The ECOLOGICAL GIFTS PROGRAM

Donation and Income Tax Scenarios

Environment Canada Environnement Canada

Canada

Introduction

Canada's Ecological Gifts Program provides a way for Canadians who own ecologically sensitive land to protect nature and create a legacy for future generations. Since 1995, the Program has offered enhanced income tax benefits to encourage landowners to donate land or a partial interest in land—a conservation easement, covenant, or servitude—to an approved recipient. Recipients ensure that the biodiversity and natural heritage values of these properties are conserved in perpetuity.

Many donors who make ecological gifts, or ecogifts, do not do so for monetary reasons, as the financial benefits of selling a piece of property often exceed those of giving it away. Rather, they take comfort in knowing that their land will be cared for in the future by an organization that shares their conservation values.

To assist donors in their conservation initiatives, the Ecological Gifts Program offers special federal income tax benefits above and beyond those offered for other types of capital gifts.

WHAT ARE THE INCOME TAX BENEFITS?

The *Income Tax Act* provides favourable income tax treatment for gifts of ecologically sensitive land and for interests in ecologically sensitive land. As with other charitable gifts, ecological gifts give rise to a tax credit or deduction for donors. In addition, ecological gifts benefit from the elimination[1] of any tax on the capital gain realized on the disposition of the property.

To qualify for the tax benefits associated with ecological gifts, the gift must satisfy all the criteria for an ecological gift—it must be a gift of ecologically sensitive land or a partial interest in ecologically sensitive land, the land must be certified as ecologically sensitive, the recipient must be approved to receive the ecological gift, and the fair market value of the land or of the partial interest in land must be certified by the Minister of the Environment.

Corporate donors may deduct the amount of their gift directly from their taxable income, while the value of an individual's gift is converted to a non-refundable tax credit. The tax credit is calculated by applying a rate of 15.5%[2] to the first $200 of the donor's total gifts for the year and 29% to the balance. Unlike other charitable gifts, there is no limit to the dollar amount of ecogift donations in a year that are eligible for the deduction or credit. In addition, any unused portion of a donor's gifts may be carried forward for up to five years.

The Ecological Gifts Program is a federal program. However, provinces and territories also impose income tax and offer tax credits and deductions. Provincial/territorial rates, which vary across the country, are calculated either at rates set out in provincial or territorial legislation or as a percentage of the federal tax rate. The impact of the tax benefits associated with making an ecological gift may be significantly greater when both federal and provincial/territorial tax benefits are taken into account. In some cases, property tax relief at the municipal level may also be available for those who place conservation covenants, easements or servitudes on their land.

Gifts of remainder interests in land, following the granting of a life interest, are also eligible for the Ecological Gifts Program if they meet the requirements of the Canada Revenue Agency.[3] For more information on remainder interests, please see the Ecological Gifts Program fact sheet, "Retaining the Right to Use Land Donated as an Ecological Gift: Life Interests and Licences; Usufruct, Right of Use, Superficies and Permission Agreements."

Donors of ecological gifts also benefit from the elimination of any taxable capital gain incurred on the disposition of the property. Donors who donate capital property, such as land, are deemed to have received the proceeds of disposition, generally the fair market value of the property, unless the donor elects otherwise. Donors therefore will realize a capital gain, a portion of which is taxable, if the deemed proceeds of disposition exceed the adjusted cost base of the property. The capital gain is generally the amount by which capital property appreciates in value while it is in the owner's possession.

[1] Effective for gifts made on or after May 2, 2006. Gifts made before May 2, 2006, will be subject to a 25% capital gains inclusion rate. Also, if the gift is split-receipted (see discussion below), there may be a taxable capital gain in some circumstances.
[2] This is the applicable percentage for 2007 and subsequent years.

[3] Canada Revenue Agency requirements are described in IT-226R, *Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust*.

While for most gifts the taxable portion of the capital gain is 50%, in the case of an ecological gift there may be no taxable capital gain.[4]

Gifts of land or of an interest in land that are not capital property (e.g., inventory lands) may qualify as ecological gifts if they meet the criteria in the *Income Tax Act*. However, ecological gifts of non-capital property will not provide the same tax benefits as ecological gifts of capital property. In the case of all charitable gifts of inventory lands, including ecological gifts, donors must include the fair market value of the land donated in their revenue for the year. In computing profit for tax purposes, the donor may deduct the cost of the land. Unlike gifts of capital property, the entire amount of the profit is included in the donor's income.

