

# Donating Gifts of Securities

Donating publicly traded stocks, bonds, mutual funds or other securities is a tax-smart way to support The Scarborough Hospital Foundation (TSHF). The Federal Budget of May 2006 created an incentive for gifting marketable securities to charities by eliminating capital gains tax on such gifts.

You can donate directly by transferring the securities electronically from your brokerage account to TSHF's brokerage account, or sell the stocks and donate the cash proceeds. To benefit from the elimination of tax on capital gains, the most tax effective way is to donate directly by having the securities electronically transferred from your brokerage account to TSHF's brokerage account. The chart below **assumes a tax rate of 46 per cent**.

|  | Sell shares and donate cash   | Donate shares directly           |
|--|---|----------------------------------|
| Fair market value (FMV)  | \$50,000  | \$50,000                         |
| Cost base  | \$20,000  | \$20,000                         |
| Capital gains =<br>(\$50,000 - \$20,000)                             | \$30,000 (FMV \$50,000 – cost base<br>\$20,000 =capital gains \$30,000)           | \$30,000 (same)                  |
| Taxable capital gain at 50%  | \$15,000 (capital gains \$30,000 divided<br>by 2 =taxable capital gains \$15,000) | \$0 (no tax on capital gains)    |
| Tax credit = (\$50,000 x 46%<br>tax rate)                            | \$23,000 (\$50,000 x 46% tax rate)  | \$23,000 (same)                  |
| Tax on capital gains =<br>(\$15,000 x 46% tax rate)                  | \$ 6,900 (taxable capital gains<br>\$15,000 x 46% tax rate)                       | \$0.00 (no tax on capital gains) |
| Net tax savings = (\$23,000 tax<br>credit - \$ tax on capital gains) | \$16,100 ( tax credit \$23,000 – tax on<br>capital gains \$6900)                  | \$23,000 (same as tax credit)    |

By donating the stocks directly, you will be exempt from paying tax on the capital gains and receive a donation receipt for \$50,000—the full fair market value of your appreciated stocks based on the market closing price on the day The Scarborough Hospital Foundation takes legal receipt of your donated stocks into our brokerage account. Our policy is to sell all securities donated as soon as we receive them. You can claim charitable donations for up to 75 per cent of your net income and there is a five-year carry forward on any unused donation amount.

*This information provided is general in nature, does not constitute legal or financial advice, and should not be relied upon as a substitute for professional advice. We strongly encourage you to seek professional legal, estate planning and/or financial advice before deciding upon your course of action.*

