

# Tax hike on wealthy donors could add to charity woes in 2024

December 15, 2023



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At a time when Canadian charities are having to do more with less, the federal government is set to impose a tax hike that could put a serious damper on donations. Starting in 2024, the alternative minimum tax (AMT) flat rate on charitable donations will increase to 20.5 per cent from 15 per cent. The AMT aims to prevent wealthy donors from paying little or no tax by claiming certain deductions relating to capital gains and dividend tax credits.

Kim Moody, founder of Calgary-based Moodys Tax Law, says the increase will have the unintended consequence of discouraging donations to Canadian charities.

“There is no doubt that the charitable sector has cause for concern, since it would often make little sense for high-income earners to make charitable donations,” he says. Instead of raising the AMT, Moody says Ottawa should curtail abuse by conducting more timely audits of charities and non-profits.

In the meantime, he suggests wealthy donors make larger charitable donations this holiday season before Dec. 31 while the tax is lower.

## **CHARITIES STRUGGLE WITH FEWER DOLLARS FROM FEWER DONORS**

The increase in the AMT comes at a time when Canadian charities have fewer dollars to provide for those in need.

A study published by the Fraser Institute this week found the number of Canadians donating to charity as a percentage of all tax filers is at its lowest point in 20 years.

The non-partisan Canadian public policy think-tank says data show Canadians have been consistently less charitable every year since at least 2001.

As an example, 25.4 per cent of tax-filers donated at the peak of generosity in 2004, compared with a two-decade low of 17.7 per cent during the 2021 tax year.

The drop in the number of donors is compounded by falling donation amounts from 0.58 per cent of income in 2001 to 0.55 per cent of income in 2021.

## **STILL TIME TO DONATE AND LOWER YOUR 2023 TAX BILL**

Anyone can lower their 2023 income tax bill by donating to a registered charity before Dec. 31 and including the receipt with their tax return in the spring.

The tax savings in dollars depends on the income level of the individual. Savings are greater for those with higher income because they are taxed at a high marginal rate. It's important to know that the holidays also bring out charity scams, so here are some tips from the federal government to ensure your donation dollars get into the right hands:

- If you want to donate, research the charity to ensure it is legitimate. The most direct resource is **the Canada Revenue Agency (CRA) searchable online database of all registered charities operating in Canada**. The CRA will not recognize charitable donations to organizations not on the list.
- Never give out personal information such as credit card or bank account numbers over the phone unless you made the call and the phone number belongs to a trusted source.
- If you choose to donate, do not give cash. Write a cheque payable to the name of the charity or use a credit card so you have a record of the donation. Request a receipt and make sure it has the charity's contact details on it.

## **DONATE SECURITIES FOR TAX SAVINGS**

When you donate shares or other securities directly to a charity, the tax on any capital gain is eliminated.

You can make a further donation of the tax savings or save your charitable tax credits for future tax returns within five years of the transaction.

You can take the holiday tax bliss even further by claiming costs linked to your donation, like brokers' fees, which the broker can donate for further tax savings.