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April 27, 2020

David Buckman, Treasurer
The Church of St. John the Divine
1611 Quadra Street
Victoria, BC V8W 2L5

Dear David,

Gifts of Publicly Traded Shares by Individuals to Registered Charities

I am writing to provide information on gifts of publicly traded securities by individuals to the Church. I understand that members of your congregation may be confused about the rules surrounding such gifts including the value of the donation receipt and the taxation on the transfer of the securities.

My explanations will deal with the rules in general and assume the securities are held as capital property by the donors. I also point out that each taxpayer will have very different and specific tax situations, and these may affect the credits and income inclusions resulting from a transfer of securities. Taxpayers will want to consult with their tax advisors as to the actual benefits and tax effects that they will receive.

Value of Donation

The Church should issue a donation receipt to the donor for the fair market value (FMV) of the gifted securities on the day of the transfer. The value of the shares credited to the Church's investment account is the best indication of FMV.

Disposition of Publicly Traded Securities

Formerly, when securities were donated, the donor was deemed to have disposed of the securities at FMV on that date. The tax treatment is the same as for a sale of the security on the market. The donor would report a Capital Gain based on the excess of FMV over Adjusted Cost Base and tax would be paid on the gain.

To promote donations of securities to charities, The Canadian Government has adjusted the tax treatment. Currently, the deemed disposition noted above still occurs, but the gain on the donated securities is eligible for a 0% inclusion rate. This means that the donor will pay no tax on the deemed disposition of the securities gifted. A donor can now donate securities to a Charity without increasing tax from capital gains and receive a donation receipt to reduce taxes on other income.

To be eligible for 0% inclusion rate the securities must be transferred in-kind. Any security converted to cash then donated will be subject to the regular capital gains inclusion rate and resultant taxes.

Tax Credit for Donation

The calculation and amount of the tax credit a donor receives is identical for a gift of securities and cash gifts.

A Donation to The Church would result in the following tax credits:

- On the first $200 – 15% Federal and 5.06% Provincial
- Amount over $200 (with taxable income up to $210,371) – 29% Federal and 16.8% Provincial
- Amount over $200 (with taxable income over $210,371) – 33% Federal and 16.8% Provincial

The credit is limited in most cases to 75% of the donor's net income. The credit can be utilized by the donor or their spouse. Unused credits can be carried forward for five years.

When can a Donation of Securities be made?

A donor can make a donation at any time. If a donation is made during the donor's lifetime the donor will be able to utilize the resulting tax credit in the year of the donation.

A donor can also specify a donation in their will. Currently, the tax credit from this donation would be available for use by the deceased on their Date of Death Tax return or the prior year's return. New legislation dealing with donations in a will is coming for future taxation years. These new proposals generally increase flexibility in timing of the tax credit claim.

Summary

Taxpayers can make donations of publicly traded securities to Registered Charities and:

1) Receive a donation receipt for the fair market value of the security.
2) Pay no additional tax on the transfer of the security.
3) Claim a tax credit for the donation.

Please contact me if you have any question or require further information about this matter. If donors require specific advice regarding their tax situation, I would be pleased to make separate arrangements to meet with them.

Yours truly,

Todd R. Troyer, CPA, CGA, CA