

Newly changed tax has local Funeral Directors seeing red.
BY B. SHAW | PUBLISHED MAR 27, 2015

Licensed Funeral Directors Tim Baragar and Jeff Neuman are sounding the alarm bells over a tax program that they say will make life difficult for estate representatives in Ontario. Tim Baragar has been in the funeral business for a long time. He received his Funeral Director's license in 1982 and since 1996 he has operated Baragar Funeral Home in downtown Bancroft. Baragar makes it clear that his service does not end at the cemetery. He and Funeral Director Jeff Neuman do their best to help families obtain pertinent documents and ensure that a loved one's affairs are in order. And that's why Baragar and Neuman are sounding the alarm bells over a newly changed tax that took effect on Jan. 1.

The **Estate Administration Tax** (EAT), its timelines and its penalties, are something these Funeral Directors think everyone needs to be aware of. "It is frightening to see how this government has simply slipped this in without any discussion that I know of. It will have a major impact on all of us at some point," Baragar says. "We need to be making lots of noise to hopefully get this revoked." The newly changed tax program that Baragar finds frightening requires an executor to assess, appraise and value any and all property owned at the time of death on a tight timeline.

This EAT appraisal includes **anything that is not passed directly to a spouse or passed through joint ownership**. Assets that are being gifted to charities also need to be included in the valuation. The tax is then calculated and needs to be paid immediately to the Province of Ontario as a deposit. *The following calculation example has been inserted into the article:*

The estate administration tax is calculated on the total value of the estate. For example, for an estate valued at \$240,000 the tax would be calculated as follows:

- *\$5 per thousand for the first \$50,000 of the estate*
 - $\$50,000 \div \$1,000 = \$50$
 - $\$50 \times \$5 = \mathbf{\$250}$

Plus

- *\$15 per thousand for the remaining \$190,000 of the estate*
 - $\$240,000 - \$50,000 = \$190,000$
 - $\$190,000 \div \$1,000 = \$190$
 - $\$190 \times \$15 = \mathbf{\$2,850}$

The estate is responsible for a total of \$3,100 (\$250 + \$2,850) payable to the Minister of Finance.

It does not take long when there are real estate assets, life insurance payouts, or investments to create a large payable tax that with the time line means the money has to come quickly from the estate or out of the trustee's (executor's) pocket.

Explanation – when a loved one dies and you are named as the executor of the estate, you apply for a Certificate of Appointment of Estate Trustee & then you must file your Estate Information Return within 90 days. As soon as you file you have to pay the tax as a deposit & if you don't file there are serious consequences.

According to the Ministry of Finance, "estate representatives who fail to file an Estate Information return as required, or who make false or misleading statements on the return, may be found guilty of an offense and, on conviction, are liable to a fine of at least \$1,000 and up to twice the tax payable by the estate or, imprisonment of not more than two years or both." This is concerning to Baragar. "It is completely unreasonable for the Ministry of Finance to expect this reporting within 90 days of the trustee beginning their role," Baragar says. "Just getting print outs and information from banks and investment companies takes a lot of time. My biggest concern is that quite typically the trustees are often family members or close friends of the person who has died. So this simply isn't a matter of completing a task that the Ministry of Finance merely views as a new source of income, it is a very emotionally demanding and time consuming job. Couple that with the added stress of dealing with the loss as a family member or close friend, and it can make this role very upsetting and emotionally draining."

Ministry of Finance representative Scott Blodgett says estate representatives should have been compiling all or most of the information that must now be reported on the return. Baragar is unhappy with this response and thinks the short timeline will make people more hesitant to accept the important role of acting as an executor. He frequently sees how challenging it can be to sort through an estate and he fears that the stress and potential penalties will make a difficult time even worse.

And to be clear – the valuation can't be a guess. The Province requires that you be able to back-up what you're filing so if you're not sure what the current market value is of a home, for example, it's up to the executor to hire someone to do an appraisal. There is even a link on the Ministry's website to the Appraisal Institute of Canada. Once you appraise, value and file you still have to be sure that nothing changes. If you made a mistake or if you missed something you have to immediately contact the Ministry (within 30 calendar days) and make all the necessary corrections.

While the tax program rolls out and more and more people in Ontario are introduced to the reality of the EAT program, Baragar suggests learning what you can when you can. Speak to professionals, your funeral director, your financial advisor, your lawyer and make the best possible plans so that your loved ones don't end up with any additional burdens. "For our Government to threaten these individuals with charges and penalties is absurd," Baragar says. "We pay tax when we earn our living. We pay tax when it generates income within an investment. We pay tax when we pull it from that investment, so this same money certainly shouldn't be taxed again within the boundaries of someone's estate. Enough is enough."

Estate Planning Information

Deceased person's information (Information a survivor would need to help probate a loved one's estate)

1. Her/his full legal name
2. Her/his date of birth
3. Her/his place of birth
4. Her/his date of passing
5. Her/his mailing address
6. Her/his phone number
7. Her/his marital status
8. Marriage license number if applicable.
9. Her/his Social Insurance Number (SIN)
10. Her/his Health Card number
11. Her/his Driver's License number (if valid)
12. Her/his Canadian Passport number (if valid)
13. Her/his birth certificate number.
14. Her/his Canadian Citizenship number (if applicable)
15. Did she/he ever live or work in another country? If so, is there a pension available? Please provide the details
16. Was she/he receiving any funds from the Canadian Pension Plan (CPP), Old Age Security, CPP Disability, Workplace Safety and Insurance Board (WSIB), or Veterans' Affairs?
17. Was she/he receiving a pension from a former place of employment? If so, please provide the details.
18. Are there any life insurance policies that need taken care of? Please provide details – company, policy number, amount.
19. Are there any travel insurance policies that need to be cancelled? If so, please provide details.
20. Did she/he have a CAA membership? If so, please provide the membership number.
21. Did she/he have any loyalty cards we could be transferred to you? If so, please provide her/his card number, as well as yours. (Air miles, Shoppers, Sears, Super Store)
22. Did she/he have an Outdoor Card, Disabled Person Parking Permit, Medic Alerts, Firearms' License, Trillium Drug Plan, or 407 Transponder? If so, please provide his card numbers.
23. Did she/he have any newspaper or magazine subscriptions? If so, please provide the details.
24. Are there any doctor's offices or charities we can notify for you? If so please provide the details.
25. Is there a will? Please provide the name, phone number and address of the executor / executors.
26. Does she/he have a lawyer? If yes, give name, address & phone #
27. Where is the will located – original & copies?
28. Does she/he have a Power of Attorney for personal & Property? List name/s and contact information.

29. Where are the POA forms located?
Do the attorneys have a copy?
30. Did she/he owned a home. If yes, where is the deed located?
31. Did she/he have a safety deposit box?
Where is it located? Where are the keys?
32. List bank locations and account numbers.
33. List contact information for investments.
34. List auto insurance & home ins. company & policy numbers.
35. List utility accounts with account numbers & contact information.
36. Does she/he own a vehicle? If yes, where is the ownership?
37. Did she/he have credit cards? List cards and numbers.
38. What is the birth certificate number? Location?

Surviving Spouse's Information (if applicable)

1. Mailing address
2. His/her full legal name
3. His/her date of birth
4. His/her place of birth
5. His/her social insurance number
6. His/her date of marriage
7. Is he/she receiving CPP, OAS or CPP Disability?

Surviving Children's Information (if applicable)

1. Are there any children under the age of 18? If so, we need their full legal name, date of birth, SIN and address.
2. Are there any children between the ages of 18 and 25, and in school full time? If so, we need their full legal name, date of birth, SIN and address.

Please forward to your family and friends.
