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Highlights of the 2009 Federal Budget

The Conservative government's 2009 budget, unveiled January 27, is intended to stimulate economic growth and restore confidence in the Canadian economy. It assumes that economic growth adjusted for inflation will contract by 0.8% in 2009, before expanding by 2.4% in 2010. The government's stimulus package calls for \$40 billion in spending over the next two years, with the bulk of this earmarked for infrastructure and enhanced skills training.

Here are some of the budget highlights affecting individual taxpayers:

1. Tax Cuts:

Individuals

- The basic personal exemption amount increases from \$9,600 to \$10,320.
- The thresholds for the two lowest personal income tax brackets rise by 7.5% from 2008 levels. The top of the first bracket (income taxed at the federal rate of 15%) increases from \$37,885 to \$40,726, while the top of the second bracket (income taxed at 22%) moves from \$75,769 to \$81,452.
- Employment Insurance (EI) premium rates are frozen for 2009-10.
- A temporary (two year) budget measure extends all regular EI benefit entitlements by five weeks and increases the maximum benefit duration by five weeks.

Households

- The level at which the National Child Benefit supplement for low-income families and the Canada Child Tax Benefit are phased out is increased.
- The budget effectively doubles the tax relief provided to low-income earners by the Working Income Tax Benefit.

2. Age Credit

- To help low and middle-income seniors, the Age Credit is boosted by \$1,000.

3. Minimum RRIF Withdrawals

- The minimum withdrawal for RRIFs in 2008 was reduced, enabling seniors to re-deposit up to 25% of their 2008 minimum withdrawals by March 1, 2009, or 30 days after the legislation is passed.

4. New Home Renovation Tax Credit

- This new tax credit, worth up to \$1,350 per household, is applied as 15% of home renovation expenses over \$1,000 but not more than \$10,000. Expenses incurred from January 28, 2009 to February 1, 2010 are eligible.

5. First Time Home Buyers Tax Relief

- First time home buyers will receive up to \$750 in a non-refundable tax credit to help them buy their first home.

6. Increase in Home Buyers Withdrawal Limit to \$25,000

- First time home buyers will also have access to more funds from their RRSP, with the maximum Homebuyers' Plan withdrawal increasing to \$25,000 from \$20,000.

For more information about how the budget may affect you or to set up an appointment, please feel free to contact our office.



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