

Marketing Resources from *PhilanthroPlan*

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OUTRIGHT GIFTS

When you make an “outright gift of cash or property” to (*Full Name of Charity*), every dollar goes to work the moment it is given, providing vital current support for (*brief description of Charity’s mission...*) or generating ongoing endowment income. An outright gift gives you the satisfaction of seeing your gift at work and knowing that lives are being touched right now because you cared.

Q: Is an outright gift always made in cash?

A: Not necessarily, but a cash contribution – paid by cheque, money order or credit card – is the simplest way to give. Remember that a cheque or money order is considered to have been given on the day it was mailed, so a gift mailed late in December and received in January can still qualify for a charitable donation receipt in the preceding tax year.

Q: What is the tax benefit of an outright cash gift?

A: Because you receive a charitable donation tax credit your gift is worth more than its actual cost to you.

Currently, the federal tax credit is equal to 15 percent of the first \$200 of donation receipts plus 29 percent of receipts in excess of \$200. Since a federal tax credit also reduces provincial taxes, your combined tax savings could be nearly half of your contribution.

Here's an example assuming a combined tax credit of 46.4-percent. (*Alice R*) writes a cheque for \$1000 to (*Charity*), but the net cost of the gift to her is only \$536, because her donation receipt for \$1000 reduces her income taxes for that year by \$464.

You may claim up to 75 percent of your income in charitable donations each year. Donations exceeding the limit can be carried forward and claimed on future tax returns for up to five years.

Q: What other kinds of property can I give?

A: Non-cash assets such as securities, real estate, artworks and other tangibles are also suitable as outright gifts and may be especially suitable if the property's practical worth to you is less than its market value or it does not fit your investment objectives. In any case, you are entitled to a donation receipt for the fair market value of the donated property. Non-cash gifts, other than publicly-traded securities, must be approved by the (*Charity*) board.

Q: If the property has appreciated in value, do I have to pay tax on the capital gain when I donate it?

A: Generally yes, except for certain types of property, which have been exempted from tax when

gifted to charity. When you contribute listed securities (including mutual fund units) to a public charity such as (*Charity*), you are fully exempt from tax on the capital gain. If you sell those securities, you are still taxed on 50 percent of the gain.

In the case of other property, such as real estate and artworks (other than cultural property), you are taxed on 50 percent of the gain whether you sell or contribute the assets. Whatever type of appreciated property you contribute, your tax credit will always exceed the tax on the gain, so you will realize net tax savings.

For example, if you contribute listed securities having a current fair market value of \$10,000 and a cost base of \$2,000, you will be fully exempt from tax on the gain of \$8,000. Your tax credit will be \$4,640, resulting in tax savings of \$4,640 on other income sources.

If you had sold the securities, you would have been taxed on \$4,000 of the gain, and you would have paid \$1,856 in taxes, again assuming a 46.4-percent combined rate.

Larger Contribution Limit When you give appreciated property, the amount you can claim for credit is actually larger than 75 percent of your income. In that case, your contribution limit is 75 percent of income from all other sources plus 25 percent of the gain arising from the contribution.

Bottom line: No matter how large your contribution or how much the property has appreciated, you will always be able to use enough of your contribution for your tax credit to exceed your tax on the gain.

AN OUTRIGHT GIFT TO (CHARITY) –

It produces immediate results – and yields immediate satisfaction!

Name of Charity
Street
City, Province, Postal Code
Telephone Number
Email
Website

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