The federal government has proposed changes to Canada’s alternative minimum tax (AMT) that, if passed, could change the tax calculations around charitable gifts (among other factors) for high-income donors, starting in 2024. As this could have an impact on you and your philanthropic plan, we have summarized some details on what is proposed, things to consider and how to best prepare.

WHAT IS ALTERNATIVE MINIMUM TAX?

Introduced in 1986, alternative minimum tax 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. Note that AMT is recoverable for up to seven years.

SUMMARY OF PROPOSED CHANGES RELATED TO CHARITABLE GIFTS

There are a number of changes proposed to AMT in the federal budget that affect how this tax will be calculated. When considering your charitable contributions, here are some highlights to be aware of:

- 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 will increase from the current 15% or 20.4%.
- Currently, no capital gain on appreciated securities donated to charity is included in the calculation. This will increase to 30% of the capital gain being included.
- Currently, 100% of the charitable donation tax credit can be applied to AMT calculations. This will decrease to 50%.
- AMT is applicable to individuals and trusts and does not apply in tax calculations on year of death.

BE PREPARED – 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 prior to the end of 2023 would be beneficial from a tax perspective.

We are also pleased to 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

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 at Christy.Soholt@albertacancer.ca to discuss the steps or download our form at www.albertacancer.ca/donate/donate-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 2024 tax year.