

Gift of Publicly Listed Securities Procedure of Receipt & Valuation

Overview

If you own publicly listed securities, you may wish to consider donating the securities directly to the Friends of the Royal BC Museum Foundation. Publicly listed securities include shares, bonds and mutual fund units.

Recent changes to the *Income Tax Act* have eliminated the income tax on capital gains generated from the sale of publicly listed securities, if those securities are donated to a registered charity prior to sale. In addition, donors will receive a charitable tax receipt for the full market value of the securities, which can be used to further reduce income tax payable. Donating securities directly to the Foundation provides donors with a greater tax advantage than selling the securities and donating the cash directly. The tax advantages are discussed in greater detail below along with an illustrative example.

Donation Process

1. Please contact the Development Department at the Royal BC Museum to advise us of your intention to make a gift. Please let us know the type of security to be donated, the number of securities and when you intend to make your gift.

Contact: Sara Park, Philanthropy Manager
Royal BC Museum
675 Belleville Street, Victoria, BC V8W 9W2
Phone: 250-387-3283 / Fax: 250-387-0102 / Email: spark@royalbcmuseum.bc.ca

2. Please complete the attached form and fax, email or mail it to Sara.
3. Instruct your broker to complete the transfer. Send a copy of the attached form to your broker for his or her records.
4. We will confirm that the transfer has taken place and mail you a charitable tax receipt and a letter confirming the donation has been completed. The amount indicated on the charitable tax receipt will be based on the closing market value of the securities on the date they were received into our brokerage account.

Charitable Tax Receipt

A charitable tax receipt will be issued for the donation amount equal to the closing market price on the date they are received. The donor may claim this amount on their annual income tax return and a tax credit will be calculated and applied against any income taxes owing. If the tax credit is unable to be used in the current year, the donor may carry it forward for up to five years.

Income Tax on Capital Gains

If publicly listed securities are sold by an individual and the securities have not been donated to a registered charity, 50% of the capital gain ("the taxable portion") is included in the taxable income of the seller. The capital gain is the amount by which the securities have appreciated since they were originally purchased. Tax is paid on the taxable portion of the capital gain at the same rate as any other income earned by the taxpayer.

However, if the securities are donated to a registered charity, such as the Friends of the Royal BC Museum Foundation, none of the capital gain is included in the taxable income of the seller, and as such, no income tax is paid by the seller on the capital gain. Please note that the income inclusion rate will be reduced to zero **only if** the securities are transferred in kind to the charity. The tax exemption does not apply if the securities are sold first and the cash proceeds are donated.

Illustrative Example

Mrs. Jones would like to donate \$10,000 to the Friends of the Royal BC Museum Foundation. Mrs. Jones owns publicly listed corporation shares worth \$10,000 which she originally purchased for \$2,000. Mrs. Jones is in the 45% income tax bracket and this year she has made other charitable donations exceeding \$200. Mrs. Jones lives in British Columbia where the tax credit for charitable donations over \$200 is 43.7%.

If Mrs. Jones donates the shares directly to the Friends of the Royal BC Museum Foundation, she will reduce her income tax payable by \$4,370. If she sells the shares first and donates the proceeds, she will reduce her income tax payable by \$2,570. Therefore, Mrs. Jones will reduce her tax payable by \$1,800 if she donates the shares directly.

| | Sell Shares & Donate Cash Proceeds | Donate Shares Directly |
|--|---|-------------------------------|
| 1. Capital Gain | | |
| Fair market value of shares | \$10,000 | \$10,000 |
| Purchase price of shares | <u>2,000</u> | <u>2,000</u> |
| Capital gain | 8,000 | 8,000 |
| Taxable portion of the gain | 4,000 | 0 |
| Tax payable on the gain (45%) (A) | 1,800 | 0 |
| 2. Charitable Donation | | |
| Donation Receipt Value | 10,000 | 10,000 |
| Tax credit for donation (43.7%) (B) | 4,370 | 4,370 |
| 3. Net Tax Savings (B – A) | \$2,570 | \$4,370 |

Please Note

Income tax and tax savings are approximate. The above information is general in nature and is not legal or tax advice. We can help you realize your wish to support the Royal BC Museum by working with you and your financial and legal advisors. We recommend you discuss your gift intentions with your financial, legal or tax advisor.

A Donation of Securities is an Act of Generosity

It is important to note that a donation of securities is still an act of generosity regardless of the tax advantages. The tax credit and elimination of tax on the capital gains are not sufficient to fully offset the value of the securities. These tax incentives have been provided by the federal and provincial governments to reduce the personal financial burden of giving and encourage greater contributions to charities.

Our sincere thanks for your gift of securities.

GIFT OF PUBLICLY LISTED SECURITIES FORM

Donor(s) Name(s) Mr Mrs Ms Dr

Address

()

Phone Number (home)

()

Phone Number (work)

Email

Please designate my gift to: Program Possibilities Fund Area of Greatest Need Fund
 Caring for Collections Fund Other _____

This is to be accepted as my direction to the following investment firm/investment advisor to transfer publicly listed securities to the Friends of the Royal BC Museum Foundation.

Name of Security

Transfer from Account #

Number of Shares

Approximate Value per Share

Date Shares to be Transferred

Approximate Total Value of Gift

Financial Firm Name

Financial Advisor/Broker

Advisor Phone Number

Fax

Email

I/We hereby authorize the transfer of these securities to the Friends of the Royal British Columbia Museum Foundation. I/We acknowledge that I/we have read the Friends of the Royal BC Museum Foundation's Procedure of Receipt and Valuation for Gifts of Publicly Listed Securities included with this form. This gift of securities is irrevocable. I/We understand that I/we will be issued a tax receipt for the closing value of the shares/units on the date they are received into the brokerage account of the Friends of the Royal BC Museum Foundation and that to receive a charitable tax receipt for the current tax year the securities must be received in the Foundation's account at the Foundation's Brokerage firm on or by December 31, and that the Foundation is not responsible if the securities are not received in its account by this date.

Donor Signature

Date

Donor Signature

Date

Note: The date that a security is received by the Foundation may impact the value of a charitable tax receipt issued for the gift. For this reason, it is important that this transaction be carried out as quickly as possible.

Please transfer the security/securities by electronic transfer or in negotiable form to:

Friends of the Royal BC Museum Foundation Account 548-40485
 c/o Scotia McLeod Direct Investing, Attention Operations Department
 40 King Street West, Toronto, ON M5H 1H1
 Phone 1-800-263-3430 / Fax 1-800-569-9470 / Email smdirect@scotiamcleoddirect.com
 Delivery should be made to Scotia McLeod Direct Investing CUID # SCOT