

# INFORMATION BULLETIN:

## Tax Filing, Tax Credits & Tax Refunds

**The way that tax credits are paid to low-income people in Ontario is changing. This information bulletin is to tell you about these changes and what you should know before you file your tax return.**

If you have a low income – from work or from OW or ODSP – you may have had your taxes done early in the past to get a tax refund before Christmas.

The way this worked is that you could “sell” your lump-sum tax refund to companies that do people’s taxes in order to get the money up front. The company would do your taxes, estimate how much your refund was going to be, and give you that amount – minus their fee.

Then, when your refund came back from the government, the company would get repaid.

Mostly, the refund was for tax credits, like the Ontario Sales Tax Credit, the Energy and Property Tax Credit, and the Northern Ontario Energy Credit.

**You no longer get these tax credits as a lump-sum refund at the end of the year. This means these companies will no longer give you any money up-front when they do your taxes.**

That’s because the provincial government has gradually changed the way that these tax credits are being paid.

Since July 2010, the government has been paying these tax credits in smaller amounts every three months instead of as a lump-sum at the end of the year.

The goal is to give people with low incomes a more stable and steady source of income throughout the year. You would have received the tax credits in cheques or by direct deposit to your bank account. This money is exempt as income from OW and ODSP.

Starting in July 2012, the tax credit money will be sent out every month. This will be called the Ontario Trillium Benefit. Every month, you will either get a cheque or the money will be direct deposited into your bank account.

All of this means that there are no more lump-sum refunds for these tax credits and no up-front money for a company to give you now.

The problem right now is that some people still think they can get a lump-sum refund for these tax credits and are going to a company to have their taxes done. Or, they think that going to a company is the only way to get their taxes done.

**If you are thinking about getting your taxes done this way, read the information on the next two pages.**

Some of these companies are telling people that even though they can't get a lump-sum refund, the company will still do their taxes for them. But people have to agree to:

- pay a fee for the company to prepare and file their taxes;
- open a “bank account” – which in this instance is owned by a cheque cashing company
- change their direct deposit with the Canada Revenue Agency so that future tax credits and tax-delivered benefits go into this “bank account”;
- sign up for a prepaid debit card that they can use to get the money that will go into the “bank account”;
- agree to pay the company's fee, and another fee for the debit card, by letting the company take out money from this “bank account” once the tax credits start going in.

In at least one community, one company has been offering a \$25 store gift card as a way to persuade people to agree to this arrangement.

### **Getting your taxes done this way could cause problems and could cost you a lot of money over the long term:**

- All your future tax credits and tax-delivered benefits will be deposited into the “bank account”. This includes the provincial tax credits listed on the first page and the HST credit. But it also includes the Ontario Child Benefit (OCB). And it includes your federal tax credits and tax-delivered benefits, like the Canada Child Tax Benefit (the CCTB) and the National Child Benefit Supplement (the NCBS).
- The company that did your taxes will be paid their fee first, as soon as your tax credits or benefits get put into this “bank account”. You might need this money to pay for rent or food – but the company will get paid first.
- In order to access your money, you will have to use the debit card you got from the company. But this debit card will charge you a fee of \$2 for:
  - every time you buy something with it;
  - every time you use it to take out cash from a bank machine;
  - every time you try to use it to buy something but are denied (for example, if there isn't enough money on the card);
  - every time you try to find out how much money is left on the card.
- There is also a \$2 monthly fee for the “bank account” itself.
- You'll have to pay all the charges listed above to get access to all your tax-delivered payments for as long as the agreement with the company is in force.
- You may have to pay other fees, depending on what it says in the contract.

### **You don't have to agree to this in order to get your taxes done.**

## **There are ways to get your taxes done that won't cost you anything:**

- Contact your provincial MPP (see below) or a local community agency, or ask your OW or ODSP caseworker where you can get your taxes done for free.
- Contact your federal MP for a referral to the Canada Revenue Agency's Community Volunteer Income Tax Program, or check this website for the location of a free tax clinic near you: <http://www.cra-arc.gc.ca/tx/ndvdl/vlntr/nd-eng.html>. Tax clinics run from February to April. Find your federal MP at this website: <http://canada.gc.ca/directories-repertoires/direct-eng.html#mp>.
- You don't have to get your taxes done now. It is important to get them done, but you have until April 30.

## **If you have already signed the papers to agree to this arrangement:**

- The Consumer Protection Act says that you have the right to cancel any contract within 10 days of receiving a copy of the papers that you signed.
- If it's more than 10 days since you got these papers, you should immediately contact your local MPP to get help with cancelling the agreement.
- You can find your MPP by doing the following:
  - Type in your postal code at this website [http://fyed.elections.on.ca/fyed/en/form\\_page\\_en.jsp](http://fyed.elections.on.ca/fyed/en/form_page_en.jsp).
  - When it takes you to a new page, look for the name of your Electoral District. It might be hard to see – you might have to click on the map to see the name.
  - On that same page, click on “Information on your Member of Provincial Parliament”.
  - You'll be sent to a long list of all the MPPs in the Ontario Legislature.
  - Look down the list for the name of the person beside the name of your Electoral District – that's your MPP.
  - Click on their name to get their contact information.

## **While you're talking to your MPP, push for more free tax clinics:**

- Tell them that the government has to take more responsibility for helping people get their taxes done. The more the government puts people's incomes into the tax-delivery system, the more important it will be that people file their taxes.
- Tell them you want the government to fund more free tax clinics for people on low incomes – and that you want funding for this to be announced in next year's budget.

**ISAC is preparing another fact sheet on what tax credits you can expect to receive and how they will be paid. We will circulate that fact sheet as soon as possible.**

Information about the Ontario Trillium Benefit is at: [www.rev.gov.on.ca/en/credit/otb/index.html](http://www.rev.gov.on.ca/en/credit/otb/index.html).  
A schedule of when tax credits get paid is at: [www.rev.gov.on.ca/en/credit/benefitpayments.html](http://www.rev.gov.on.ca/en/credit/benefitpayments.html)