Draft amendments to the *Income Tax Act* issued most recently in November 2006, but not yet enacted, permit donation receipts to be issued in circumstances where an intention to make a gift is present but some benefit (or "advantage") is also received by the donor. These amendments permit the practice of "split-receipting," by which a qualified recipient will be able to issue donation receipts reporting both the fair market value of property transferred to it and the "eligible amount of the gift," which is the difference between the fair market value of the property transferred and the value of any advantage to the donor. Under these proposed amendments, the donor's proceeds of disposition will generally be computed based on the fair market value of the property transferred, while the donor's donation tax credit or deduction is based on the eligible amount of the gift.

The Canada Revenue Agency has released guidelines that discuss the proposed amendments. The guidelines are available on the Canada Revenue Agency Website at www.cra-arc.gc.ca/E/pub/tp/itnews-26/itnews-26-e.pdf. Potential donors may rely on these guidelines even though the proposed amendments have not yet become law.

Under the proposed amendments and guidelines, split-receipting is allowed if

- the transfer of property is voluntary and the property transferred has an ascertainable value;
- the recipient is qualified to receive the gift;
- any advantage received or obtained by the donor is identified and its value is ascertainable; and
- the donor's intent to enrich the recipient of the gift is clear.

The donor is presumed to have intended to enrich the recipient in circumstances where the value of the advantage given to the donor does not exceed 80% of the fair market value of the transferred property. Where the value of the advantage to the donor exceeds 80% of the fair market value of the transferred property, a gift would be recognized only in exceptional circumstances where the donor satisfies the federal Minister of National Revenue that the transfer was made with intent to make a gift.

[4] Prior to the 2006 federal budget, the taxable portion of the capital gain realized on the making of an ecological gift was 25%. However, the Notice of Ways and Means motion to implement the budget has reduced this percentage to nil for gifts made on or after May 2, 2006.

To be eligible for the tax benefits associated with making an ecological gift, a taxpayer who disposes of ecologically sensitive property must obtain an official receipt from the recipient. In addition, the fair market value must be certified by the federal Minister of the Environment, the ecological sensitivity of the property must be certified by the Minister or a person designated by the Minister and, in some circumstances, the recipient of the gift must be approved by the Minister or a person designated by the Minister. These requirements are dealt with in further detail in *The Canadian Ecological Gifts Program Handbook,* which can be obtained by contacting the National Secretariat of the Ecological Gifts Program at 1-800-668-6767 or by consulting the Ecological Gifts Program Website at www.cws-scf.ec.gc.ca/egp-pde/.

ABOUT THE TAX SCENARIOS

The income tax benefits of making an ecological gift vary greatly depending on the financial situation of each donor. It is not just donors with significant income that can benefit from making an ecological gift. There are many situations in which giving an ecological gift can result in substantial tax relief. While it is impossible to give examples of all of these situations, the hypothetical tax scenarios in this booklet represent a range of typical cases across Canada.

All these tax scenarios involve donations by individuals rather than corporations. The names of donors and ecological gift recipients are fictional.

It is assumed that the gift in each scenario qualifies as an ecological gift.

The federal personal income tax rates applicable in 2007 are applied in each scenario. Generally, the amount of the donation claimed in respect of the non-refundable donation tax credit would be determined after taking into account the non-refundable tax credits that the taxpayer is entitled to claim that are not eligible to be carried forward. The scenarios take into account only the basic personal exemption and do not take into account any other non-refundable tax credits to which the donor may be entitled, such as credits relating to Canada Pension Plan or Employment Insurance contributions.

In all cases, it has been assumed that the landowner is applying as much of the value of the donation as possible to generate tax credits during the year of the donation. The amount available for carry forward has been calculated based on this assumption, even though the donor has the option of using less than the maximum amount in the year of the gift if he or she wishes.

