

Tax tips for university students

As Labour Day approaches, students might be surprised to learn that planning for school also means that they should be thinking about next year's tax-filing deadline. According to the Institute of Chartered Accountants of Ontario, there are taxation-related steps a student can take to minimize the costs of university. Here are some tax tips from CAs to help students save or even earn money on their taxes.

Scholarship income— Currently, the first \$3,000 of scholarship, fellowship or bursary income received by a taxpayer in a taxation year with respect to post-secondary education or occupational training is not included in income. For 2006 and subsequent years, this income will be totally exempt from tax.

Tax credits— If students have any unclaimed education and tuition fee credits, they can carry them forward to reduce their taxes in the future when their income is higher. They have five years to claim tax credits for student loan interest, but they can claim education and tuition fee credits indefinitely.

Tax refunds— Depending on a student's earnings from summer or part-time jobs, they may qualify for tax refunds, especially if they apply and qualify for GST rebates, tuition credits, education credits or the student loan interest credit.

RRSP Contribution room— Even if students are not expecting a tax refund, if the student is earning income, filing a return could provide some welcome tax relief in the future. Students should always file a tax return because it will generate Registered Retirement Savings Plan (RRSP) contribution room.

Moving expenses— Students who move to attend full-time post-secondary school may claim costs associated with moving. Whether studying in Canada or outside the

country, students can deduct moving expenses, but only against income from scholarships, fellowships, bursaries and research or similar grants or from part-time jobs they hold while going to school. In some cases, this can increase the amount of an available tuition tax credit that can be transferred to a parent. The biggest benefit comes in the year the student leaves school and begins their new job as the moving costs can be deducted against their new employment income. Moving expenses can also be deducted if a student moves from school to home or another location to work at, for example, as summer job.

Transit expenses— The federal government is offering a non-refundable tax credit to help pay the cost of public transit passes that are of monthly or longer duration. Students should keep any monthly passes issued for months beginning July 1, 2006 and claim the refund on their tax return.

Textbook expenses— The federal government has introduced a non-refundable tax credit to assist with the cost of textbooks for post-secondary students. The textbook tax credit will be calculated based on \$65 for each month the student qualifies for the full-time education tax credit and \$20 for each month the student qualifies for the part-time education tax credit. Similar to the existing tuition and education non-refundable tax credits, the unused amounts can be transferred to a spouse or common-law partner, parent or grandparent, or carried forward to a future year.

As always, individual circumstances will dictate whether these or other tax strategies best apply. The Institute recommends contacting a Chartered Accountant for specific tax advice.

—Article courtesy Institute of Chartered Accountants of Ontario

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