

## **Donation in Kind Process**

Do you have TSX exchange traded stocks that are in an unrealized gain position? It can be tax advantageous to donate shares to a charitable organization rather than selling the stock and donating the cash proceeds.

Consider the following example: You own 1,000 shares at a cost base of \$3.00/share and a market value of \$10.00/share

Option 1 – donate the shares:

- A donation-in-kind charitable receipt is provided at the closing bid price on the day received in the charity's account, or the midpoint between the high and the low trading prices for the day if that is a better indicator of fair market value on normal and active market trading. Assume market value of \$10.00/share x 1,000 shares = \$10,000. If there is a delay (potentially 2 or 3 working days) from when transfer instruction was given and the transfer occurred, this exposure to market price changes is born by the donor.
- Trinity would then sell the shares at their earliest convenience and receive cash for the market value on the sales date. Assume market value price is unchanged at \$10.00/share x 1,000 = \$10,000 less trading fees of \$10 for net cash of \$9,990.

Option 2 – sell shares and donate cash

- Shares sold at market price of \$10.00/share x 1,000 shares = \$10,000 less trading fees of \$10 for net \$9,990. Cost base for these shares are \$3.00/share.
- Taxes owing at capital gains rate of 50% and assume an effective tax rate of 30% therefore taxes owing of \$1,048.50 ((Net proceeds \$9,990 – Cost base \$3,000) x 50% x 30%)
- Donate the net cash of \$8,941.50 and receive a regular charitable receipt.

From the **Donor's perspective**, the donation of shares compared to the donation of cash is worth an additional \$1,058.50 (Donation-in-kind charitable receipt of \$10,000 rather than a regular charitable receipt of \$8,941.50) plus your tax return is less complicated. Actual benefit will vary depend on the amount of the capital gain value and the effective tax rate of the donor.

From the **Charitable organization's perspective**, they have received \$1,048.50 more cash under the share donation scenario than the regular cash donation scenario.

## **Steps to take to donate shares to Trinity:**

1. Contact your Treasurer to inform of your intentions:
  - a. shares being transferred, and
  - b. the expected transfer date.
2. The Treasurer agrees to accept the donation and gives the donor Trinity's trading account information.
3. Visit your trading organization with a letter of direction to transfer shares from your trading account to Trinity Mennonite Church's trading account. They will stamp and submit these instructions to their back office.
4. Thank you and a charitable receipt will be provided prior to Feb 28<sup>th</sup> of the following year.