In addition, it is assumed in every scenario that the adjusted cost base of the property is its acquisition cost. In reality, there may be a number of factors other than acquisition cost that affect a property's adjusted cost base for tax purposes. Acquisition cost has been used as the adjusted cost base for the sake of simplicity.

The information in the box below provides a detailed illustration of how a taxpayer would use only the amount of the donation tax credit required to reduce the federal tax payable to zero in the current year. This example also shows the method used to calculate the amount of the donation available to carry forward up to five years.

*Detailed breakdown of donation tax credit calculations presented in Scenario 2**

Fiona owns a small consulting firm in Vancouver and earns $80,000 a year. Fifteen years ago she purchased an undeveloped three-hectare property in the northern Gulf Islands for $200,000. The property, which has ocean frontage, has a fair market value of $600,000 today. Although not particularly large, its natural values include arbutus woodlands and a stand of mature Douglas fir. Fiona decides to donate her land to the Gulf Island Trust as an ecogift.

Certified fair market value: $600,000
Eligible amount of gift: $600,000
Taxable income: $80,000
Federal income tax based on taxable income: $15,409

Amount of donation claimed in year of gift to reduce net federal tax owing to zero: $48,455**

Federal non-refundable tax credits:
Basic personal amount: $1,384 ($8,929 times 15.5%)
Donation tax credit in year of gift: $14,025
(15.5% of first $200 plus 29% of $48,255)
Total federal non-refundable tax credits: $15,409
Net federal income tax payable $0

Amount of donation available to carry forward: $551,545 ($600,000 minus $48,455)

* This scenario is hypothetical and simplified to illustrate only federal income tax implications. It takes into account the 2007 basic personal amount of $8,929, and calculations are based on the 2007 taxation rates.
** Formula used to calculate the amount of the gift to claim in the current year to reduce federal tax payable to zero: (Federal income tax *minus* basic personal amount *minus* 15.5% of $200) *divided* by 29% *plus* $200. E.g., ($15,409 - $1,384 - $31)/0.29 + $200 = $48,455.

This booklet does not deal with any additional provincial/territorial or property tax implications related to ecological gifts. However, in most provinces and territories, related provincial or territorial tax benefits are available, and in some jurisdictions, placing a conservation covenant, easement or servitude on a property may reduce the amount of property tax owing to local government.

The tax scenarios in this booklet are hypothetical and simplified. The tax implications of any transaction, including the tax implications of making an ecological gift, depend on the circumstances of the transaction as a whole and on the taxpayer's individual circumstances. The tax implications of making an ecological gift therefore cannot be considered in isolation. All potential donors, whether corporations or individuals, are strongly advised to obtain independent tax and legal advice on ecological gifts, or on any other tax issues discussed in this booklet, to ensure that all tax implications of the gift are clearly understood.

The scenarios in this booklet illustrate only the potential federal tax benefits of ecological gifts. For information about the provincial/territorial or property tax implications of making an ecological gift, donors should consult the relevant provincial/territorial income tax legislation or their professional advisors.

For more general information about the Ecological Gifts Program, consult *The Canadian Ecological Gifts Program Handbook,* which can be obtained by contacting the National Secretariat of the Ecological Gifts Program at 1-800-668-6767 or by consulting the Ecological Gifts Program Website at www.cws-scf.ec.gc.ca/egp-pde/.

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Scenario 1—Considering options for protecting land

Mountainside property—Paul owns a 20-ha (50-acre) woodlot in Manitoba that is home to a variety of wildlife. He is considering protecting the land by transferring it to a conservancy, either by selling it, donating it as an ecogift with a $50,000 advantage (split-receipt), donating it outside of the Ecological Gifts Program, or making an outright donation as an ecogift. Paul earns $75,000 per year as a professor at the local college. He asks for a summary of the tax impacts of these options from his accountant. Paul bought the property for $100,000. It is now valued at $200,000.

