

Benefits of Donating Securities

- If you are considering a cash donation and you have securities with an unrealized capital gain, then you might want to consider the donation of the security instead. In other words, you could donate the number of shares that equal in value the cash donation amount that you wish to make. This saves tax on the capital gain.

When a taxpayer sells publicly traded securities and then donates the proceeds to the Church, the individual pays income tax on the capital gain realized on the sale of the security and receives a donation receipt for the amount of the gift received by the Parish or Archdiocese. The income tax on the capital gain can be as high as 46% on one-half (the taxable portion) of the gain.

To encourage charitable donations, the capital gain is free of income tax when the listed security is donated as opposed to being cashed in and the cash proceeds donated, i.e. the security itself must be donated. This can be a very significant tax reduction to the donor.

You could, if you so desire, use the cash that was not donated and purchase an amount of shares equal in value to what you donated. This increases the cost base of your investment.

Example

If you donated shares of a public company with a value of \$20,000 and a cost base of \$12,000, the resulting income tax would be as follows even though there is an \$8,000 gain on the disposal.

Donation and donation receipt:	\$20,000
Federal & Ontario tax credits - 40% to 46% (say 46%):	\$9,200
Tax on \$8,000 capital gain:	\$0
Net income tax reduction:	\$9,200

Note: If the shares were sold and cash donated, the income tax on the \$8,000 capital gain could be approximately \$1,840.

Donation of securities can include:

- Shares
- Debt obligation
- Right listed on a prescribed stock exchange
- Share of a mutual fund trust
- Prescribed debt obligation where the fair market value of the security is higher than the cost.

Note: The securities can be sold by the church to enable immediate use of the funds.

To initiate a transfer of securities you will be asked to complete the **Gift of Securities Electronic Letter of Instruction**.

For more information, please contact Pierre Aubé, administrator of the Archdiocese.