

Gifts of Publicly Listed Securities

Seeing your stock, bond or mutual fund grow should be pleasing. Unfortunately, when you cash in any of these forms of investments they become a form of taxable income. You can minimize the financial impact this will have while benefiting from tremendous tax incentives recently introduced by the Federal Government by donating your publicly listed security directly to The Caledon Parent-Child Centre.

Giving Reduces Capital Gains Tax

Prior to the budget change brought down on May 2, 2006, gifts of appreciated securities made to charities, excluding private foundations, had a reduced capital gain tax rate of 25%. While the donor receives a receipt credit based on the full market value of their security, they were still required to report 25% of the gain.

The new tax change means there is no capital gain to be paid!

Now, when donating a gift of securities directly to a charitable organization such as The Caledon Parent-Child Centre, the entire capital gain is eliminated. This means that there is no need to calculate the reportable capital gain and the tax credit the gift triggers can be used to offset other income tax that you may be obligated to pay.

The types of investments that qualify include: shares, bills, warrants, mutual funds and futures, listed on stock exchanges. Also included are both RRSPs and pension plan benefits.

Making a Gift

Making a gift of securities to The Caledon Parent-Child Centre is very easy. For example, Mr. J. Smith purchased ABC Company stock some years ago. The stock has a Fair Market Value (FMV) of \$10,000 and his cost was \$2,000. He has made recent charitable donations to the Caledon Parent-Child Centre and has decided that he would like to make a substantial gift to the Centre. When looking at his stock portfolio, he decided to give his ABC Company stocks as a gift to the Centre. His combined federal and provincial tax rate and charitable tax credit are both 50%. Here is an example of the real cost of giving the stock instead of selling the stock and donating the cash:

	Option 1: Sell Stock & Cash	Option 2: Donate Stock Directly
Value of stocks	\$10,000	\$10,000
Cost base	\$2,000	\$2,000
Capital gain	\$8,000	\$8,000
Taxable capital gain	\$4,000	\$0
Tax credit (50% x \$10,000)	\$5,000	\$5,000
Tax on gain	\$2,000	\$0
Tax Saving	\$3,000	\$5,000

For more information, contact Nicole at 905-857-0090 or via email at giving@cp-cc.org.