

Brief Submitted to the

**Sub-Committee on the Status of Persons with Disabilities of
the House of Commons Standing Committee on Human
Resources Development and the Status of Persons with
Disabilities**



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INTRODUCTION

Thank you, Madame Chair and members of the Sub-Committee, for this opportunity to present the views of the Multiple Sclerosis Society of Canada. Some of you may recall that we appeared before this sub-Committee in May to discuss a variety of issues related to income security and enhancing the quality of life for those people affected with MS.

Today, we are here to provide the Sub-Committee with our concerns and recommendations related to the Disability Tax Credit (DTC).

QUICK FACTS ON MS

As mentioned to you back in May, an **estimated 50,000 Canadians** have this all too frequently disabling disease resulting in Canada having one of the highest rates of MS in the world. **Almost twice as many** women as men have MS. Most people are diagnosed **between the ages of 20 and 40**. This makes MS the most common disease of the central nervous system affecting our **young adult population**.

MS attacks the protective myelin covering of the nerves, causing inflammation and often the destruction of the myelin in patches. This interrupts the normal flow of nerve impulses. The possible results include vision problems, numbness, loss of balance, extreme fatigue and often paralysis.

MS is **cyclical and unpredictable**, and it is **often a progressive and degenerative disease**. People often have to adjust their lives to meet its challenges. Spontaneous recovery from symptoms can occur and last for months or years. However, unpredictable attacks occur frequently causing additional signs and symptoms.

Although the cause and the cure are so far unknown, four drugs have been approved for the treatment of MS. These drugs can reduce the frequency and severity of attacks. Many symptoms can be helped by other medications and therapy.

History of the Disability Tax Credit

Two principal federal tax measures benefit people with disabilities, including those with MS. The DTC and the Medical Expense Tax Credit. The DTC reduces federal and provincial income tax by up to \$1,020. The Medical Expenses Tax credit provides combined federal and provincial tax relief of about one-quarter of eligible medical expenses. Finance Canada is responsible for the legislation related to these two credits, and the Canada Customs and Revenue Agency administers the regulations, policy and forms.

Several years ago, these credits were expanded to provide greater support. This was encouraging, but these were only first steps, and we are some years beyond those changes.

To illustrate both the improvements and areas of concern, it is important to have an understanding of the history in this area. In 1944, a disability deduction for blind persons was first introduced to recognize the additional costs of the disability. In 1986, the deduction was expanded to extend to those “confined for a substantial period of time each day to a bed or wheel chair.” Shortly thereafter, the deduction became a credit against federal income tax.

From 1986 to 1990, the rules and terms were expanded again to include individuals with “severe and prolonged mental or physical impairment” and “markedly restricted in activities of daily living”. For some time, an administrative policy defined the phrases “severe and prolonged” and “markedly restricted”. In 1991, to address concern that individuals not sufficiently disabled were qualifying for the DTC, the *Income Tax Act* was amended to strictly and clearly define the phrase “activities of daily living”.

Now, a qualified person must certify that he or she has a severe mental or physical impairment that causes one to be markedly restricted in any of the basic activities of daily living. In general, a person qualifies only if all or almost all of the time, even with therapy and the use of appropriate devices and medication, a medical practitioner can certify he or she is:

- ❑ Unable to walk
- ❑ Speak
- ❑ Perceive, think and remember
- ❑ Hear
- ❑ Feed and dress
- ❑ Or, unable to eliminate bodily waste.

This mental or physical impairment must also be prolonged. Finance Canada and the CCRA consider prolonged to be defined as a continuous period of at least 12 months.

As illustrated above and as mentioned by other witnesses over the past few weeks, the definition for qualification of the DTC is extremely limited and excludes many people with MS who incur significant costs due to their disability.

As the Committee has heard, thousands of Canadians currently benefiting from the DTC have received a letter from the CCRA requesting that a new medical form be completed by a medical practitioner and resubmitted for review to become eligible for the credit next year. Indeed, everyday our office and our regional offices hear from more and more individuals that they have received the letter. This letter and request is very upsetting.

For us, the purpose of this review is unclear. This letter, does however, confirm our feelings that the few gains the disabled community have made in the areas of income support in recognition of the costs of disability are constantly being challenged. While, as I outlined earlier, improvements

have been made, the MS Society is interested in working with the government on further initiatives in this area.

Recommendations:

The “yes” and “no” question format used in Form T2201 that medical practitioners are required to complete for patients applying for the DTC is not a practical mechanism to capture the true nature and effect of a disability or impairment. A disability or impairment and the effects on an individual's functioning are complex and difficult to express in a simple “yes” and “no” format. Health care professionals specialize in diagnosing a physical or mental impairment and providing appropriate treatment. Defining the disabling impact of the impairment is a much more complex issue. Due to the nature of the yes/no questions asked on the certification, they do not leave room for a description of the true effect of the disability on the basic activities of daily living.

- **We recommend that the T2201 form be amended to reflect the guidelines and objectives of the Tax Act to ensure that the eligibility criteria be administered fairly to all disabled persons.**

The definition of disability for determining eligibility for the disability tax credit does not take account of the situation of people with MS — i.e., that their disability is substantial and recurrent. The current requirement is that claimants have a disability that is prolonged (continuous or expected to last for at least 12 months) and severe. These requirements exclude many people whose MS is cyclical or episodic.

- **The Multiple Sclerosis Society of Canada urges the Committee to recommend revision of the criteria for the Disability Tax Credit to cover individuals with a substantial physical or mental impairment that is continuous or recurrent and expected to last one year or more.**

The DTC is non-refundable. It is applied against (and thus reduces) taxable income. This means they do not apply to those who do not have taxable income or are dependants of individuals without taxable income. Because they are non-refundable, these tax credits exclude many people with MS who can no longer work or who have no taxable income. Many people with MS have considerable disability-related expenses that they could claim if they had taxable income. Because individuals without taxable income generally are at the low end of the income scale, they perceive this exclusion as unjust.

- **The Multiple Sclerosis Society of Canada urges the Committee to recommend to the Government the introduction of a new refundable Disability Expense Tax Credit to replace the Disability Tax Credit and the Medical Expenses Tax Credit, and to provide a 29 per cent tax credit, as opposed to the current 17 per cent, for low-income beneficiaries.**

In general, the Multiple Sclerosis Society urges the Committee to recommend to the Government significant additional changes to tax legislation and regulation to more fairly recognize the monetary costs of disability.

Thank you for your time and consideration. We would be pleased to answer any questions and at any time to provide additional information about multiple sclerosis and the work of the MS Society and its volunteers.