

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.

Gifts of Cash

Cash contributions - paid by cheque or credit card - are the choice of many donors to (*Full Name of Charity*). A cheque is considered to have been given on the day it was mailed, and a gift by credit card on the date the obligation was incurred.

The Canada Revenue Agency's (CRA) charitable donation tax credit means that your gift is worth more to (*Charity*) than its actual net cost to you. Each year a percentage of the value of your accumulated donation receipts – currently 15 percent for the first \$200 and 29 percent thereafter - can be subtracted from the federal income tax you owe, reducing your provincial taxes as well.

Depending on your provincial rate, the combined tax savings could be as much as 50 percent of your contribution. (The examples, which follow, assume a combined credit of 46.4 percent and that the initial \$200 gift threshold has been surpassed.)

Sally T. writes a cheque for \$1000 to (*Full Name of 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. Any unused contributions can be carried forward and used in any of the next five years, again subject to the annual contribution limit.

Gifts of Appreciated Property

Non-cash assets, such as securities and real estate, are also suitable as outright gifts. Gifts of listed securities are particularly attractive.

The amount of capital gain on gifts of listed securities has been reduced to zero. This means that none of the gain is taxed when listed securities are contributed. (**Note:** Listed securities include stocks and bonds traded on Canadian and many foreign exchanges and also mutual fund units (including those originally derived from flow-through shares). To qualify for the special tax treatment, the securities must be contributed *in-kind* to a registered charity organization (or foundation), such as (*Full Name of Charity*).

While none of the gain is subject to tax, you will still receive a donation receipt for the full market value of the securities. Thus, a contribution of appreciated securities today results in significant tax savings.

The amount of gain taxed when other appreciated assets are sold is 50 percent. When you give appreciated property, your limit actually exceeds 75 percent of net income, for you may claim up to 75 percent of your income from all other sources *plus* 100 percent of the taxable gain in your gift. Because of these provisions, you can always be assured that your donation tax credit will exceed tax on the gain in the gifted property, as the following example demonstrates.

Henry B. donates listed stock valued at \$50,000 that he had purchased for \$10,000. His capital gain is \$40,000, but it is entirely *exempt* from taxation. With his 46.4-percent combined tax credit, his contribution results in a tax credit of \$23,200, which can be used to offset tax on other income.

Suppose that Henry had sold the stock instead of contributing it. The taxable portion of the gain would have been \$20,000 (50% x \$40,000), and the tax on this gain would have been \$9,280 (46.4% x \$20,000). His after-tax sales proceeds would have been \$40,720. Thus, by donating the shares 'in-kind', **the true cost of making this \$50,000 gift is only \$17,520** (the difference between after-tax proceeds in the case of a sale and the tax savings realized in the case of a gift).

OUTRIGHT GIFTS TO (FULL NAME OF CHARITY)

They are gifts you can make not just with dollars, but with other types of property as well - and giving them may be more attractive than you thought!

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

The purpose of this publication is to provide general information, not to render legal advice. In addition, changes in the tax structure may affect the examples presented here. You should consult your own lawyer or other professional advisor about the applicability of this information to your own situation.