

Gifts of Appreciated Securities

Effective May 2, 2006, the Federal Government eliminated all capital gains taxes on gifts of publicly traded securities to a registered Canadian charitable organization. Therefore, there are no taxable gains when transferring eligible appreciated securities to a charitable organization.

Donors who are aware of this opportunity are able to make a meaningful gift now while they are alive and manage their tax obligations without impacting their cash holdings.

When you donate your eligible, appreciated stocks directly to your charity of choice you can realize significant tax savings because no capital gains tax is required to be paid on the appreciated value of the securities. You also will receive a charitable receipt that can be used to offset taxes payable in the year the donation is made, or carried forward for up to five years. An example is below:

Debbie is a mother of two and a successful businesswoman and a cancer survivor. Now in remission, she and her family want to give back to the hospital and talented professionals who work there.. Their cash flow is limited but Debbie holds several investments. She purchased a stock a number of years ago and its value has increased significantly. They decide to gift one of their investments to their local hospital. By transferring the security and not selling it and gifting the proceeds, they receive significant tax advantages and make a significant difference in their community at the same time. Debbie's security was purchased for \$50,000. It has appreciated and now has a fair market value of \$100,000. Debbie is in the top tax bracket in Ontario.

Capital Gain (\$100,000 - \$50,000)	\$50,000
Taxable Gain (0% x \$50,000)	\$ 0
Tax on Gain	\$0
Donation Receipt	\$100,000
Tax Credit (\$100,000 x46.4%)	\$46,400

Net Tax Savings (\$46,400 - \$0)	\$46,400
Net Cost of Gift (\$100,000 - \$46,400)	\$53,600

The net cost of a security gifted in kind valued at \$100,000 is only \$53,600.

As you can see by the above example, by gifting these shares to charity, a donor would pay no capital gains tax, and they can get up to \$46,400 as a donation tax credit. If a donor in the same situation as above sold the stock and gave \$100,000 of the cash proceeds to their local hospital foundation, the following example would apply:

Capital Gain (\$100,000 - \$50,000)	\$50,000
Taxable Gain (50% x \$50,000)	\$25,000
Tax on Gain (46.4% x\$25,000)	\$11,600
Donation Receipt	\$100,000
Tax Credit (\$100,000 x46.4%)	\$46,400

Net Tax Savings (\$46,400 - \$11,600)	\$34,800
Net Cost of Gift (\$100,000 - \$34,800)	\$65,200

The net cost of a security that is sold then gifted valued at \$100,000 is \$65,200

- * The above tax benefits are available on the donation of qualifying publicly listed securities to qualifying Canadian registered charities.
- * The quantity of tax savings to be enjoyed by the donor depends on the amount the donated security has appreciated since its purchase and the taxpayer's personal tax situation.
- * Prior to proceeding with a donation of securities it is recommended that individuals discuss their own personal situation with their tax advisor. The example above is based on a set of assumptions (fair market value of \$100,000, cost base of \$50,000 and marginal tax rate of 46.4%), which will not be applicable in most cases. Professional advice will ensure that the donation will qualify for this preferential tax treatment and that any tax consequences that are relevant to the individual are considered prior to proceeding with the donation.

We strongly recommend that donors discuss potential tax savings with their tax or financial advisor to receive the best advice for their situation. This information is not meant to replace professional advice.