

What was old is *new again*

Article by Kathy Hawkesworth

Charitable Giving Tax Updates

April 21, 2015 was a good day for Alberta donors and charities!

First, the Alberta government reversed its budget proposal to reduce the Alberta charitable donation tax credit (the "tax credit") from 21% to 12.75% to be effective starting in 2016. Having the tax credit remain at 21% is very good news but this situation demonstrates that taxes and incentives can be changed and shouldn't be taken for granted.

Donors and charities did not see the tax credit as a "use it or lose it" prospect. Yet, the provincial government cited its limited success in encouraging larger total donations to charity as its basis for a reduction. Given that many larger gifts are planned to fit with life events and estate plans, it is difficult to accurately measure the real effect of the tax credit at this time.

This debate about the tax credit has raised the profile of charitable giving – which is a great thing. Wonderfully, Albertans have strongly affirmed its importance to community wellbeing when the tax credit was threatened. It is, therefore, a call to action for donors and charities to make unquestionable good use of "the tax credit" before another threat arises.

Second, the Federal Budget promises new tax incentives for some gifts of real estate and private company shares made after 2016. Starting in 2017, the budget proposes a capital gains exemption for real estate and / or private company shares if:

- the proceeds of sale are donated to an arm's length charity;
- the gift of the proceeds is made within 30 days of the sale.

If only a portion of the proceeds is donated, the federal budget proposes to provide a partial exemption from the capital gains tax.

As draft legislation is introduced and / or more details are provided, Edmonton Community Foundation (ECF) will put together an information sheet for donors, advisors and their clients.

If you have questions about charities or charitable gifts, ECF is a great resource. Please contact our donor

services team: Noel Xavier or Kathy Hawkesworth at 780-426-0015 or via email to nxavier@ecfoundation.org or khawkesworth@ecfoundation.org.

Sometimes dubbed "the real Alberta Advantage", the combined federal/provincial tax credit in Alberta, has not only been the highest in Canada (currently tied with Nova Scotia) since 2007, it is elegantly simple in its application.

At 50% it is easy to calculate that a charitable gift in Alberta costs an individual donor only half of the gift amount, once the tax savings are considered.

A "50% off" sale, so to speak!

Alberta Charitable Tax Credit Example

\$500 donation to your favourite charity.

– \$250 in taxable credits

