



JULY 2009. Parliament went into summer recess in June, leaving in limbo the much-talked-about **Home Renovation Tax Credit** (HRTC) and a few other pieces of legislation. Should we care if the tax credit will be brought back to life when Parliament resumes in September?

The HRTC is intended as a one-time program to stimulate the construction sector and is set to run until January 2010. As homeowners rush to fix up or improve their property, basic economic theories tell us that the increase in demand will exert an upward pressure on the price of renovation work.

When faced with a long and growing list of renovation projects to complete, a contractor will not only raise prices, he may also try to find corners to cut in order to speed up the jobs. Workmanship will suffer when that happens.

A [study](#) of the effects of tax incentives on pricing appeared in the March 2009 issue of the CA Magazine. The authors of the study found that cars eligible for a tax rebate through the ecoAuto Rebate Program in Canada were selling for significantly more in Canada than in the US, even when the Canadian dollar was at par with the US currency. They also found that car dealers were not offering any sweeteners on the green cars as the cars were in great demand. The findings inevitably lead to the

questions: Were car buyers actually benefiting from the tax rebate? Or, was the government really offering a subsidy in disguise to the car industry?

In light of the findings, the advice to clients may become:

Postpone discretionary renovation projects until the mad dash is over in February 2010.

The 15% non-refundable HRTC may not justify the increase in cost and the decrease in quality. The situation can be made worse if, as a result of the current economic slow-down, one does not have enough income to fully utilize the tax credit or the renovation has to be financed at high interest cost. And to top it all off, rushing into a project without adequate planning has the tendency to increase the likelihood of remorse. Haste makes waste.

Upcoming Events

Ontario Conference: November 13 ~ 14, 2009
Oakville

British Columbia Conference: January/February, 2010
Vancouver

Seminars coming soon: SR&ED
When the Taxman Cometh
Tax & Other Non-Marital Engagements
Incorporating a Professional Practice
Pricing of Professional Services
Marketing of Accounting Services

For event updates, visit: CanMAPP.ca

CanMAPP is a self-help group of accounting practitioners from coast to coast. Everyone is invited to participate in its events and in its organization.