clements centre
for FAMILIES
Sundrops Child Development | Adult Community Living

Gifts of Real Estate

Thank you for considering a gift to Clements Centre for Families in support of children, youth, and adults with diverse abilities.

A gift of real estate enables you to create a meaningful legacy gift with Clements Centre for Families while also providing significant tax advantages. There are a variety of opportunities for gifting unmortgaged property including personal residences, vacation homes, rental properties, farmland, and commercially developed land.

You may choose to give real estate outright and receive an immediate tax credit or retain the use of the property during your lifetime and make a planned gift to Clements creating positive estate tax advantages.

Donation Process:

1. You identify real estate property that you would like to give; an appraisal will help you establish its estimated market value. Note, fair market value limitations may apply.

2. We assess the real estate for compliance with our acceptance policies and gather appropriate documentation including a separate appraisal and, where appropriate,environmental assessment.

3. You decide whether you want to make the gift outright or retain the use of the property during your lifetime.

4. Your gift qualifies for a receipt for tax purposes based on the agreed fair market value and Clements Centre Society handles the administrative details.

5. Your gift is made for the benefit of Clements Centre Society (Charitable No. 107269466 RR 0001)

To qualify for a receipt for tax purposes, the transfer of property must be irrevocable, voluntary, and without material benefit to you, the donor. Clements Centre Society may not accept gifts of property which result in ongoing obligations for the organization, or which are not readily convertible to cash.

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Donation Process (continued)

Making gifts of real estate will involve additional costs with respect to obtaining the necessary appraisals, tax and legal advice, and other expenses related to the transfer.

Donors are advised to discuss proposed gifts with their heirs, professional advisors and with the staff of Clements Centre Society before any costs are incurred. A gift of real estate can realize important tax and income benefits.

Considering a gift of real estate? Please contact:

Jonathan Dallison
Director of Development
250-746-4135 ext. 222
jdallison@clementscentre.org

EXAMPLE

(Extracted from Community Foundations of Canada resources

Mr. and Mrs. Marconi rarely use the cottage they purchased thirty years ago for $60,000. They had considered selling it but decided instead to contribute it to Clements Centre Society. An appraisal of the property determines its current fair market value to be $300,000. Their net income from other sources is $150,000 per year, and both their combined tax rate and their combined tax credit are assumed to be 48%.

Tax on Gain
Capital gain recognized ($300,000 - $60,000 = $240,000)
Taxable gain (50% of $240,000 = $120,000)
Tax on gain ($120,000 x 48% $57,600)

Tax Credit
Donation receipt $300,000
Tax credit ($300,000 x 48% $144,000)

NOTE: The purpose of this Fact Sheet is to provide general information, not to render legal or financial advice. Any changes in tax structure may affect the examples listed in this information. Clements Centre Society strongly recommends that a donor consult their own professional advisors, family, and heirs prior to making any significant gift decisions.

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Net Tax Savings
Tax credit $144,000
Tax on gain -$57,600
Net tax savings $86,400

Gifts of Real Estate: Farms and Privately owned businesses

There is a capital gain exemption for sales and gifts of Qualified Small Business Corporation (QSBC shares, qualified farm property, and qualified fishing property. The exemption can flow through partnerships, trusts, and certain other investment vehicles. It is available to individuals while resident in Canada but not to non-resident persons.

To qualify, farm property must have been used in the course of carrying on the business of farming in Canada: by the individual or a member of his or her immediate family, and the QSBC shares must be in a corporation incorporated or resident in Canada, which is not controlled directly or indirectly, by one or more non-resident persons, or one or more public corporations.

Note, the gain in respect to the disposition of one's principal residence continues to be exempt from taxation.

Gifts of capital property

Capital property includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property does not include the trading assets of a business, such as inventory.
The following properties are generally capital properties:

- cottages
- securities, such as stocks, bonds, and units of a mutual fund trust
- land, buildings, and equipment you use in a business or a rental operation

Note: All references to fair market value (FMV) in this section are subject to the deemed FMV rules as per Canada Revenue Agency.

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Gifts of Real Estate

Gifts of capital property (continued)

If you donate capital property, the CRA considers you to have disposed of that property for proceeds equal to the FMV of the property. You must report any capital gain on your income tax and benefit return in the year you donated the property. In some cases, you may be able to claim a capital loss in the year you donated the property.

However, if you make a gift of capital property to a registered charity or other qualified donee such as Canada or one of its provinces or territories, and the FMV of the donated capital property, otherwise determined, is more than its adjusted cost base (ACB), you may designate an amount that is less than the FMV to be the proceeds of disposition. This may allow you to reduce the capital gain otherwise calculated.

The amount that you may choose to designate in respect of the donation cannot be greater than the FMV and not less than the greater of:

- any advantage in respect of the gift
- the ACB of the property (or, if the property was depreciable property, the lesser of its ACB and the undepreciated capital cost of the class of the property)

Use the amount you choose as the proceeds of disposition when you calculate any capital gain. Also use this amount to determine the eligible amount of the gift, which you need to calculate the tax credit.

If, when you made the donation, the FMV was less than the ACB, the proceeds of disposition must equal the FMV of the donated property. This amount will be used to calculate any capital loss on the disposition of a non-depreciable capital property and the eligible amount of the gift, which you need to calculate the tax credit.

Thank You!