FROM YOUR ADVISOR

NURTURING CHARITABLE GIVING

The intent to give to charity often is altruistic, but there can be a financial payoff in supporting charitable causes

The past few weeks of the year are the busiest for Canadian charities. Taxpayers are rushing to get in their last-minute donations before the Dec. 31 deadline so they can receive the donation tax credit.

More than 24 million Canadians gave away a total of $12.8 billion to charities in 2013, according to the most recent data from Statistics Canada. The average gift per donor was $531.

Imagine Canada, a charitable organization that provides support to non-profits, estimates 40% ($5 billion) in donations received in 2013 came in the last six weeks of that year.

"There is a groundswell that happens when we enter this [period of] time," says Bruce MacDonald, president and CEO of Imagine Canada. "Really, this whole season invites people to think of others."

The group — its members include the United Way and smaller community foundations — states that people are driven to donate for a number of reasons, but the most common is having a personal connection to a cause.

"Whether they themselves, a friend or a family member has benefited from the work of a charitable organization, that [motivation] is really something you can't replace," MacDonald says.

Although the intent behind charitable giving often is altruistic, there can also be a financial payoff.

Under current tax laws, Canadians can claim federal and provincial tax credits for donations of up to 75% of their annual income made to any charity registered with the Canada Revenue Agency.

Donations claimed on a tax return must be made on or before Dec. 31 of the same calendar year to qualify, although credits can be deferred for up to five years.

A federal credit of 15% can be claimed for the first $200 of donations, and a credit of 29% can be claimed for the remainder of donated funds.

Donations also are eligible for provincial tax credits, which range from 5.05% to 20%.

For example, a person living in Saskatchewan who makes $400 in donations can qualify for $140 in combined federal and provincial tax credits.

Tax credits can be used only to subtract any amount of owed taxes. Credits also can be shared between spouses, which can be advantageous if one spouse is in a higher income bracket than the other.

Brenda Lee-Kennedy, a partner in the tax services practice at PricewaterhouseCoopers LLP in Toronto, says deferring the claiming of tax credits also may be beneficial for individuals if they anticipate having more taxable income in the near future.

Credits also can be claimed for donations that are not made in cash.

The advantage in donating shares held of a public company directly to a charity instead of selling them and giving the cash to the charity is that the shareholder avoids paying the capital gains taxes that would apply to the sale of the shares. Lee-Kennedy says those savings can add up, especially if the shares being donated are worth significantly more than the shareholder paid for them.

Whether the decision to give is financial or philanthropic, MacDonald says, Canadians should try to make charitable giving part of their annual financial plan, whether as monthly or lump-sum donations.

"I don't think giving money is in people's DNA," he says. "It's something that needs to be nurtured."

And if they're unable to give away money, he adds, they also can make a difference by volunteering their time.

People donate to charity for a number of reasons, the most common of which is having a connection to a cause

By Linda Nguyen (CP)

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