



Big Brothers Big Sisters

OF VICTORIA CAPITAL REGION

Gifts of Real Estate

Turn a valuable asset into community good.

A gift of real estate enables you to create a meaningful legacy gift with **Big Brothers Big Sisters of Victoria Capital Region (BBBSV) Charitable No. 106793540 RR0001** while also providing significant tax advantages. There are a variety of opportunities for gifting **free from any encumbrance** property, including personal residences, vacation homes, rental properties, farmland, and commercially-developed land.

You may choose to give real estate outright and receive an immediate tax credit **or** retain the use of the property during your lifetime and make a planned gift to **BBBSV** creating positive estate tax advantages.

Donation Process:

1. You identify real estate property that you would like to give; an appraisal will help you establish its estimated market value. (*Note: fair market value limitations may apply*)
2. BBBSV assesses the real estate for compliance with our acceptance policies and gathers appropriate documentation, including a separate appraisal and, where appropriate, environmental assessment.
3. You decide whether you want to make the gift outright or retain the use of the property during your lifetime.
4. Your gift qualifies for a receipt for tax purposes based on the agreed fair market value and **BBBSV** handles the administrative details.
5. Your gift is made for the benefit of **Big Brothers Big Sisters of Victoria Capital Region (BBBSV) Charitable No. 106793540 RR0001**.

To qualify for a receipt for tax purposes, the transfer of property must be irrevocable (not be able to be changed), voluntary, and without material benefit to you, the donor. **BBBSV may not accept gifts of property which result in long-term ongoing financial obligations for the organization.** Making gifts of real estate will involve additional costs with respect to obtaining the necessary appraisals, tax and legal advice, and other expenses related to the transfer. Donors are advised to discuss proposed gifts with their heirs, professional advisors and with the staff of **BBBSV** before any costs are incurred. A gift of real estate can realize important tax and income benefits.

Big Brothers Big Sisters of Victoria Capital Region Charitable No.: 106793540 RR0001 Contact information: Emma Kirkland, Director of Development at emma.kirkland@bigbrothersbigsisters.ca or call 250-475-1117 ext. 102

NOTE: The purpose of this Fact Sheet is to provide general information, not to render legal or financial advice. Any changes in the tax structure may affect the examples listed in this information. Big Brothers Big Sisters Victoria Capital Region strongly recommends that a donor consult their own professional advisors, family, and heirs prior to making any significant gift decisions.



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EXAMPLE

(Extracted from Community Foundations of Canada resources)

Mr. and Mrs. Marconi rarely use the cottage they purchased thirty years ago for \$60,000. They had considered selling it but, decided instead to contribute it to **BBBSV** an appraisal of the property determines its current fair market value to be \$300,000. Their net income from other sources is \$150,000 per year, and both their combined tax rate and their combined tax credit are assumed to be 48%.

Tax on Gain

| | |
|--|-----------|
| Capital gain recognized (\$300,000 - \$60,000) | \$240,000 |
| Taxable gain (50% of \$240,000) | \$120,000 |
| Tax on gain (\$120,000 x 48%) | \$57,600 |

Tax Credit

| | |
|------------------------------|-----------|
| Donation receipt | \$300,000 |
| Tax credit (\$300,000 x 48%) | \$144,000 |

Net Tax Savings

| | |
|-------------|-----------|
| Tax credit | \$144,000 |
| Tax on gain | -\$57,600 |

Net tax savings **\$86,400**

Gifts of capital property¹

Capital property includes depreciable property, and any property that, if sold, would result in a capital gain or a capital loss. Capital property does **not** include the trading assets of a business, such as inventory.

Note: All references to fair market value (FMV) in this section are subject to the deemed FMV rules as per Canada Revenue Agency (CRA).

The following properties are generally capital properties:

- cottages
- securities, such as stocks, bonds, and units of a mutual fund trust

¹ Extracted from the Canada Revenue Agency website



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- land, buildings, and equipment you use in a business or a rental operation

If you donate capital property, the CRA considers you to have disposed of that property for proceeds **equal** to the FMV of the property. You must report any capital gain on your income tax and benefit return in the year you donated the property. In some cases, you may be able to claim a capital loss in the year you donated the property.

However, if you make a gift of capital property to a registered charity, and the FMV of the donated capital property, otherwise determined, is **more** than its adjusted cost base (ACB), you may designate an amount that is **less** than the FMV to be the proceeds of disposition. This may allow you to reduce the capital gain otherwise calculated.

The amount that you may choose to designate in respect of the donation **cannot be greater than** the FMV and **not less** than the greater of:

- any **advantage** in respect of the gift
- the ACB of the property (or, if the property was depreciable property, the lesser of its ACB and the undepreciated capital cost of the class of the property)

Use the amount you choose as the proceeds of disposition when you calculate any capital gain. Also use this amount to determine the **eligible amount** of the gift, which you need to calculate the tax credit.

If, when you made the donation, the FMV was **less** than the ACB, the proceeds of disposition must equal the FMV of the donated property. This amount will be used to calculate any capital loss on the disposition of a non-depreciable capital property and the **eligible amount** of the gift, which you need to calculate the tax credit.

We strongly recommend that you discuss this gift with your family, children/grandchildren, heirs and advisors.

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