



“Stocks and Shares make a tax efficient Charitable Gift”

Submitted by Mike Christie, Executive Director

In 1997 the Federal Budget introduced a special provision to encourage the gifting of marketable securities to charitable organizations. The special provision was to reduce the usual capital gains inclusion rate by half. This can be a very tax effective method of making a charitable gift as the reduced rate makes it more beneficial to gift the securities directly, than to sell them and gift the cash.

Example:

A donation of \$100,000 worth of XYZ stock compared to selling the same stock and gifting the cash.

	Donate Stock	Sell Stock & Donate Cash
Market Value	\$100,000	\$100,000
Cost base	(\$50,000)	(\$50,000)
Capital Gain	\$50,000	\$50,000
Taxable Capital Gain	\$12,500 (25% of Gain)	\$25,000 (50% of Gain)
Tax Payable (39%)	\$4,875	\$9,750
Savings by donating stock v cash	\$4,875	
Tax receipt to donor	\$100,000	\$100,000

* In all cases, individuals may only claim credit for up to 75% of net income in any given year.

The **Community Foundation** is one of very few local charities that have a share trading account to which donations of shares can be directly transferred. However, under the right circumstances, the Community Foundation will accept gifts from donors who then wish to make donations to one or more other charities (ie Flow Through donations). This is often useful for donors who can make one gift to the Foundation and support numerous local charities.

This method of gifting could get even more attractive. During the recent Federal election campaign Stephen Harper announced that his government would remove the capital gains tax on gifts of listed stocks donated to charities. In other words the special inclusion rate of 25% would be reduced to zero. In the example above the savings of \$4,875 would in effect be doubled to \$9,750.

The Community Foundation always advises donors considering this kind of donation to confirm their decision with their professional financial advisor. For more information on the Community Foundation, please call 527-9038.