2012, and reflects indexation for inflation. A TFSA allows you to earn tax-free income through a range of investment products.

First-Time Home Buyer's Tax Credit: Eligible first-time home buyers who acquire a home are entitled to claim a \$5,000 credit. The rules to qualify as a first-time home buyer are generally the same as those that apply under the Home Buyers' Plan (HBP).

Québec Health Contribution: Beginning January 1, 2013, a progressive health contribution is in effect in Quebec, based on an individual's income, and will reach a maximum of \$1,000 for taxpayers with net income of \$150,000 or more.

Quebec New Personal Income Tax Bracket: For 2013 and later years, a fourth personal income tax bracket with a rate of 25.75% was introduced for taxable income in excess of \$100,000. There are no changes to the current three tax rate brackets of 16%, 20%, and 24%, or to the income thresholds at which they apply.

Quebec Tax Credit for Eco-Friendly Home Renovation: The tax credit is equal to 20% of the portion of the eligible expenses that exceeds \$2,500, up to a maximum cumulative tax credit for 2013 and 2014 of \$10,000 per eligible dwelling. This tax credit is intended for individuals who have a qualified contractor carry out eco-friendly renovation work on their principal place of residence or cottage under a contract entered into after October 7, 2013, and before November 1, 2014.

Foreign Income Verification Statements: Starting with 2013, the Canada Revenue Agency has expanded the information requirements for Canadian taxpayers holding specified foreign property with a cost amount exceeding \$100,000, in total, at any time of the year. If the taxpayer received a T3 or T5 from a Canadian issuer in respect of the foreign property, that property will be exempt from the detailed reporting requirements. If several properties are held in one investment account, only those properties for which a T3 or T5 was issued for the taxation year would be exempt from detailed reporting in that year. Please see expanded statement enclosed.

2014 Employment Insurance Premiums: The 2014 maximum insurable earnings limit is \$48,600 (up from \$47,400 in 2013). The premium rate is 1.93% (up from 1.88% in 2013) for a maximum annual premium of \$937.98. The employer rate is 1.4 times the employee rate. The 2014 premium rate for Quebec is 1.58% (up from 1.52% in 2013), for a maximum annual premium of \$767.88.

Canadian Snowbirds: Beginning June 30, 2014, both Canada and the U.S. will share information on people entering their respective countries. Thus, Canada and the U.S. will both know, in real time, which Snowbirds have been in the U.S. and for how long. All Canadians must be much more vigilant than they have in the past about counting and reporting their days in and out of the U.S.

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.

Sincerely,

Herrick, Ltd. CPAs

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