

Giving to Charity

“We make a living by what we get. We make a life by what we give.”

- Sir Winston Churchill

We Albertans are a generous bunch. We support high profile charitable fundraising campaigns. We give to canvassers who appear at our door. Some of us, I'm sure, even send money to the charities that keep sending us those seemingly endless supplies of return address labels.

Collectively, Albertans donate over \$1 billion a year to charitable or non-profit organizations. And the giving in Alberta just got easier. The provincial government announced in its recent budget increased tax credits for gifts to charity. Albertans making total annual donations over \$200 to charitable organizations will now receive a 50-cent provincial/federal tax credit for every dollar donated over the \$200 threshold.

I don't think that a person's decision to give to charity should be motivated entirely by tax consequences. I think that a person's decision to give to charity should come from the heart. At the same time, I don't mind getting some money back from the government either. And since death is a taxable event, why not do some planning around how charitable giving can reduce your final tax bill?

Gifts made in a will to a registered charity give rise to tax credits. The tax credits are then used to reduce the amount of tax you have to pay on your terminal income tax return. If you happen to have little or no taxable income in your year of death, no worries, because the tax credits can be carried back and applied against your previous year's income. Most people have at least some income in their year of death, so carry backs usually aren't an issue. People who can't roll over their registered investments (their RRSPs or RRIFs) to a spouse or common law partner, or to a financially dependent child or grandchild, will often have an abundance of income in their terminal return. Tax credits in these circumstances are most timely.

If you happen to be the owner of publicly traded securities, there are further tax benefits to be had. Normally, you pay capital gains tax when you dispose of your publicly traded securities. Not so when you transfer those securities directly to a registered charity. Not only do you avoid paying the capital gains tax that would otherwise be due, you get a charitable donation receipt for the full market value of the donated securities. In all likelihood, the charity that receives the securities will turn around and sell them, but since registered charities pay no tax, there is no negative tax consequence to the charity with this manner of giving. The only party taking it on the chin here is the government. But have no fear—the government is aware of the tax policy at work here, and it supports it, recognizing

the valuable work performed by charities across the country. So go ahead. Give generously.

Charitable giving at death can be a powerful means of reducing your final tax bill. But more importantly, I think, charitable giving at death is a means of expressing your support for the causes you believe to be important.