Gifts of Stock or Securities

Information about Tax Benefits

Canadian Orthopaedic Foundation | Fondation Canadienne d'Orthopédie

If you intend to make a significant gift, and you own publicly-traded stock or shares that have increased in value since you purchased them, you might consider giving stock or shares directly to realize associated tax benefits. Changes introduced with the Federal Budget in May 2006 eliminated the capital gains tax on such gifts, creating a new incentive for people to give marketable securities to public charities.

How donating publicly-traded securities directly benefits you over making a cash gift:

You could sell your shares and give the cash from the sale as your gift. However, when you sell your shares, you pay tax on their appreciated value – this is your capital gain. You can choose instead to give your shares directly thus paying no tax on their appreciated value, and you receive tax credit for your donation.

Here's an illustration of the difference (assumes gift made at a marginal tax rate of 46%):

	Give cash from selling shares	**Give the shares directly**
Current cash value of shares (a)	\$100,000	\$100,000
Original purchase value of shares (b)	\$20,000	\$20,000
Gains from appreciation (c) *a – b = c*	\$80,000	\$80,000
Tax on gains (d) ***(c x 50%) x 46% = d***	**\$18,400**	**\$0**
Donation tax credit (e) *a x 46% = e*	\$46,000	\$46,000
Net taxes saved ***e – d***	**\$27,600**	**\$64,400**

Benefits of making gifts of publicly-traded securities:

- Receive a donation receipt for their fair market value.
- Eliminate the capital gains tax on the increased value of the asset.
- Immediate gift to your charity of choice – it goes to work immediately.

The information on this page has been obtained from professional sources; however, we strongly encourage you to consult your financial advisory when making any gift planning arrangements.