

# The Learning Kurve

## New Charitable Donation Incentives – Talk About “Win-Win”!

Although it feels good to donate to worthy causes, most of us still sometimes ask: “Am I getting the most out of my donation? How much of my donation is actually going where it’s needed most?” Well, rest assured. In May 2006, the Canada Revenue Agency announced new tax savings that spell out good news for donors and charitable organizations alike.

Until the changes this year, donations of publicly listed securities to charities incurred a tax cost to the donor. Although a donor would receive a tax receipt for the fair market value of such shares, the donation was treated as a disposition and a capital gain was included in the donor’s income tax return for the increase in value of the shares over the adjusted cost base. Following the recent changes, though, donations of publicly listed securities to qualified donees will no longer be subject to any taxable capital gain treatment. The donor will receive a donation receipt for the fair market value of the shares without having to pay tax on the capital gain accrued on them. For example, the shares from Public Company Inc. purchased last year at a cost of \$75, which are now trading at \$100, could be donated to “My Registered Charity” in return for a charitable receipt of \$100 – even though the actual cost of the donation to the taxpayer remains the purchase price of \$75.

In other words, donating securities is simply a better option than donating cash. Compare a \$100 after-tax cash donation with that same \$100 donation of publicly traded securities... Cost of about \$133 for \$100 after-tax cash donation, less cost of \$75 for donation of **Public Company Inc. shares** trading at the same \$100. Ultimately, the taxpayer saves \$58, and the charity obtains the same \$100!

Donations of publicly traded securities can also be very beneficial for corporations because the non-taxable capital gain realized upon the donation of the shares is added to the corporation’s *Capital Dividend Account* (CDA). Any accumulation in a CDA can be paid tax-free to the shareholders of the corporation through the payment of a capital dividend. Therefore, not only does the corporation save taxes by donating the shares rather than selling them, but the shareholders can also benefit from the increase in value in the shares tax-free via the payment of a tax-free dividend from the corporation’s CDA. The donation of publicly traded securities also purifies the corporation and reduces the risk of some corporations losing their “Qualified Small Business Corporation” status, which could occur should the investment portfolio of the corporation represent more than 10% of the assets of the corporation.

The new charitable donation incentives really are about benefits to everyone concerned. If you have any questions on this issue, please feel free to contact a member of the Logan Katz team.

### Closing Words

- Please remember donations must be made before December 31, 2006 in order to qualify for a tax credit on your 2006 personal income tax return and they must be made to a registered charity.
- Charities should consider promoting this tax break for donors in their fundraising campaigns.

## LOGAN KATZ BREAKFAST SEMINAR SERIES—SNEAK PREVIEW!

### Director Liability—David Law, Emond Harnden LLP

Boards of Directors are responsible for approving the overall strategic direction of their company or organization. As part of the planning process, Boards must clearly understand their company’s current business strategy, its critical success factors and the related business risks. Effective Boards actively participate with the CEO or Executive Director and senior management in setting the overall strategic direction of their company and approving its strategic plan. They oversee the processes and controls that management has put in place to identify and manage business risks. They actively review the potential impact of these business risks on the achievement of

company’s strategic objectives. And, after careful consideration of the opportunities and risks, the Board determines the nature and extent of business risks that are acceptable for the company or organization to bear.

In doing so, directors must have a sound understanding of the potential liabilities they face on an on-going basis. **To find out more about these risks and on how to mitigate them, be sure to sign up for our upcoming breakfast seminar on December 14 when David Law of Emond Harnden LLP will speak on Director Liability.**

## This ‘n That at Logan Katz ...

### Third Annual Open House

On October 19, 2006, Logan Katz LLP held its third annual open house under the theme of Fall Harvest. The event was a huge success, with more than 100 guests—clients, friends and staff members—coming by to meet, chat and enjoy the fabulous food served by Tulips & Maple. Thank you to everyone who was able to attend and make this a success. Hope to see you all again next year!

### University of Ottawa Student Day

Logan Katz is hosting a *Meet & Greet* with first- and second- year accounting students from the University of Ottawa on November 24<sup>th</sup>, when students will get to meet with the partners and staff of Logan Katz LLP. The intent is to provide these students – perhaps a few future colleagues - with an opportunity to learn what it is like to work in a small public accounting firm. At a time when they are still exploring career options, the students will get a chance to meet a diverse group of individuals who have accumulated different skills throughout their careers (e.g. audits, tax, and bookkeeping) and who know what it means to provide quality services to clients.

### 2007 Ottawa Small Business Forum

Logan Katz LLP is happy to announce that we have established a partnership with, and will participate in, this year’s Ottawa Small Business Forum on February 16, 2007. For the third year, the Forum will provide participants with a unique learning and networking opportunity aimed at supporting the success and growth of Ottawa’s small- and medium-sized businesses. The Forum provides valuable tools, resources and information through presentations by keynote speakers and workshops. Please look for updates on this event in future issues of *The Learning Kurve*.

### Upcoming Breakfast Seminars

December 14, 2006

David Law, Emond Harnden LLP  
“Director Liability”

January 11, 2007

Captain Bob Garrow, Pirate Leadership  
“Timeless Leadership  
Principles”

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