Calculation	Sale	Split-receipt ecogift	Capital gift (non-ecogift)	Outright ecogift	Notes
Certified fair market value	$200,000	$200,000	$200,000	$200,000	The certified fair market value of an outright gift is generally the current appraised fair market value of the gift. The value of an ecogift must be certified by the Minister of the Environment.
Amount of the gift eligible for a donation receipt	$0	$200,000 -$50,000 $150,000	$200,000	$200,000	The eligible amount of the gift indicated on the donation receipt is the fair market value of the property transferred to the recipient, minus the amount of any advantage provided to the donor.
Capital gain	$200,000 -$100,000 $100,000	$200,000 -$100,000 $100,000	$200,000 -$100,000 $100,000	$200,000 -$100,000 $100,000	Subtract the adjusted cost base of the property from the current fair market value.
Taxable capital gain	$50,000	$12,500*	$50,000	$0	For sales and non-ecogift donations, 50% of the capital gain is taxable. For the split-receipt, 50% of the portion of the capital gain attributable to the advantage is taxable. There is no taxable capital gain if an outright ecogift is made.
Taxable income	$75,000 +$50,000 $125,000	$75,000 +$12,500 $87,500	$75,000 +$50,000 $125,000	$75,000 +$0 $75,000	Income reported for income tax purposes from employment and other sources plus the taxable portion of the capital gain.
Donation limit or eligible amount in the year of the gift	$0	$200,000 -$50,000 $150,000	$125,000×75% = $93,750	$200,000	For ecogifts, the entire fair market value of the donation may be used to claim the donation tax credit, while for other gifts the donation limit is 75% of taxable income.
Federal income tax of the donor	$27,233	$17,359	$27,233	$14,109	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$0	$55,179	$89,228	$43,972	Amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable.
Federal non-refundable donation tax credit deducted in the year of the gift	$0	$15,975	$25,849	$12,725	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$0	$94,821	$200,000 -$89,228 $110,772	$156,028	Subtract the amount used in the year of the gift from the eligible amount of the gift.

* See Scenario 8 for a detailed calculation of the taxable capital gain in a split-receipting situation.

Scenario 2—Donation of land

Island property with ocean frontage—Fiona is the owner and operator of a small consulting firm in Vancouver, and she earns $80,000 a year. Fifteen years ago she purchased an undeveloped three-hectare property in the northern Gulf Islands for $200,000. The property, which has ocean frontage and a magnificent view of the Strait of Georgia, has a fair market value of $600,000 today. Although not particularly large, the land has arbutus woodlands and a stand of mature Douglas fir. Fiona has decided not to build her retirement home on the land because she feels it would be too remote. However, she would like to ensure that the woodlands and other natural features on the property will be permanently protected. Impressed by the efforts of the Gulf Island Trust in working with local landowners to link fragmented island habitats, Fiona decides to donate her land to the Trust as an ecological gift.

Calculation	Example numbers	Notes
Certified fair market value	$600,000	The certified fair market value of an outright gift is generally the current appraised fair market value of the gift as certified by the Minister of the Environment.
Capital gain	$600,000 -$200,000 $400,000	Subtract the adjusted cost base of the property (the purchase price of $200,000) from the current fair market value.
Taxable capital gain	$0	This amount is nil.*
Taxable income	$80,000	Income reported for income tax purposes from employment and other sources ($80,000).
Donation limit or eligible amount in the year of the gift	$600,000	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax credit and reduce the tax payable. However, because donation tax credits are non-refundable, Fiona would not use an amount larger than that required to offset her federal tax payable to calculate the tax credit.
Net federal income tax	$15,409	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$48,455	Amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable. Any amount of the gift that is not used to generate donation tax credits in the year of the gift may be carried forward and used for up to five years.
Federal non-refundable donation tax credit deducted in the year of the gift	$14,025	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).**
Amount available for carry forward	$551,545	Subtract the amount used in the year of the gift from the eligible amount of the gift ($600,000 minus $48,455).

* The calculation of the capital gain and taxable capital gain is in this scenario only to illustrate the effect of Budget 2006. If this donation was made before May 2, 2006, the donor would have had to include and pay tax on 25% of the capital gain ($100,000), thus reducing the impact of the donation tax credit.

** The amount of the donation claimed in respect of the non-refundable donation tax credit is determined after taking into account the non-refundable tax credits that the taxpayer is entitled to claim that are not eligible to be carried forward. In these scenarios, only the basic personal exemption is taken into account and will reduce the eligible amount of the donation required to be claimed.

