

Technology and the medical expense tax credit—no credit for iPads (June 2011)

Where taxpayers are obliged to incur expenses in relation to medical treatment which are not covered by our government-sponsored health insurance systems, a credit against tax otherwise payable may be allowed to help offset the impact of those expenses. The credit is limited—for 2011, a credit may be claimed on the federal tax return for qualifying medical expenses which total more than the lesser of \$2,024 or 3% of the taxpayer's net income for the year. The federal credit is equal to 15% of such qualifying expenses, while the percentage credit provided for the purposes of provincial or territorial tax will vary depending on the taxpayer's province or territory of residence.

The most common medical expenses for which a credit is claimed are usually prescription drug or dental expenses for which the taxpayer does not have private medical insurance. However, the listing of eligible expenses is long and detailed and subject to constant revision by the tax authorities.

The Canada Revenue Agency (CRA) was recently asked if the purchase of an Apple iPad to be used by a special needs child as a communications aid would be eligible for the medical expense tax credit. The question wasn't as far-fetched as it might initially seem. The use of computer technology, particularly communications technology, has permeated just about every aspect of modern life, and the use of such technology in medicine is part of that. There are, in fact, a number of devices using some form of communications technology which currently qualify for the medical expense tax credit. Those devices include electronic speech synthesizers to aid mute individuals to communicate using a portable keyboard, voice recognition software, optical scanners or similar devices for use by blind individuals to enable them to read print and synthetic speech systems that enable the blind to use computers.

Unfortunately for the individual who had asked whether the purchase of an iPad for the specified purpose would be eligible for the medical expense tax credit, the answer was no. And, unfortunately for others—whether tax professionals or other individuals dealing with the same or similar disabilities, the response provided by the CRA was more in the nature of a conclusion than an explanation or an analysis. The CRA acknowledged that the cost of a device or equipment could qualify as a medical expense provided that certain conditions were met. Generally, those conditions require that the device or equipment be prescribed by a medical practitioner and that it must be included in the list of such devices set out in the *Income Tax Regulations*. Finally, the use of the device must meet any conditions which are prescribed by the regulations with respect to its use or the reason for its acquisition. The CRA also acknowledged that a Bliss symbol board or similar device designed to help an individual who has a speech impairment to communicate could qualify for the medical expense tax credit. But, the CRA's view was that "an Apple iPad for use by special needs patients to communicate more effectively would not qualify under this provision or any other provision in the Act or Regulations". The CRA did not address the question of whether there were aspects of the iPad or its capabilities which rendered it unsuitable for the medical expense credit, or whether, for instance, the development of certain specialized communication capabilities or apps for the device could remedy any such deficiencies.

It's unlikely that this is the last time that the issue of claiming a medical expense tax credit for mobile devices or equipment using communications technology will be brought to the CRA. And, undoubtedly, the list of such devices which qualify for that credit is going to have to evolve in step with the further development of such technology. Stay tuned.