

Making a gift of Appreciated Securities

On May 2, 2006, the Federal Budget made it more attractive to make a gift of marketable securities to public charities by eliminating the capital gains tax on such gifts.

When individuals sell an appreciated stock or mutual fund, they are required to pay tax on 50% of the capital gain. **However, if they donate the securities to charity, they pay no capital gains tax.** This extra tax incentive for gifts of publicly listed securities makes appreciated stock one of the most cost effective ways to donate to charity.

The chart below illustrates the advantages of making a direct gift of stock to charity versus selling the stock and donating the cash to charity.

		Sell appreciated shares and donate cash to charity	Donate appreciated shares to Charity
a	Proceeds of disposition	\$100,000	\$100,000
b	Adjusted Cost Base	\$40,000	\$40,000
c	Capital Gain (a – b)	\$60,000	\$60,000
d	Taxable Capital Gain (50% of c)	\$30,000	
e	Taxes Payable on Capital Gain – assuming Top marginal tax rate in Ontario of 46% (d * 46%)	\$13,800	
f	Tax Receipt	\$100,000	\$100,000
g	Value of Charitable Donation Credit (f*46%)	\$46,000	\$46,000
h	Net Tax Savings from donation (g – e)	\$32,200	\$46,000

Benefits of Making a Gift of Securities to Charity:

- Satisfaction of seeing your money benefit the library today.
- Opportunity to create a charitable legacy.
- A donation receipt for the fair market value of the securities at close of the day received
- No capital gains tax owing if gifted to a public charity (i.e. Toronto Public Library Foundation)