Scenario 3—Donation of land

COASTAL PROPERTY—Mike and Michelle are married and live in a village on Conception Bay, on the northeastern tip of Newfoundland. Mike earns $20,000 a year as a fisherman, while Michelle stays at home with their two children during the day and studies bookkeeping at night school in nearby St. John's. Before Mike's parents died, they subdivided a tract of coastal land that had been in the family for several generations and left half of the land to each of their two children. Mike's 15-ha parcel contains craggy coastal cliffs that are a nesting ground for murres and other seabirds. It is valued at $20,000—about the same as it was when he inherited it three years before. The family cannot afford to build on the land, and the property taxes are an additional financial burden while Michelle is attending school. They understand that the province is trying to establish a network of protected areas in the region, and that their land is considered ecologically important. They ask for a summary of the tax benefits available to them if they donate the land under the Ecological Gifts Program.

Calculation	Example numbers	Notes
Certified fair market value	$20,000	The certified fair market value of an outright gift is generally the current appraised fair market value of the gift. The value must be certified by the Minister of the Environment.
Taxable income	$20,000	Income reported for income tax purposes from employment and other sources.
Donation limit or eligible amount in the year of the gift	$20,000	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax credit and reduce the tax payable.
Net federal tax of the donor	$3,100	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$6,010	Amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable. Any amount of the gift that is not used to generate donation tax credits in the year of the gift may be carried forward and used for up to five years.
Federal non-refundable donation tax credit deducted in the year of the gift	$1,716	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$13,990	Subtract the amount used in the year of the gift from the eligible amount of the gift ($20,000 minus $6,010).

Scenario 4—Donation of conservation easement

Rural area property—Jack has been involved in mixed farming on a couple of sections of land in the aspen parkland region of Saskatchewan for the last 32 years. Although much of this land, which has been in his family for several generations, is in cultivation or used as hay land, two quarter sections remain in their original native prairie condition and include several aspen bluffs and wetlands. Ducks, geese, and other wildlife are abundant on these lands. Jack presently uses these native quarter sections for grazing cattle. Jack has been captivated since childhood by the wildlife on this land and, like his ancestors, has always had a strong personal attachment to it. He takes special care to manage his land in an environmentally sustainable manner. In speaking with a local environmental group about proper habitat stewardship practices, he heard about the Ecological Gifts Program. He decides to give the group a conservation easement on the two native quarter sections of land to protect the land from cultivation while maintaining moderate grazing as a sustainable management tool. The two quarter sections are in a rural area where there are no significant development pressures. The land, originally valued at $25,000, is now worth $60,000. The conservation easement has been appraised at $12,500. With the easement, the land is valued at $47,500. Jack's annual income is $40,000.*

* For capital gains purposes, in cases where a piece of property was owned previous to December 31, 1971, its adjusted cost base is determined as of that date.

Calculation	Example numbers	Notes
Certified fair market value of the conservation easement	$12,500	The conservation easement may be valued directly where comparable transactions are available, or its value may be calculated as the difference between the fair market value of the property before ($60,000) and after ($47,500) the conservation easement is put in place. The value must be certified by the Minister of the Environment.
Taxable income	$40,000	Income reported for income tax purposes from employment and other sources ($40,000).
Donation limit or eligible amount in the year of the gift	$12,500	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax credit and reduce the tax payable.
Net federal income tax of the donor	$6,383	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$12,500	Jack could claim the entire amount in the year of the gift. Alternatively, he could use only a portion of the entire donation amount to claim a tax credit and carry any unused amount forward for up to five years.
Federal non-refundable donation tax credit deducted in the year of the gift	$3,598	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$0	Assuming Jack claimed the full tax credit in the year of the gift.

