

Ten tax tips for charitable giving as the December deadline nears

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If you have plans to donate this year, you want to act quickly so as not to miss the Dec. 31 deadline to get a tax receipt for the current year's taxes. Here are my top 10 charitable giving tax tips for year end.

1. Give cash

Giving cash is straightforward and, as with any type of donation, entitles you to a donation receipt allowing you to claim federal and provincial non-refundable tax credits. On the federal side, you get a credit of 14.5% (dropping to 14% in 2026) for the first \$200 of annual charitable donations. The federal credit rate jumps to 29% for cumulative donations above \$200 and donors benefit from a 33% tax credit on donations to the extent that they have income subject to the 33% top federal rate. Parallel provincial or territorial credits work similarly.

2. Put it on credit

Some donors like to put their donations, especially larger ones, on their credit card to earn points, which can later be redeemed for travel, merchandise or other rewards.

I still recall a client meeting, nearly a decade ago, with a C-suite executive of a publicly-traded company based in Toronto. When I raised the topic of philanthropy, he boasted that he gave \$100,000 annually to a major charity, putting the entire donation on his high-limit credit card. This gave him 100,000 points, which was enough to fly him, his wife and two kids to Florida for a “free” vacation. Value? Maybe \$2,000. My advice? He should have donated the \$100,000 using his appreciated company stock – had he done so, he would have saved nearly \$15,000 in capital gains tax (based on his cost base) – which beats 4 tickets to Florida. (See #3).

3. Donate appreciated securities in-kind

In-kind donations of publicly-traded shares, mutual funds or segregated funds to a registered charity not only give you a tax receipt equal to the fair market value (FMV) of the securities or funds being donated, but also may allow you to avoid paying capital gains tax on any accrued gain.

4. Donate securities obtained through employee stock options

Similarly, if you’re an employee who has received stock options, you may be able to avoid paying tax on the stock option benefit by donating the securities obtained from the option exercise in-kind to a charity within 30 days of exercise.

5. Donate depreciated securities

If you find that you have some accrued capital losses, consider donating your losing shares to charity. You get a receipt for the fair market value of the shares being donated, but will also realize a capital loss on the donation, which can be used to offset the capital gains triggered in the current year. Any unused net capital loss can be carried back 3 years or carried forward indefinitely, to be applied against taxable capital gains in those years.

6. Donate RRSP/RRIF withdrawals

Each dollar withdrawn from an RRSP or RRIF is taxable in the year of withdrawal at your marginal tax rate. Donating your RRSP/RRIF withdrawal to charity can often result in a donation receipt worth more in tax credits than the tax you will face on that RRSP/RRIF withdrawal, which may reduce tax on other income.

For example, let’s say Harvey, is retired, and his income is \$50,000. He wishes to donate \$1,000 from his RRIF to charity. His federal donation credit on the first \$200 would be 14.5%, or \$29. On the next \$800, Harvey would get a federal credit at 29%, worth \$232. In total, his federal donation tax credits equal \$261. But on Harvey’s \$1,000 RRIF withdrawal that was used to fund his charitable gift, he would only pay federal tax of \$205 (at 20.5%). That means he would have an excess federal tax credit of \$56 which he could use to offset federal taxes on his other income. Provincial or territorial credits would also apply in a similar way.

7. Watch the limit!

While generally not a concern for most donors, the maximum charitable donation tax credit that you can claim cannot exceed 75% of your net income for the tax year in which the gift is made. Any unused donation credits may be carried forward for 5 years (subject to the 75% maximum in the year they are claimed.) While it may be rare to run up against the limit during your lifetime, it could happen in the year of death, when the donation receipt may be effectively wasted if there’s not enough income in the terminal year or the prior year (where the limits are increased to 100%).

8. Pool your donations

You and your spouse or common-law partner can combine your charitable donations, regardless of whose name appears on the donation receipt, and one of you can claim all the donations up to the allowed personal 75% of income limit. This is also an easy way to avoid doubling up on the lower, \$200 donation credit threshold.

9. Corporate donations

If you have a corporation, donations made by the corporation are tax deductible. When your privately-owned corporation makes a charitable gift of appreciated publicly-traded securities in-kind, the corporation receives a tax deduction for the FMV of the shares donated, there's no tax on the capital gain in the corporation, and the amount of the tax-free capital gain realized is added to the company's notional capital dividend account, allowing a tax-free capital dividend to be paid out subsequently to the shareholder.

10. Set up a donor-advised fund

Donor Advised Funds are an alternative to setting up your own private foundation. DAFs are useful if you're not quite sure where to donate this year but still want your tax receipt for the current year. DAFs are offered through some public foundations, such as community foundations or foundations established by some of the major financial institutions or investment management firms. They allow a donor to set up a fund within the larger, public foundation.

The donor starts by making a gift of cash or appreciated securities to the DAF and gets an immediate donation receipt. The funds can grow inside the DAF tax-free and each year the donor can recommend distributions (typically a minimum of 5% of the opening fair market value of their fund each year) to be made from the DAF to any of the over 86,000 registered charities in Canada.

The biggest advantage of a DAF is that the donor doesn't have to worry about any administrative details or record keeping. The foundation will process all donation requests and transfer the funds to the charities chosen, as well as track the DAF and provide the donor with regular updates on the fund's performance.

A DAF also provides confidentiality, as your individual DAF, and all its financial information, does not appear on the CRA's public listing of charities.

The [CIBC Wood Gundy Giving Back DAF program](#) may help you to support the causes that matter to you and achieve your philanthropic goals.

Alternative Minimum Tax

A minimum amount of tax may apply when you have high income and make significant donations. More information is available in the CIBC report [Alternative Minimum Tax: Impact on charitable giving](#). You should consult with a tax adviser prior to making significant donations.

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