House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Canadian Association of Gift Planners (CAGP)

or

( ) **an individual** **Name:** _____

Topic: Charities, charitable giving and volunteerism

*Recommendation 1: Please provide a short summary of your recommendation.

CAGP-ACPDP™ recommends that the Income Tax Act be amended to eliminate capital gains tax on donations of real estate and land to public charities as well as to private foundations.

The proposal eliminates the tax on capital gains realized from the sale of taxable real estate where the proceeds from the sale are gifted to charity within 30 days of the date of the sale or the tax on capital gains realized when a donor gifts real estate to a charity that will be used by the charity directly in pursuing its charitable purposes

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

unknown

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

It is submitted that although there may be foregone tax revenue, the benefit of the donations to Canadian communities will alleviate other pressures on Government funding.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Real estate is one of the most widely held asset classes in Canada, but rarely donated to charity. Given the success of the nil capital gains inclusion rate for gifts of public securities, expanding the incentive to gifts of appreciated real estate would greatly benefit the sector and society.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Extending this incentive to gifts of real property would further increase the capital base available to charities.

Topic: Please select from the pull-down menu

Recommendation 2: Please provide a short summary of your recommendation.

CAGP recommends changes to the Income Tax Act to clarify the law surrounding donations to Charitable Remainder Trusts.

A Charitable Remainder Trust is a “life income” gift that allows individual donors age 65+ to create a trust, retain a life income and, upon their death, the remainder interest goes to charity.Since the trust is irrevocable the donor also receives a current tax receipt for the actuarial value of the capital in the trust. It is an important giving technique internationally, but due to lack of clarity in Canadian law, Charitable Remainder Trusts have not been widely used here.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

unknown

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

There is no need for direct funding.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The Charitable Remainder Trust is an attractive structure to older donors (age 65+) to use to support their charities of choice during their lifetimes.

Registered charities, RCAAA's and other qualified donees that are permitted to issue donation receipts across Canada would benefit.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Clarification of the Charitable Remainder Trust rules in the Income Tax Act will promote donor and advisor confidence and ensure proper regulation of this gift vehicle. We believe this device will take on a prominent role in structuring near end-of-life asset gifts by middle income Canadians.

Topic: Please select from the pull-down menu

Recommendation 3: Please provide a short summary of your recommendation.

Remove the tax barrier for charitable gifts of private company shares

The capital gains tax exemption that currently applies to gifts of listed securities should be expanded to include shares of private companies. The total value of all private companies exceeds the total market value of all publicly listed securities in Canada.
Any concern about valuation abuse for gifts of private company shares can be addressed by requiring a charity to issue a tax receipt to the donor only after it has received the cash proceeds from the sale of the asset.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

unknown

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

The federal tax revenue cost of the proposal depends on the amount of the increase in charitable gifts of private company shares. To the extent that the charitable tax receipt is only issued when the charity received cash, the foregone tax revenue will be offset by an increase in asset base in the sector.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Although these are challenging times for our governments and our charities, implementation of this proposal in the next federal budget would be gratefully appreciated by the 2.1 million Canadians employed in our not-for-profit sector, the managements of our hospitals, universities, arts and culture organizations and social service agencies across Canada, and the tens of thousands of business and community leaders who serve as volunteer board members of these organizations.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The government of Canada now has a unique opportunity to unlock significant additional private wealth for public good in the next budget.

Please use this page if you wish to provide more explanation about your recommendation(s).

CAGP-ACPDP™ represents gift planners across Canada. Gift Planning is very important to the charitable sector. Working with Canadians to plan Legacy Gifts ensures Canadians can support their charities of choice and enhance the capital base of the sector. All three recommendations would further incent such planning.

*Please note that at least one recommendation must be provided