Scenario 5—Donation of conservation easement

Waterfront property—About 15 years ago, Alan, a Toronto lawyer, bought 20 ha of waterfront in Muskoka for $180,000. The land is blanketed in mature hemlock forest and is adjacent to a wildlife sanctuary. Alan and his family treasure the tranquility of the property and often see deer and other wildlife there. Alan is now prepared to spend more time on this property and decides to build a home on the part of the land farthest from the sanctuary. At the same time he is aware that the Lake Land Trust has been working with cottagers to establish a natural buffer zone of mature forests and undisturbed shorelines around the wildlife sanctuary. To help protect his land and assist in these efforts, Alan agrees to donate to the Trust a conservation easement that permanently protects the land from subdivision, shoreline stabilization, the construction of docks and buildings (except the one proposed house), the cutting of trees, and the alteration of other natural features. Before the easement is placed on the land, the land is valued at $600,000. The easement is valued at $240,000. The value of the land with the easement is $360,000. Alan's income from employment and other sources is $120,000 a year.

Calculation	Example numbers	Notes
Certified fair market value of the conservation easement	$240,000	The conservation easement may be valued directly where comparable transactions are available, or its value may be determined as the difference between the appraised fair market value of the property before ($600,000) and after ($360,000) the conservation easement is put in place. The value must be certified by the Minister of the Environment.
Taxable income	$120,000	Alan's income reported from employment and other sources ($120,000).
Donation limit or eligible amount in the year of the gift	$240,000	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax credit and reduce the tax payable. However, because tax credits are non-refundable, Alan would not use an amount larger than that required to offset his federal tax payable to calculate the tax credit.
Net federal income tax of the donor	$25,809	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$84,317	Amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable. Any amount of the gift that is not used to generate donation tax credits in the year of the gift may be carried forward and used for up to five years.
Federal non-refundable donation tax credit deducted in the year of the gift	$24,425	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$155,683	Subtract the amount used in the year of the gift from the eligible amount of the gift ($240,000 minus $84,317).

Scenario 6—Donation of Conservation Easement by Joint Tenants

Forest land—Benoit has been working in northern New Brunswick since he graduated from high school 10 years ago. His wife, Jeannine, runs a home-based daycare at their home near Newcastle. The $50,000 he and Jeannine earn each year is just enough to make ends meet. Benoit and Jeannine acquired the house and its 50-ha property from his parents seven years ago. During this time, the value of their property has grown from $80,000 to $150,000. The property borders a heavily logged region of the province, and it contains some of the oldest trees in the area, many of which were planted by his great-grandfather nearly a century ago. Although they intend to leave the land to their children, they are afraid that the pressure to sell the timber will be too great for them to resist. To preserve his family's history—and get a tax break—the couple decides to donate an easement on the land to a local land trust as an ecogift to prevent the property from ever being logged. The terms of the easement allow the property to be subdivided but stipulate that a maximum of three full cords of wood may be harvested each year from the property as fuel. The easement is valued at $60,000. Placing the easement on the property reduces its value to $90,000.

Calculation	Example numbers	Notes
Certified fair market value of the conservation easement	$60,000	The certified fair market value of the conservation easement may be valued directly where comparable transactions are available, or may be determined as the difference between the fair market value of the property before ($150,000) and after ($90,000) the conservation easement is put in place. The value must be certified by the Minister of the Environment.
Taxable income of each of the donors	$25,000	Assume Benoit and Jeannine each has income reported for income tax purposes from employment and other sources of $25,000.
Donation limit or eligible amount in the year of the gift	$60,000	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax credit and reduce the tax payable. However, because tax credits are non-refundable, Benoit and Jeannine would not use an amount larger than that required to offset their federal tax payable to calculate the tax credit.
Net federal income tax of each of the donors	$3,875	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed by each of the donors in the year of the gift	$8,683	As joint tenants having equal interests in the property, Benoit and Jeannine will each be entitled to claim one-half of the value of the gift or, alternatively, since they are spouses, the Canada Revenue Agency will permit either of them to claim the entire amount of the gift. Since the amount of the gift is greater than that which is required to completely offset the net federal tax of either of them, they will each claim the amount calculated to provide a donation tax credit sufficient to completely eliminate their respective federal tax payable. Any amount of the gift that is not used to generate donation tax credits in the year of the gift may be carried forward and used for up to five years. The total amount claimed by the couple is $17,366 ($8,683 multiplied by 2).
Federal non-refundable donation tax credit deducted in the year of the gift by each donor	$2,491	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$42,634	Subtract the amount used in the year of the gift from the eligible amount of the gift ($60,000 minus $17,366).

