

ALLOWING FITNESS MEMBERSHIPS AS ELIGIBLE MEDICAL EXPENSES ON TAX RETURNS (2024)

Issue

The fitness and exercise industry was severely negatively impacted by the COVID-19 pandemic and related restrictions. Years later, amidst rising health concerns and escalating costs of living, there's a pressing need for policies that 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, more people are no longer eating healthy due to inflation and increased costs, 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 the strictest restrictions and facing some of the strongest headwinds during the COVID-19 pandemic. The industry contributes significantly to our national GDP, adding \$2.2 billion directly to the economy and an additional \$1.8 billion indirectly while employing more than 82,000 people directly.¹

This sector could be stronger, help people live healthier lives, and save our public healthcare systems billions by encouraging greater fitness and exercise participation among 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

¹ Global Health & Fitness Association, "Economic Health & Societal Well-being: Quantifying the Impact of the Global Health & Fitness Sector," June 2022.

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 achieving a healthy lifestyle.² Therefore, actions to reduce costs of 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 with a new way to promote health and fitness amongst Canadians.

The cost of 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.³

But beyond that narrow focus on excessive sedentary behaviour, the positive economic impacts of physical activity more broadly are 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.⁴

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 the 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,^{164F[4]} which sees fitness facilities partner with healthcare partners to discuss the importance of physical activity with

² Fitness Industry Council of Canada. Written Submission: Pre-Budget Consultation in Advance of the Upcoming Federal Budget. (2021). <https://4global.com/app/uploads/2022/08/Canadian-Social-Value-Report-Eng-V5.pdf>

³ 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>

⁴ 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>

their patients while giving them 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.