

Tax Advantages of Giving Securities to Juvenile Diabetes Research Foundation

Effective May 2, 2006 donors will no longer be taxed on the capital gains accrued on securities such as public company stocks, bonds, mutual fund units and employee stock options (both Canadian and foreign) donated to a registered charity. This is excellent news for the non-profit sector and for donors. In addition, to eliminating capital gains taxes donors receive a tax credit based on the fair market value of the securities.

Under the new taxation rules, if a person donates stock that was originally purchased for \$400 and now has a fair market value of \$1000, they will receive a tax receipt for \$1000 and will not have to pay any tax on the gain.

The table below illustrates that assuming a top Ontario tax rate of 46.41% and donating securities directly rather than selling them and donating the cash, the tax savings will always be 23.205% of the gain (i.e., the difference between the value of the security and its adjusted cost base ("ACB")).

	Cash Donation		Donation of Security
	Funded With Cash	Funded with Sale of Securities	
Value of donation	\$ 125,000	\$ 125,000	\$ 125,000
ACB of security	<u>N/A</u>	<u>(25,000)</u>	<u>(25,000)</u>
Capital gain	<u>\$ N/A</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Tax on capital gain	\$ N/A	\$ (23,205)	\$ Nil
Tax credit on donation	<u>58,013</u>	<u>58,013</u>	<u>58,013</u>
Net tax savings	<u>\$ 58,013</u>	<u>\$ 34,808</u>	<u>\$ 58,013</u>
Net increase in tax savings from donation of securities			<u>\$ 23,205</u>

As illustrated above the significant tax savings should entice donors to prefer gifting publicly listed securities to charities over donating cash.

How do Gifts of Securities benefit you?

- You will receive a tax receipt for the fair market value of the donated securities on the day the donation was made.
- Donating a gift of securities to JDRF allows you to make a significant contribution toward pushing the pace of research into finding a cure for diabetes and its complications maximizing the gift to JDRF at a low cost to you.

For further information please contact your local JDRF office or call 1-877-287-3533.

* The above information does not constitute advice of any kind whatsoever by JDRF to the reader. The reader is warned to consult his/her own advisors (concerning investment, income tax, etc.) before taking any action based on the foregoing.