Scenario 7—Donation of remainder interest

Coastal property—Sue earns $75,000 a year as an accountant in Halifax. For more than 40 years, she has owned 6 ha of property in Lunenburg County in an area with a planning restriction that prohibits development on lots smaller than 2 ha. The land—which includes a picturesque and significant stretch of coastline—has been in Sue's family for over a century, and she has many fond memories of trips there as a child to go camping and picnicking. In recent years, large areas of Nova Scotia's southern coast have been bought up by wealthy foreign visitors for homes and cottages. Sue is concerned that there may soon be little undeveloped coastal habitat left—habitat whose mudflats are vital feeding areas for shorebirds such as the Semi-palmated Plover, and whose craggy cliffs are nesting areas for terns and other seabirds. After speaking to a local environmental group about her options, Sue decides to keep a life interest in the land so she may live out her days there and to donate the remainder interest to the group as an ecogift. She feels safe knowing that after she has gone, her land will be preserved for future generations in the same rugged state she has known it all her life. The land, originally valued at $80,000, is now worth $400,000. The remainder interest is worth $250,000. The group also enters into an agreement with Sue to use and care for the property.*

* For capital gains purposes, in cases where a piece of property was owned previous to December 31, 1971, its adjusted cost base is determined as of that date.

Calculation	Example numbers	Notes
Certified fair market value	$250,000	The certified fair market value of a remainder interest is generally the current appraised fair market value of the gift less the value of the life interest. The value must be certified by the Minister of the Environment. Gifts of remainder interests must also meet Canada Revenue Agency requirements described in IT-226R.
Taxable income	$75,000	Income reported for income tax purposes from employment and other sources ($75,000).
Donation limit or eligible amount in the year of the gift	$250,000	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax credit and reduce the tax payable. However, because tax credits are non-refundable, Sue would not use an amount larger than that required to offset her federal tax payable to calculate the tax credit.
Net federal tax of the donor	$14,109	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$43,972	Amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable. Any amount of the gift that is not used to generate donation tax credits in the year of the gift may be carried forward and used for up to five years.
Federal non-refundable donation tax credit deducted in the year of the gift	$12,725	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption with no other deductions, charitable or otherwise).
Amount available for carry forward	$206,028	Subtract the amount used in the year of the gift from the eligible amount of the gift ($250,000 minus $43,972).

Scenario 8—Donation of land with split-receipting

Mountainside property—Marc owns a 20-ha forested mountainside property in the Eastern Townships, near the Vermont border. When he inherited the land from his aunt Brigitte 20 years ago, it was valued at $40,000. Today, it is worth triple that amount ($120,000). Marc earns $60,000 a year as a college instructor. While she was alive, Brigitte was extremely active in the Magog Naturalists Club, and encouraged the use of her land for many wildlife surveys and recreational activities. A network of cross-country ski trails was established there. Marc is too busy to spend much time managing the property or taking part in the naturalist club's efforts. He also has a number of large, unexpected expenses which he has difficulty meeting on his salary. However, he would like to ensure that Brigitte's legacy is cared for in the same spirit and with the same conservation goals as it was by his aunt. He decides to take advantage of the split-receipting rules and transfers the property to a local conservation organization for an amount below its appraised fair market value. He will transfer the property as an ecogift to be maintained in its natural state, with the hope that local naturalists, hikers, and cross-country skiers continue to be allowed access to it for recreational purposes. The conservation organization has agreed to pay $70,000 for the property.

