

## Gifts of Appreciated Stock

On May 2, 2006 the government eliminated capital gains tax on donations of publicly listed securities to charities, effective immediately. On March 19, 2007, the government extended this measure to include private foundations. Publicly listed securities, public securities, or marketable securities refer to securities that are traded through a public market and the value can, in most cases, be easily identified.

The securities must be received in kind, or *in specie*, that is transferred in their original form directly to the community foundation's brokerage account in order to be eligible for the capital gains tax relief.

### What is the net tax benefit of a gift of securities as compared to a gift of cash?

|   | Sell shares and gift cash | Gift the shares: Tax on capital gain is eliminated |
|---|---------------------------|--|
| Proceeds/deemed proceeds of sale/donation | 100,000                   | 100,000  |
| Cost                                      | 1,000                     | 1,000  |
| Capital gain (proceeds less cost)         | 99,000                    | 99,000   |
| Tax on capital gain                       | (22%) 21,780              | (0%) Nil   |
| Donation tax credit                       | -45,000                   | -45,000  |
| Net tax savings from donation             | 23,220                    | 45,000   |

### Receipting gifts of capital stock

It is important for the community foundation to establish as part of their gift acceptance policy the method it will employ for valuing gifts of publicly traded shares for tax receipting purposes. The most common approach is to value them at the end of day value on the day the shares arrive in the community foundation's account.

The receipt must have the following additional information:

- Number of shares
- Name of company held
- Appraised Value of shares
- Name and address of Appraiser \*

\* This would be the name of your broker, manager or custodian who provides you with the value for receipting purposes.

**Planned Gifts:**

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There may be considerable advantages to satisfying a bequest with appreciated public securities. This must be specifically outlined in the will in order to take advantage of the tax relief. It is often not known at the time of writing the will what the CRA rules will be or what assets the estate may hold. Therefore it is a good idea to grant the executor powers to distribute assets in specie or in-kind through an administrative clause of the will rather than to give a specific bequest of securities. You may wish to mention this to your donor and encourage him or her to discuss with his or her lawyer or estate planner.

**Related resources:**

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- CFC Professional Advisors e-resource Gift Instruments: Appreciated Securities  
[http://www.cfc-fcc.ca/prof-advisors/appreciated\\_securities.cfm](http://www.cfc-fcc.ca/prof-advisors/appreciated_securities.cfm)