

## ALLOWING FITNESS MEMBERSHIPS AS ELIGIBLE MEDICAL EXPENSES ON TAX RETURNS

### Issue

The fitness and exercise industry was severely negatively impacted by the COVID-19 pandemic and related restrictions. And years later, amidst rising health concerns and escalating costs of living, there's a pressing need for policies that both promote public health as well as economic and business success. Allowing Canadians to claim fitness memberships as an eligible medical expense on their tax returns represents such a policy.

The Federal Government has the ability to generate a return on investment (the investment being a healthier populous, lower reliance on the healthcare system, and a happier workforce) by allowing people to claim fitness memberships and services as medical expenses on tax returns. By making fitness memberships more accessible through tax credits, this policy aims to invigorate the fitness industry, encourage widespread physical activity, and forge a path toward improved national health and reduced healthcare costs.

### Background

The COVID-19 pandemic had ripple effects on the healthcare system: mental health has deteriorated in the form of increased anxiety and levels of depression; there are more people that are no longer eating healthy due to inflation and increased cost; and closures of gyms and exercise facilities that could not weather pandemic restrictions has exacerbated the number of individuals leading sedentary lives.

The Canadian fitness industry is a significant sector that remains vibrant despite handling amongst the strictest restrictions and facing some of the strongest headwinds during the COVID-19 pandemic. The Canadian fitness industry contributes significantly to our national GDP, adding \$2.2 billion dollars directly to the economy and an additional \$1.8 billion dollars indirectly, while employing more than 82,000 people directly.<sup>[1]</sup>

But this sector could be stronger, could help people live healthier lives, and could save our public healthcare systems billions, with support to encourage greater fitness and exercise participation amongst Canadians by allowing individuals to claim fitness memberships as an eligible medical expense on line 33099 of the federal income tax form.

This would have a two-fold positive benefit: first, it would help support our fitness industry, making their services more affordable for consumers in a time of inflation and cost-of-living pressures; and second, it would incentivize more Canadians to be active and improve their overall fitness and health.

The evidence and research to support that exercise is medicine is overwhelming and compelling.

According to a 2021 survey by the Fitness Industry Council of Canada, one in three Canadians said that cost was a barrier to achieve a healthy lifestyle and therefore actions to reduce costs or financially incentivize this behaviour could be effective.

While the mechanism for claiming medical expenses on tax returns is long-established, gym memberships and fitness expenses are currently explicitly ineligible for inclusion as an eligible medical expense. Making this change to the eligibility would allow Canadians to claim a little money back on this

expense, making it more affordable and providing fitness operators a new way to promote health and fitness amongst Canadians.

The cost of including expanding this tax credit would be more than compensated by the overall benefits of increasing fitness and health amongst Canadians.

For example, in the first study of its kind to estimate the economic costs associated with sedentary behaviour in Canada, it was shown that a 10% decrease in sedentary behaviour would result in an estimated \$219 million per year in costs avoided. <sup>[2]</sup>

But beyond that narrow focus on excessive sedentary behaviour, the positive economic impacts of physical activity more broadly has been shown to be substantially greater.

In a significant study by the Fitness Industry Council of Canada, 4GLOBAL and Sheffield Hallam University, it was estimated that the total net value of health savings generated by sport and physical activity in Canada is \$23.4 billion, and the total number of cases of disease prevented across seven analyzed conditions was 2.2 million.<sup>[3]</sup>

A model for this type of tax credit can be found in Newfoundland and Labrador. The Physical Activity Tax Credit provides a refundable tax credit up to \$2,000 per family and is positioned by that provincial government as an incentive for accessing sport and recreational activities, while also supporting the fitness sector.

A further model could be the *Prescription to Get Active* program<sup>[4]</sup> which sees fitness facilities partner with healthcare partners to discuss the importance of physical activity with their patients, while giving their patients access to community recreation. This model also provides examples of the fitness industry's capability to support attendance and payment records, potentially necessary for auditing purposes.

Given the challenges the fitness sector has overcome, and the importance and value of increasing health and fitness amongst Canadians, the federal government should add fitness memberships and expenses as an eligible medical expense on tax returns.

#### **THE CHAMBER RECOMMENDS:**

That the federal government:

1. Include fitness memberships, classes and other similar costs as eligible medical expenses for inclusion as a deduction on federal income tax returns through line 33099

Submitted by: Surrey Board of Trade and Greater Langley Chamber of Commerce

- <sup>[1]</sup> Global Health & Fitness Association, “Economic Health & Societal Well-being: Quantifying the Impact of the Global Health & Fitness Sector,” June 2022.
- <sup>[2]</sup> Chaput, JP., Janssen, I., Lang, J.J. *et al.* Economic burden of excessive sedentary behaviour in Canada. *Can J Public Health* **114**, 165–174 (2023). <https://doi.org/10.17269/s41997-022-00729-2>
- <sup>[3]</sup> Fitness Industry Council of Canada, 4GLOBAL and Sheffield Hallam University . “THE IMPACT OF OUR SECTOR: Report A health valuation of sport and physical activity in Canada” August 2022. Accessed online: <https://4global.com/app/uploads/2022/08/Canadian-Social-Value-Report-Eng-V5.pdf>
- <sup>[4]</sup> <https://www.prescriptiontogetactive.com/>