HOW THE 2017 BUDGET CAN HELP ALL OF CANADA'S CHARITIES

Removing the Capital Gains Tax on Gifts of Private Company Shares and Real Estate

To: The Right Honourable Justin Trudeau, P.C., M.P.
Prime Minister of Canada

The Honourable William Morneau, P.C., M.P.,
Minister of Finance

cc: Honourable Rona Ambrose, M.P.
Interim Leader of the Official Opposition
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The 2017 Budget presents a unique opportunity for the government to remove another barrier to charitable giving and in doing so, honour the generous spirit of giving Canadians. This measure would provide crucial private sector funding for Canada's hospitals, universities, social service agencies, health charities and arts and cultural organizations.

The removal of the capital gains tax on gifts of listed securities began in 1997 when the Chretien government cut the capital gains tax by 50% and the 2006 budget removed the remaining capital gains tax on such gifts. It has been an enormous success as large and small charities across Canada have received over $1 billion in gifts of stock virtually every year since 2006. Removal of the capital gains tax on gifts of private company shares and real estate would stimulate an additional $200 million in donations every year for the foreseeable future. The fiscal cost to the federal government of foregoing the capital gains tax on such gifts is estimated at only $50-65 million. The fiscal cost of the Charitable Donation Tax Credit for these increased donations would be the same as for cash donations.

This measure was included in the 2015 Budget and addressed any concern about valuation abuse. If the owner of private company shares or real estate sold his or her assets to an arm's-length party and donated the cash proceeds to a registered charity within 30 days, he or she would be exempt from capital gains tax on his or her gift, the same as currently applies to gifts of listed securities. This structure is much simpler and less costly than the U.S. system because the owner of the asset monetizes the gift at the best possible price and the charity receives the cash proceeds rather than having to sell the asset.

Next spring's budget is an opportunity for the government to demonstrate its support for the not-for-profit sector which is so vital to Canada. These include our management and employees, our boards of directors, our donors, and, particularly, the millions of Canadians who benefit from the vital services provided by our not-for-profit organizations. This measure will remove an impediment to charitable giving. It will enable people to share their wealth by donating these appreciated capital assets to charities and many of the beneficiaries will be the middle class.

Yours truly,

[Signed by 24 leaders of national charities and nonprofits, including CAGP]

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