

TAX ALERT



TAX ALERT is a commentary on topics of current interest – usually topics relating to recent changes in tax law, new CRA administrative practices or current interpretations arising from tax cases. Professional advice should be obtained before acting on any of this information. *ed.7/07*

CHARITABLE DONATIONS – COMPELLING TAX BENEFITS

If you are inclined to make a significant charitable donation and you own an investment portfolio with unrealized gains, you have a golden tax advantage. Not only do you get a tax credit of up to 46% of your donation but you also escape tax on the unrealized gains of donated securities. The following examples illustrate the advantage of a gift of shares over cash.

The second example shows the tax benefits of leaving your RRIF to a charity in your will. Making bequests to charity in your will can sometimes be a bit tricky to assure all of the tax credits are fully usable.

Gift of Publicly Traded Securities

Gift Details	Sell Shares And Gift Cash	Gift of Shares
Value of shares / gift	\$100,000	\$100,000
Cost of gifted property	1,000	1,000
Capital gain	99,000	99,000
Taxes payable by Donor	23,000	--
Donation tax credit	46,000	46,000
Benefits		
Benefit to Charity	\$100,000	\$100,000
Benefit to Donor		
Tax credit on gift	23,000	46,000
Tax avoided on gain	<u>--</u>	<u>23,000</u>
Total benefit	23,000	69,000

Gift of RRIF on Death

Gift Details	Leave RRIF to Estate	Leave RRIF to Charity
Donation amount	--	\$100,000
Taxable amount on final return	\$100,000	100,000
Taxes payable by Donor	46,000	46,000
Donation tax credit		(46,000)
Benefits		
Benefit to Charity	\$100,000	\$100,000
Benefit to Donor	--	46,000

I see more clients wishing to give to charity during their lifetimes rather than waiting to make bequests in their wills. That way they see the benefits of what they are doing. Community Foundations are an excellent vehicle for significant gifting to your favorite charity.

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