

# Gifts that give back

## Tax incentives for charitable donations

Canada offers some of the most generous tax incentives for charitable giving in the world, making it easy for you to give to the University Hospital Foundation (UHF). Before deciding to make a donation, you may want to consider all the giving options available to you.

**GIFTS-IN-KIND | GIFT IN YOUR WILL | SECURITIES  
LIFE INSURANCE | RETIREMENT FUNDS**

The amount you choose to give is not the only factor to consider when making a charitable donation. How you structure your giving is important and can affect both UHF and the after-tax cost to you. Your after-tax cost for a tax donation in Alberta could look like this:<sup>1</sup>

	CASH DONATION	COMBINED TAX CREDIT	AFTER TAX COST
Taxpayer net income is less than \$210,000	200	50	150
	1,000	450	550
	5,000	2,450	2,550
Taxpayer net income is greater than \$210,000	200	50	150
	1,000	480	520
	5,000	2,640	2,360

<sup>1</sup> Calculations use the Federal and Alberta tax credit rates as of September 30, 2019 of 15% and 10% (first \$200); 29% and 21% (remaining donation with income less than \$210,000); and 33% and 21% (remaining donation with income over \$210,000).

## Which should you donate – Cash or securities?

You've decided to make a donation to the University Hospital Foundation and you have eligible securities that originally cost you \$1,000 but are now worth \$2,000. Does it make more sense to sell the securities and donate the proceeds, or donate those securities directly to UHF?

As you can see from the table below, a \$2,000 securities donation yields the greatest tax benefit, saving you \$1,080 – \$240 more than a cash donation!<sup>2</sup>

	CASH DONATION	COMBINED TAX CREDIT
Value of donation (A)	2,000	2,000
Cost base (B)	1,000	1,000
Capital gain (A - B = C)	1,000	1,000
<b>Taxes owing (at 48% tax rate) (D)</b>	<b>(240)</b>	<b>-</b>
Value of donation (A)	2,000	2,000
Tax credit rate (E)	54%	54%
<b>Tax credit (A x E = F)</b>	<b>1,080</b>	<b>1,080</b>
<b>Net tax savings (F - D)</b>	<b>840</b>	<b>1,080</b>

### Income limit for charitable donation claims

Generally, the cap on donations you can claim in a year is set at 75% of your net income. If you have receipts for more than this, or if you decide not to claim your donation on your tax return that year, you can save the receipts and use them within the following five years. However, donations must be made no later than December 31 each year for the donation to be included in that year's tax return.

In some cases, when gifts are considered capital property, the 75% net income limit is eliminated.

### Alternative minimum tax

If you have large capital gains in a year, gifts-in-kind that also result in large capital gains could create a liability for alternative minimum tax.

### Will and estate donations

Gifts in your will, gifts to a beneficiary, designated gifts of retirement funds, life insurance and estate donations all fall under special income tax rules. If you made your will awhile ago, you may want to review it with your tax adviser to ensure that your estate plan is still meeting your objectives.

### Work with a professional

We recommend that you consult with a financial planning advisor when deciding on charitable giving options. They can help you take into account the most current tax laws and help you find a giving strategy that works best for you.

<sup>2</sup> Assuming you are taxed at Alberta's highest marginal rate of 48 percent as of 2019 and you've already donated \$200 in the year.