

credit is available for qualified expenses in excess of \$1,614 or 3 per cent of net income, whichever is less.

• (1940)

Preliminary taxation statistics for 1991 indicate that the medical expense tax credit provided tax benefits to more than 910,000 tax filers. The cost to the federal government for providing this tax relief came to about \$200 million in that year.

Let me briefly deal with the criteria that determine which expenses are eligible for consideration under the medical expense tax credit. To qualify as an eligible expense for the medical expense tax credit a service or device must provide health benefits and be for the exclusive use of a person with a disability.

For example, expenses for devices or equipment that are designed exclusively for use by individuals suffering from a severe chronic respiratory ailment are eligible expenses for the medical expense tax credit. However, items that provide benefits to people with disabilities but also provide benefits to people who are not disabled are not eligible for the medical expense tax credit. Allowing such an item to qualify would effectively extend tax benefits to those who are not disabled. For this reason, items such as air conditioners, humidifiers, dehumidifiers, heat pumps or heat or air exchangers do not qualify as medical expenses.

Let me also point out that air conditioners are primarily consumer comfort items and are not normally considered medical devices. This is obvious to anyone who has spent a summer in a muggy climate, whether here in Ottawa or back in Cambridge in central Canada. The general consumer benefits of air conditioners are reflected in their widespread use. Air conditioners can be found in some 2.6 million homes, or 25 per cent of Canadian households.

Even when an air conditioner must be purchased primarily to improve the health of a disabled person it nevertheless provides benefits to other household members who are not disabled. In this regard one should keep in mind that almost half of all households with air conditioners consist of three or four persons.

There are some other practical difficulties with the measures proposed in Bill C-277. Air conditioners,

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especially central air conditioners, increase the resale value of a home. Consequently, the purchase price of an air conditioner will overstate the cost of its services to the purchaser. This situation is in contrast to other home modifications, such as alterations to make a home wheelchair accessible because these items provide benefits only to persons with disabilities.

Moreover, air conditioners have general resale value and as a result can be resold to individuals without disabilities, effectively passing on the tax benefit.

We should think twice before amending the income tax system in a way that might be seen to encourage the abuse of measures that seek to target benefits to those with real needs, real medical hardships or disabilities. Allowing air conditioners to qualify as a medical expense might also increase pressure on physicians to certify that the purchase of an air conditioner is necessary for medical reasons in situations that are less than clear-cut. This would make it very difficult to control costs and ensure that the measure is applied fairly.

These observations on the operation of the medical expense tax credit and the problems of extending this credit to cover air conditioners lead to only one conclusion. We cannot support this bill as it currently stands before us.

The Income Tax Act also provides a second form of support for people with severe disabilities, a disability tax credit. For severely disabled individuals the disability tax credit recognizes the cost of items that are not eligible for the medical expense tax credit. In 1992 this tax credit will reduce federal tax by \$720 and the combined federal and provincial tax by \$1,120. The disability tax credit originated in the special deduction for blind persons that was introduced in 1944. Five years later the deduction was extended to people who were confined to a bed or wheelchair.

In 1986 this government increased the deduction by \$250 and broadened it to include all those with a severe and prolonged mental or physical impairment. In 1988, as a result of tax reform the disability deduction was replaced by the disability tax credit and further enriched. In 1991, the credit was again increased, this time by an additional \$125. Preliminary tax statistics for 1991 indicate that the disability tax credit provided tax benefits to