



DONATING REGISTERED SECURITIES

Tax benefits of donating securities:

Normally, when you sell securities, tax must be paid on 50% of any capital gain (the increase in value, since you acquired the securities). However, when you donate the same securities to a charitable organization, you will not pay tax on the capital gain. In fact, the combined benefit of paying no tax on the capital gain and the charitable tax receipt you receive on the entire amount provides excellent tax benefits when making your charitable gift.

When you donate securities, you will receive a charitable donation receipt for the fair market value of the securities, just as if your gift had been a cash donation. (The value will be based on the closing value of the security on the day that the stock is donated to the Ecomuseum). You will receive a charitable receipt for the entire amount of the gift, which you can then apply to your current income tax return.

PLEASE NOTE: It is very important to remember that in order to derive the tax benefits, you must transfer the securities to the charity, not sell them first.

Example: Lucy wants to donate \$20,000 to the Ecomuseum. She currently owns stock shares that she purchased for \$10,000. She is considering selling the stock, now worth \$20,000.

Choices:

- If Lucy sells the stock for \$20,000 and makes a cash donation of that amount, she must pay tax on 50% of the \$10,000 capital gain. Assuming a tax rate of 48%, she will pay \$2,400.
- If instead of cash, she donates her stock shares worth \$20,000 to the Ecomuseum, she will not have to pay tax on the capital gain thus making this a much more favourable option.

In either of the previous scenarios, Lucy will receive a charitable donation receipt for \$20,000 that can result in a tax credit of several thousand dollars*.

An alternative way to make a gift of securities is to retain ownership of the investment, but assign the earnings from dividends and interest to the Ecomuseum.

*Federal credit rule: 15% credit on the first \$200 and 29% credit on the remaining amount. The Quebec provincial rule: 20% credit on the first \$200 and 24% credit on the remaining amount.

The information contained within this document is informational in nature and must not be interpreted as legal or financial advice. We urge you to seek professional advice from your notary, lawyer, accountant or financial planner.

For more information, please contact:

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