



CRA: You Could Qualify for a \$2,421 Medical Expense Tax Credit!

Description

According to a study conducted by the Fraser Institute, a Canadian household with an income north of \$142,000 a year pays about \$14,474 for healthcare. Yet this number doesn't match your out-of-the-pocket medical expenses, which are significantly lower for Canadian households compared to U.S. households. That's because you pay for universal healthcare through various taxes.

But if you or someone in your household has a medical condition that requires you to pay a significant amount out of your pocket, your yearly medical expenses can grow way beyond the national average. If that's the case, you should look into the medical expense [tax credit](#).

Medical expense tax credit

The ceiling for the medical expense tax credit has been raised to \$2,421 for 2020. You can now claim 3% of your net income or \$2,421 tax credit for eligible medical expenses. The CRA defines a wide variety of eligible medical expenses. Some of the most common ones include attendant care (full-time or specialized care) and nursing home expenses. But even within these expenses, there are specifications as to what you can and can't claim.

Another broad category of eligible medical expenses is the care, treatment, and training category. That includes bone-marrow transplants, cosmetic surgery, fertility treatment, eye surgeries, personalized therapies, and training (in case of mental or physical illness). Several implants and medical equipment, and even construction or installations that are directly connected to patient care (like a ramp for someone with a wheelchair) can also be claimed.

You can claim most of these expenses for yourself, your spouse or common-law partner, or a dependant.

Another tax break

A professional senior care facility, like the ones **Extendicare** ([TSX:EXE](#)) runs, can be a good way to

ensure proper care of seniors in your family. And thanks to its generous dividends, this company can also be a good way to take care of your finances.

It pays monthly dividends and is currently offering a juicy yield of 7.24%. With about \$34,000 invested in the company, you can enjoy a \$205 [monthly income](#), completely tax-free.

It can help you take care of some small expenses and also relieve some burden from your taxable income. The company has been serving seniors for about 50 years and has multiple facilities across the country. It has 58 long-term care homes, 35 locations that employ 10,500 home healthcare professionals, ten retirement communities, and 58 senior care homes. With an increasing senior population, Extendicare has the potential to stay profitable for a very long time.

Foolish takeaway

When you claim your non-refundable medical expense tax credit for your 2020 taxes, make sure you are only claiming eligible medical expenses. The CRA has provided an extended list of expenses that you can claim. And if your expenses don't fall neatly into any of those categories, you may want to contact the CRA before claiming them.

CATEGORY

1. Dividend Stocks
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1. TSX:EXE (Extendicare Inc.)

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