



Donation of Securities

The 2006 Federal Budget was full of tax saving measures... none more important to the philanthropic than the elimination of the tax on capital gains for donations of publicly listed securities and ecologically sensitive lands to charities. The Budget reduced the already reduced inclusion rate on capital gains from $\frac{1}{4}$ to 0 on publicly listed securities and ecologically sensitive lands that are donated to a charitable organization. As demonstrated below, this measure makes a donation of publicly traded shares more attractive than ever before.

Method of Donation

	Donation of Publicly Listed Securities – Current Rules (25% inclusion rate on capital gains)	Donation of Publicly Listed Securities – New Rules (0% inclusion rate on capital gains)
Donation Amount	\$1,000	\$1,000
Capital Gains Tax *	\$ 116	\$ 0
Donation Tax Credit	(\$ 464)	(\$ 464)
Net Cost of Donation for Donor	\$ 652	\$ 536

* assumes a nil cost base for the publicly listed marketable securities

Anytime a charity receives actual shares or securities they “win” too. Charities welcome a donation of publicly traded shares as opposed to individuals making a cash donation from the after-tax proceeds of liquidating their securities. A donation of actual securities results in a “win-win” situation - the charity receives more funds it can use to carry out its activities and the taxpayer receives a larger donation tax credit that can be used to reduce their personal income taxes.

	Method of Donation	
	Liquidating Securities and Cash Donation	Donation of Publicly Listed Securities – Proposed Rules (0% inclusion rate on capital gains)
Value of Securities	\$1,000	\$1,000
Capital Gains Tax *	(\$ 232)	(\$ 0)
Funds Available for Donation to Charity	\$ 768	\$1,000
Donation Tax Credit Available to Taxpayer	\$ 356	\$ 464

* - assumes a nil cost base for the publicly listed marketable securities

There has already been at least one major donation to a charity of marketable securities since the Budget proposal was announced. It was reported recently that Larry Tanenbaum, chairman of Maple Leaf Sports & Entertainment Ltd., donated \$50 million dollars of personally held publicly listed marketable securities to a charity he is actively involved in. While charities do not anticipate donations of marketable securities of that magnitude in the future, they do anticipate that many more taxpayers will consider making donations of marketable securities, rather than cash.