

## **Smart Planning For Smart Giving**

As we are in the midst of Smart Giving Plan Awareness Week and on the verge of the end of another calendar and tax year it is a great time to think about the benefits of giving to charity. Our local charities have come together to help bring awareness to the idea of smart giving. Along with many other benefits which have been discussed and which can be found on the website, [smartgivingplan.ca](http://smartgivingplan.ca), there are also tax benefits of giving to a registered charity of your choice.

For residents of Manitoba, an individual receives a tax credit equal to 46.4% of the donated amount for donations in excess of \$200. This amounts to taxes payable being reduced by \$464 for a \$1,000 donation. In a year where an individual may be faced with high taxes payable, a donation to a registered charity of their choice could turn money that would otherwise be paid in tax to a very worthwhile cause.

Giving to a registered charity of your choice does not have to be in the form of cash. Registered charities can issue tax receipts for donations of goods, land, listed securities and many other types of property. A receipt is issued equal to the fair market value of the cash, goods or property donated.

In the case of listed securities there is an even further tax advantage. In addition to getting a charitable receipt for the fair market value of the security donated you also avoid paying tax on any capital gains that have accrued on the security. For example, if you owned 100 shares of RBC Royal Bank that you purchased for \$50 per share and they are now worth \$80 per share you have accrued capital gains of \$30 per share or \$3,000. If you sold these shares you would have to pay tax on 50% of the capital gain which would amount to approximately \$525 if you are an average income earner. If you instead donated these shares to your local charity you would receive a charitable receipt for \$8,000. This charitable receipt would give you tax credits of approximately \$3,700 in addition to the \$525 tax savings of not having to report the capital gain for a total tax savings of \$4,225.

Another time to consider donating to a registered charity of your choice is when thinking about your estate plan. If your estate will be taxable you could reduce the amount of money the estate pays in taxes by designating a portion of your estate to go to a registered charity of your choice. If your taxable income on your final tax return is expected to be \$150,000 you would owe approximately \$52,000 in taxes. If you designated \$25,000 of your estate to go to a registered charity in your will your taxes payable would be reduced from \$52,000 to approximately \$40,400.

A new incentive introduced in the most recent budget is the First Time Donor's Super Credit (FDSC). If you or your spouse have not claimed the charitable donations tax credit since 2007 you are eligible for a one time additional tax credit equal to 25%. The FDSC is available on any gifts of money made after March 20, 2013 to a maximum dollar value of gifts of \$1,000. This credit is available for donations made until 2017. If you are eligible for this credit and plan to make additional donations between now and 2017 consider saving up the charitable donations until you achieve \$1,000 of charitable receipts and claim them all in one year (donations can be carried forward and claimed for up to 5 years after the donation was made).

Remember that a donation is only tax deductible if it is made to a charity registered with CRA. If you want to make sure the charity of your choice is registered with the CRA you can go to the CRA website and check their Charities Listing which contains a list of all registered charities.

Donations provide you a tax credit so if you have no taxes payable, it won't reduce your taxes but it will still help the registered charity!