



ONTARIO PUBLIC
SCHOOL BOARDS'
ASSOCIATION

Leading Education's Advocates

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Memorandum

**To: Senior Human Resource Official
Senior Business Official**

Copy: Director of Education

From: W.R. (Rusty) Hick, Executive Director

Date: September 12, 2018

Subject: Trustee Honorarium – Tax Exemption for Non-accountable Expense Allowances

This memorandum is to remind you of a change in the *Income Tax Act (Canada)* (“ITA”) which impacts the tax treatment of trustee honoraria.

Subsection 81(3) of the *Income Tax Act (Canada)* (“ITA”) currently exempts from tax certain amounts that are paid as allowances for expenses incident to the discharge of a school board member’s duties. Under subsection 81(3), the maximum exemption is equal to ½ of the amount paid as salary or other remuneration to that person in the year.

The 2017 federal budget eliminated this exemption and the Legislation (Bill C-44) received Royal Assent on June 22, 2017. This repealed subsection 81(3) of the ITA **effective January 1, 2019**.

What this means is that all allowances for incidentals that are paid to school board members will become fully taxable commencing in 2019. **In other words, the full honorarium paid to each trustee will become taxable as of January 1, 2019.** While taxable, to the extent that school board members are responsible for expenses incurred in connection with the performance of their duties, then certain deductions might be available (i.e., under paragraph 8(1)(h.1) or 8(1)(i) of the ITA) to help offset the additional tax that may be owing.

School boards should be aware that the Canadian School Boards Association (CSBA) has requested a meeting with the Minister of Finance (Canada) to discuss concerns regarding the elimination of this tax exemption.

If you have any questions please contact Wayne McNally at wmcnally@opsba.org.