

H. Gifts Of Property Other Than Cash

Subject to reasonable limits,* donors may give property to the Community Foundation in a form other than cash. This can offer a real tax advantage for a donor who wishes to avoid capital gains exposure.

Recent changes to the treatment of capital gains associated with gifts of appreciated property have made this option even more attractive to prospective donors. The changes introduced in the Federal Budget of 1997 reduced capital gains on donations of stock by 50% on a five year trial basis. Since the 2000 Federal Budget, individuals and corporations who donated shares and other securities listed on prescribed stock exchanges only had to include 25% of the capital gain arising on the disposition of the shares or securities.** In 2001 the government made the capital gains reduction permanent. The May 2006 Federal Budget went even further and eliminated capital gains on donations of appreciated shares to public foundations***.

The eliminated capital gains tax advantage has been extended to donations of shares acquired through employee stock options.

Alternatively a provision of the Income Tax Act still permits a donor to elect the tax value at which the property is transferred to the Foundation. For example, a donor holding a stock portfolio can transfer the portfolio to the Foundation at its adjusted cost base, and, therefore avoid triggering any capital gain at all. He or she will also receive a tax receipt of the amount of the adjusted cost base of the portfolio. The Foundation may well decide to liquidate the portfolio the next day, but the Foundation does not pay tax.

Changes introduced in the Federal Budget effectively also eliminate the recapture of capital cost allowance (CCA). A donor of depreciable property will now have sufficient tax credits or deductions to offset the tax arising from the recapture of CCA by further increasing the new net income limit of 75% by an additional 25% of any CCA recapture arising from such a donation. The donor will receive a tax receipt for the donation of appreciable property that will shelter 100% of the recapture of CCA.

In an appropriate case, the Community Foundation can arrange for the donor to retain the use of the donated asset for his or her lifetime. This will have some effect on the value of the receipt.



Again, the tax payable on any capital gain that is triggered by such donations is half the standard rate. To be eligible, the shares must be donated to a charity within 30 days of the option being exercised. The rules governing donations of publicly-traded shares will apply. This new measure also applies to donations of units in mutual trust funds that have been acquired under an employee option plan.

Technical Reference

IT-110R2 Deductible gifts and official donation receipts
IT-288R2 Gifts of capital property to a charity and others
Canadian Centre for Philanthropy, March 1, 2000

* For example, we would be unlikely to accept a gift of an operating business.

**The first change was introduced in the Federal Budget of 1997 and it has since been amended as described above. It was announced in Nov 2001 that these provisions have proven to be extremely effective and the government has made them a permanent feature of charitable giving.

***A donor receives a tax receipt for the market value of the securities donated and brings none of the capital gain into income.

