



2024 federal budget impact on taxes and incentives for philanthropic giving.

2024 Federal budget and charitable giving.

Several components of the 2024 Federal budget including the alternative minimum tax (AMT) and capital gains inclusion rate will impact financial and estate plans for Canadians.

1. Changes to the alternative minimum tax (AMT).

Proposed changes to the AMT calculation and the charitable donation tax credit inclusion first arose in 2023. Thankfully, amendments announced in April 2024 are more favourable.

What is alternative minimum tax?

Introduced in 1986, alternative minimum tax (AMT) is a second tax calculation for individuals and trusts that happens simultaneously to regular tax calculations. Its purpose is to promote fairness in the tax system and ensure Canadians pay some tax by limiting tax shelters. Once the calculations are complete, Canadians owe either regular tax or AMT, whichever is higher. AMT is recoverable for up to seven years.

Summary of changes related to charitable giving:

- AMT will not apply if adjusted taxable income is under \$173,000, up from \$40,000.
- The flat AMT tax rate on adjusted taxable income increases from the current 15% to 20.4%.
- Until January 1, 2024, no capital gain on appreciated securities donated to charity was included in the calculation. This has increased to 30% of the capital gain being included.
- Until January 1, 2024, 100% of the charitable donation tax credit could be applied to AMT calculations. This has decreased to 80% (an adjustment from the originally proposed 50%).
- AMT is applicable to individuals and trusts. It does not apply in tax calculations on year of death.

2. Changes to the capital gains inclusion rate.

Budget 2024 came with a surprise change that increases taxes on capital gains by increasing the capital gains inclusion rate. While not specific to charitable giving, this change could impact your planning for philanthropy.

What are capital gains?

When you cash in securities from unregistered investments that have appreciated, growth from when you purchased them to when you sold them is your capital gain. In Canada, 50% of the capital gain is subject to tax at your marginal income tax rate for that year.

Summary of changes effective June 25, 2024:

- For corporations and trusts, the capital gains inclusion rate has increased from 50% to 66.7%.
- For individuals, capital gains over \$250,000 in a given year are faced with this same rate increase.



Plan for the most tax-efficient giving.

It is important to be aware of the 2024 federal budget implications and plan accordingly as this could have an impact on you and your philanthropic plan.

1. Benefits of donating appreciated securities.

Gifting publicly traded securities is a tax-effective way to impact research and care. Discuss with your financial advisor if gifting securities, either as an individual or from your corporation, could be a tool for your philanthropy. Stocks, bonds and mutual funds that are listed on a public exchange, such as the Toronto Stock Exchange, can be easily transferred to the Alberta Cancer Foundation.

- By transferring your securities to the Alberta Cancer Foundation instead of cashing them in, you eliminate all tax owing on the capital gain.
- You receive the charitable tax receipt for the total value of the transfer on the date it is received, which can be used to generate a tax credit worth up to 50% of the entire donation amount.

2. Be prepared with recommended next steps.

We encourage you to familiarize yourself with the potential implications and discuss with your financial team if adjustments to your philanthropic plan would be beneficial from a tax perspective.

We have a network of financial advisors with expertise in philanthropy and would be happy to provide references if this would be valuable. With the many nuances of charitable giving in tax planning, these experts could help answer your questions or work with your team to build the best tax-efficient recommendations.

Contact us.

We are happy to support you. Please discuss with your Alberta Cancer Foundation contact or reach out to Christy Soholt at Christy.Soholt@albertacancer.ca or 780-991-1088 to learn more.

Note: The Alberta Cancer Foundation accepts gifts in-kind of marketable securities. Please contact Christy Soholt directly to discuss the steps or download our form at albertacancer.ca/securities. We encourage the process to be initiated by December 1 for a calendar-year tax receipt. Security transfers initiated after December 15 may be completed and receipted in the following tax year.