

ONTARIO HOME OWNERSHIP SAVINGS PLAN

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Purpose

The Ontario Home Ownership Savings Plan (OHOSP) program provides a refundable tax credit to help lower income individuals and couples (married or in a common-law partnership) save toward the purchase of a first home. Persons with net incomes of less than \$40,000 and couples with combined net incomes of less than \$80,000 can benefit from the program.

Eligibility

You can open an OHOSP if you:

- ☐ are an Ontario resident;
- ☐ are 18 years of age or over;
- ☐ have a valid Social Insurance Number;
- ☐ have never owned an eligible home;
(or your spouse, or common-law partner, has not owned an eligible home since the date of your marriage); and
- ☐ have never opened an OHOSP before.

A spouse is a person of the opposite sex to whom you are legally married.

A common-law partner is a person of the same or opposite sex:

- ☐ who has been living with you in a conjugal relationship for a continuous 12 month period, **or**
- ☐ who is living with you in a conjugal relationship and you are both the natural or adoptive parents of a child.

OHOSP Tax Credit

When an OHOSP plan holder, or spouse or common-law partner, files an annual federal income tax return, a claim for an OHOSP tax credit of up to \$500 per person or \$1,000 per couple may be made. This tax credit is based on net income for the year and the amount deposited into the plan during that year.

The financial institution issues official receipts (T1C-OHOSP) for deposits into the plan. The receipts must be included with the OHOSP tax credit claim.

Opening an OHOSP

To open an OHOSP, you must complete an OHOSP application form, available from a participating financial institution, and deposit money into the plan. Each person can open only one OHOSP. You may transfer your plan within a financial institution or from one institution to another.

Joint OHOSPs are not available. Each spouse or common-law partner may open a separate plan.

When you open an OHOSP, your financial institution must advise you about any management or administration fees, if applicable. Your OHOSP funds earn interest at rates decided by your financial institution. The interest earned on your OHOSP is taxable.

Contributing to your OHOSP

There is no limit to the amount you can put into your plan. However, your OHOSP tax credit is based on deposits of not more than \$2,000 per person (\$4,000 per couple) per year.

Your tax credits are based on contributions made during the first five calendar years of your plan starting with the year you opened your plan. Plans must be closed by the end of the seventh year (see table). For example, plans opened in 2000 are eligible for tax credits until 2004 and must be closed prior to January 1, 2007.

Year Plan Opened	Last Year to Claim Tax Credit	Plan Must be Closed
1994	1998	December 31, 2000
1995	1999	December 31, 2001
1996	2000	December 31, 2002
1997	2001	December 31, 2003
1998	2002	December 31, 2004
1999	2003	December 31, 2005
2000	2004	December 31, 2006
2001	2005	December 31, 2007

Claiming your OHOSP tax credit

You can only claim your OHOSP tax credit for the year in which you contributed to your plan. You must claim the OHOSP tax credit on the ON479 Ontario Credits form included with your federal T1-General income tax return package. The form includes the tax credit factor table which you use to calculate your OHOSP tax credit.

Contributions which do not qualify for a tax credit in one year cannot be carried forward as a claim for a tax credit in future years. If there is a year in which you do not contribute to your plan, you will not be able to claim an OHOSP tax credit for that year.

You **cannot** claim an OHOSP tax credit on a return for a person who died in the tax year.

The following figures show the approximate OHOSP tax credit you may receive when you deposit \$2,000 into your plan.

Individuals:

NET INCOME	CONTRIBUTION	TAX CREDIT
Up to \$20,000	\$2,000	\$500
\$25,000	\$2,000	\$375
\$30,000	\$2,000	\$250
\$35,000	\$2,000	\$125
\$40,000 and over	\$2,000	\$0

Couples:

For couples, only one spouse or common-law partner claims the OHOSP tax credit based on combined contributions and income. The OHOSP tax credit decreases to zero when the combined annual net income is \$80,000 or more.

NET INCOME	CONTRIBUTION	TAX CREDIT
Up to \$40,000	\$4,000	\$1000
\$50,000	\$4,000	\$750
\$60,000	\$4,000	\$500
\$70,000	\$4,000	\$250
\$80,000 and over	\$4,000	\$0

Buying Your First Home

Your OHOSP funds can only be used to buy an eligible home, or an interest in an eligible home, in Ontario, which is suitable for year-round residence. You, or your spouse or common-law partner, must live in the home for at least 30 consecutive days within two years from the date you took ownership.

If you are building your home, you may use the money you have saved through your plan for this purpose. However, you may not use your OHOSP funds to purchase the building lot.

When you close your plan for a home purchase, the financial institution will release your OHOSP funds to the solicitor who is handling your transaction. However, there may be situations where OHOSP funds are released directly to you.

Releasing OHOSP funds to your Solicitor - Standard Home Purchase

Your OHOSP funds are released to your solicitor for a standard home purchase. After you enter into an Agreement of Purchase and Sale, you must complete a *Home Purchase Declaration* form (available from your financial institution). The financial institution will send the completed form, with your funds, to your solicitor.

Releasing OHOSP funds to you: Non-standard home purchase

The financial institution will release your funds directly to you for a non-standard home purchase. However, you must complete a *Discretionary Release* form which can be obtained from the Ministry of Finance. Ministry staff will instruct you on how to proceed.

You require a *Discretionary Release* form for:

- purchasing a home without using a solicitor;
- building your own home (note: OHOSP funds cannot be used to purchase the building lot);
- interim occupancy of a condominium unit;
- early release of funds i.e. interim payments to builder;
- mobile/manufactured home;
- release of funds to a current planholder after purchase;
- marriage to a present homeowner;
- gift of a home; or
- inheritance of a home.

You may **not** contribute to your plan after the discretionary release of your OHOSP funds.

Closing your OHOSP

If you close your plan without buying a home, you cannot apply for the OHOSP tax credit in that tax year. You must complete an OHOSP *Termination* form and your financial institution will release 75% of your total plan assets to you. The remaining 25% is sent to the Ministry of Finance and will be used to recover tax credits and interest charges. The Ministry will send you any balance owing, with interest (if applicable). If the amount withheld is insufficient to recover the tax credits and interest charges, you will be asked to repay the outstanding amount.

Receipts

Official T1C OHOSP receipts for qualifying contributions must be attached to your Ontario Credits form. Official receipts are issued by the financial institution where you make your contribution.

Land Transfer Tax Refund

First-time purchasers of newly-constructed homes may be eligible for a Land Transfer Tax refund. For more information contact:

Motor Fuels and Tobacco Tax Branch
Ministry of Finance
P.O. Box 625
33 King Street West
Oshawa ON L1H 8H9
1-800-263-7965 (toll-free)

Enquiries

For more information, or to obtain bulletins on other Ministry of Finance programs, call the Ministry Information Centre toll-free at one of the following numbers:

Ontario 1-800-263-7965
Teletypewriter 1-800-263-7776

OR Use: TAX FAX 1-877-482-9329

OR Write to:
Ministry of Finance
Income Tax Related Programs Branch
P.O. Box 624, 33 King Street West
Oshawa ON L1H 8H8

OR Visit the Ministry of Finance's
website at www.rev.gov.on.ca

This Information Bulletin is provided as a guide only. It is not intended as a substitute for the Act and Regulations.

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