

**GIVING APPRECIATED SECURITIES
 NOW MORE ATTRACTIVE**

The May 2, 2006 Federal Budget contained good news for investors and donors. The capital gains inclusion rate was reduced from 25% to 0% for gains on publicly listed securities and ecologically sensitive lands donated to charitable organizations, public foundations and conservation charities.

Because of the favorable treatment of capital gain, it is more attractive for you to give appreciated securities rather than cash. If you believe the securities will increase in value, you can take the cash you would have given and repurchase the securities in the market. Thereby, you increase your cost base and incur less tax on the gain when you sell the securities in the future.

The net cost of giving securities is often surprisingly low. Here is a comparison of a sale and gift of securities with a fair market value of \$10,000, a cost base of \$3,000, assuming a combined federal and provincial tax rate and tax credit of 50 percent.

Sale	Gift
Sales proceeds	Donation receipt
\$10,000	\$10,000
Total gain	Tax credit
7,000	5,000
Taxable gain (50%)	Taxable gain (0%)
3,500	0
Tax on gain (50%)	Tax on gain (50%)
1,750	0
After-tax proceeds	Net tax savings
8,250	5,000

The net cost of a \$10,000 gift is only **\$3,250!**

This is the difference between the after-tax proceeds in the case of a sale and the net tax savings in the case of a gift.

Gifts of appreciated stocks and bonds are becoming more common. This has long been true in the United States where donors have enjoyed an exemption from tax on the gain when they gave appreciated property. In Canada, however, people used to hesitate to make larger gifts if they didn't have available cash because of the tax on the capital gain. Now, Canadians, like Americans, enjoy attractive incentives for contributing appreciated securities.

The maximum amount of charitable gifts that are creditable in any one year is 75 percent of net income. Excess contributions can be carried forward and used over the next five years. When you make gifts of appreciated property, your contribution limit *increases*

to 75 percent of income from other sources plus 100 percent of the taxable gain in your gift.

Bottom line: Your credit will always exceed tax on the gain, and you will always have net tax savings.

The capital gain tax relief on publicly listed securities extends to bequests as well as to lifetime gifts. Consequently, it may be preferable to designate estate securities for your charitable bequests and give cash and other assets to heirs. As a result, *none* of the gain in those securities will be subject to tax. You may do this by empowering your executor to select the estate assets needed to fulfill your charitable bequests.

Note: The capital gain benefit also applies to gifts of listed securities to charities, public foundations, and private foundations. The March 2007 Federal budget introduced a provision to extend the benefit to donors making gifts of listed securities to qualified foundations. When gifts of other types of property are made to any qualified organization, 50% of the capital gain will continue to be subject to tax.

(*Private foundation of charity*) appreciates gifts of every sort, but gifts of appreciated securities may be more advantageous to you. We would be pleased to answer your questions and provide additional information.