Top tax tips for kids heading back to school

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As kids head back to college or university, why not share some tips with them so they can be sure they are taking full advantage of the tax system to maximize the cash in their jeans. Here are my top tax tips for students:

1. **Maximize non-refundable tax credits.** If your son or daughter earned income during the year, perhaps from a part-time or summer job, then the various non-refundable credits available should come in handy to reduce federal, or in some cases, provincial taxes payable. One common credit for students is the tuition credit. Exam fees paid for licensing or certification in many professions and trades are also entitled to the 15% non-refundable tax credit. If the student studies abroad, the minimum course duration is 3 weeks to be eligible for the tuition tax credit. Other credits include a credit for interest paid on certain student loans and, if the student had employment income, the Canada employment amount. Although the federal education and textbook tax credits were eliminated as of 2017, there is still the ability to carry forward unused education and textbook credit amounts from years prior to 2017 that were not claimed.
2. **Scholarships are tax-free!** The tax rules generally exempt the amount of scholarships, fellowships, bursaries, study grants and artists' project grants received by students from tax, provided the program enrolled in entitles the student to the education credit.
3. **Report only the EAP portion of RESP withdrawals.** Only the Educational Assistance Payments (EAPs) from a Registered Education Savings Plan (RESP) are taxable in the hands of the student. EAPs include the income, growth and Canada Education Savings Grants (CESGs) and any other government assistance paid out of the RESP. EAPs may be paid to the student or as the student directs according to the terms of the plan. Any funds or capital that were contributed into the plan will be paid tax-free.
4. **Claim moving expenses.** If your son or daughter moved to attend school, moving costs may be deducted from any taxable portion of scholarships, bursaries, research awards or similar prizes. Also, if they moved back home from school during the summer months to earn employment income, moving costs may be deducted against their summer employment earnings. In either case, the move must be at least 40 kilometres closer to school or work.
5. **Consider a TFSA for extra cash.** Has your child saved some extra cash, perhaps from working part-time or during the summer? They could contribute the funds to their Tax-Free Savings Account (TFSA).[1] The money grows tax-free and they can access the funds at any time, for any reason.[2] Plus, any amounts that are withdrawn (other than to correct overcontributions) can be re-contributed, beginning the following calendar year.

[1] TFSA contribution room is available to Canadians who are 18 or older.

[2] Restrictions may apply, depending on the investments you choose.

Still saving for your kids' education? If your kids are younger and you're still in the accumulation stage, you have two tax-preferred options for savings: RESPs and TFSAs. While each family's situation is different, it's generally best to direct post-secondary savings dollars first towards maximizing the CESG. That means contributing up to $2,500 annually to an RESP to get the full 20% annual CESG of $500. If you're new to RESPs, you can make a larger contribution this year to catch up on prior years' CESGs. You can receive CESGs back to the year the child was born (post 1997) subject to a maximum of $1,000 of CESGs annually and up to a lifetime per-child maximum of $7,200. There are no limits on annual contributions as long as you don't go above the $50,000 lifetime maximum contribution limit per child. If your kids are 16 or 17, you can still contribute to an RESP to take advantage of the grant, provided that at least one of the following conditions is met:

- At least $100 per year has been contributed to an RESP in any 4 years before the year the child reaches age 16, or
- A minimum of $2,000 has been contributed to an RESP before the year the child reaches age 16.

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