Your Donation helps CMH, the Community and Your Taxes

CMH Foundation would like to thank Noah Jensen of Racolta Jensen LLP for volunteering his time to provide us with this useful information to share with our supporters.

Visit: www.cmhfoundation.ca/legacy-gifts/ for further information or contact Kathy Wilson

Advice From An Expert...

COVID-19 has seen an increase in demand for health services and complex health equipment, the funds for which are derived from our generous community. Many people are looking to support their local hospital and there are tax advantages to supporting Cambridge Memorial Hospital (CMH) Foundation you should be aware of.

Living versus Estate Gifts

If you have high personal income from employment or dividends and not much in the way of assets that will generate income taxes in your estate on death, you will want to focus on giving while you are alive. Other situations where giving should be considered would be significant increases in income related to selling a company, rental property, stock options vesting or performance bonuses well in excess of RRSP deduction limits. The donation tax credit is limited to 75% of your net income, versus the much more restrictive RRSP deduction limitation.

Living Gift Options

There are several unique and thoughtful ways to give money while you are alive and take advantage of tax savings, the simplest being writing a cheque. One of the most common strategies is to eliminate capital gains on property held in a taxable investment portfolio. If you have a stock in your taxable investment portfolio that has a significant unrealized gain, you can forego paying tax on the capital gain by donating the stock itself (called an "in-kind" donation). The stock's value on the date of donation will generate an income tax receipt. Had you sold the stock, then paid the tax, and contributed the net amount, your donation would be lower since it would have been after taxes had been paid.

Another spin on this strategy is for employees receiving stock option compensation. If you have options subject to the 50% stock option deduction, you can donate the stocks you receive when exercising the options in-kind. You then get your option deduction of 50% (assuming you qualify), avoid capital gain tax, and receive the donation tax credit at the fair market value of the options that were donated.

Estate Giving

Often one accumulates tax liabilities that are realized in an estate upon death. You may have accumulated increases in value of stocks or real estate, private company shares, or registered savings plans. The increase in value of assets and the total value of RRSP plans are taxed in the estate on death whether or not you have named beneficiaries. Gifting to CMH Foundation in your Will enables the deduction to be claimed on the final return and reduce your tax liability on death. Other estate planning strategies include naming the CMH Foundation as beneficiary to registered plans and assigning life insurance policies and claiming the premiums as donations.

Noah Jensen, CPA, CA, LPA is a partner at Racolta Jensen LLP, a local accounting firm in Cambridge, Ontario. This advice is general in nature and should not be construed as tax advice specific to the reader. You are encouraged to seek out professional tax planning advice when making gifting decisions.