

General comments on charitable donations and tax credits:

1. The Federal Government seems inclined to encourage people to make donations to charities; no doubt their policy is related to the trend of downloading social services to the charities.
2. In the past few years the percentage of a persons taxable income which could receive tax credits had moved from 20% to 50% and is currently at 75%. With reference to estates, 100% can be given to charities for tax credits – which basically had the potential of wiping out taxable income on an estate.
3. Generally, it may be observed that the tax credit for charitable giving is higher than the percentage that has to be paid on income taxes; the tax credit is about 45% which means that a person who makes a donation of \$100.00 receives \$45.00 back from Revenue Canada – therefore the gift of \$100.00 only takes \$55.00 out of the pocket of the donor.
4. It is a good strategy to use donations to offset income taxes payable;
 - ❖ For example, if a person had taxable income of \$400,000, that person would pay about \$160,000 in taxes, leaving the person with a net of \$240,000;
 - ❖ If the same person made a donation of \$200,000, the tax credit would be about \$90,000. Therefore, instead of paying \$160,000 in taxes, the person would only pay \$70,000 ($160,000 - 90,000 = 70,000$).
5. In a situation where the charity issued a donation receipt plus cash for a property, it could work something like this: let us say that the church valued a property at \$600,000 and paid for it with a \$200,000 donation receipt and \$400,000 cash; if the owner of the property had originally purchased the property for \$100,000, then the other \$500,000 would be regarded as capital gain, since only 75% of a capital gain is taxable, the owner would owe about \$150,000 in taxes, which would be reduced to \$60,000 after he received the \$90,000 tax credit for the \$200,000 donation; in other words, the original owner would have about \$340,000 in his pocket free and clear.

Obviously, these are only general estimates. If I were given the exact numbers, I could be more precise as to the advantages of dealing with the charity for the property or other items.

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