Calculation	Example numbers	Notes
Certified fair market value	$120,000	The certified fair market value of an outright gift is generally the current appraised fair market value of the gift. The value must be certified by the Minister of the Environment.
Amount of the ecological gift eligible for a donation receipt	$120,000 -$70,000 $50,000	Under the proposed provisions on split-receipting, a donor may receive a tax credit for a gift in circumstances where the donor has received some advantage in return. The eligible amount of the gift indicated on the donation receipt in those circumstances is the fair market value of the property transferred to the recipient, minus the amount of the advantage provided to the donor. Thus, in this example, the eligible amount of Marc's gift would be the certified fair market value of the property ($120,000) minus the advantage provided to Marc ($70,000); that is, $50,000.
Capital gain	$120,000 -$40,000 $80,000	Subtract the adjusted cost base of the property (the valuation when Marc inherited it, $40,000) from the current fair market value. Marc will have the same capital gain as if he had sold the land at fair market value or donated the land without receiving any advantage.
Taxable capital gain	$23,200	The capital gain ($80,000) must be allocated between the eligible amount of the gift ($50,000) and the amount of the advantage ($70,000). As the eligible amount of the gift represents 42% of the value of the property transferred ($120,000), 42% of the capital gain ($33,600) is allocated to the eligible amount of the gift. The taxable capital gain in respect of the eligible amount of the gift is nil. The remaining 58% of the capital gain ($46,400) is allocated to the advantage. The taxable capital gain in respect of the advantage is 50% of $46,400 ($23,200).
Taxable income	$60,000 +$23,200 $83,200	Income reported for income tax purposes from employment and other sources ($60,000) plus the taxable capital gain ($23,200).
Donation limit or eligible amount in the year of the gift	$50,000	For certified ecological gifts, the entire fair market value of the donation, minus the value of the advantage provided to the donor, may be used to claim the related tax credit and reduce the tax payable.
Net federal income tax of the donor	$16,241	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$50,000	Marc will use the entire amount of the donation in the year of the gift to calculate a tax credit, which will more than offset the additional tax liability arising from the sale/gift of his land.
Federal non-refundable donation tax credit deducted in the year of the gift	$14,473	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year. Marc will still have to pay minimal federal income tax of $384 (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$0	Marc used the entire amount of the donation to claim a tax credit in the year of the gift.

Scenario 9—Donation of Land with Licence (Split-Receipt)

Farmland property—Brian is a third-generation rancher near the foothills outside of Calgary. He is also an avid birdwatcher. He has an annual income of $70,000 and lives in a heritage farmhouse. He is getting ready to retire and wants to move further from the city, ensure the property is protected, and be able to visit and use the property occasionally. His parcel of 130 ha (320 acres) includes some native grassland in addition to woods and is home to a wide variety of bird species. The land is an oasis in a rural area that is under increasing pressure from developers because of its proximity to the city. To ensure that the property can never be subdivided, Brian donates the land to a local conservation organization with which he shares conservation goals. As part of the transaction, Brian enters into a licence agreement with the organization. Under the agreement Brian can use the property for life for walking and riding at any time. He can also use a defined area of the land for camping up to three weekends per year between June 1 and September 30. The licence agreement also contains terms requiring Brian to ensure that the ecological values of the property are protected during Brian's use of the property. The property, originally valued at $200,000, is appraised at $2.5 million. However, as the property is also Brian's largest asset and a part of his retirement planning, the organization agrees to pay him $450,000. The licence is valued at $50,000.*

* For capital gains purposes, in cases where a piece of property was owned previous to December 31, 1971, its adjusted cost base is determined as of that date.

Calculation	Example numbers	Notes
Certified fair market value	$2,500,000	The certified fair market value of an outright gift is generally the current appraised fair market value of the gift as certified by the Minister of the Environment.
Donation limit or eligible amount in year of the gift	$2,500,000 -$500,000 $2,000,000	Under the proposed provisions on split-receipting, the eligible amount of the gift is the fair market value of the property transferred to the recipient, minus the amount of the advantage provided to the donor. In this case the advantage includes both the cash ($450,000) and the value of the licence ($50,000). However, because tax credits are non-refundable, Brian would not use an amount larger than that required to offset his federal tax payable to calculate the tax credit.
Capital gain	$2,500,000 -$200,000 $2,300,000	Subtract the adjusted cost base of the property (the original valuation of $200,000) from the current fair market value.
Taxable capital gain	$230,000	The capital gain ($2,300,000) must be allocated between the eligible amount of the gift ($2,000,000) and the amount of the advantage ($500,000). As the advantage represents 20% of the value of the property transferred, 20% of the gain is allocated to the advantage ($460,000). The taxable capital gain in respect of the advantage is 50% of $460,000 ($230,000).
Net federal income tax of the donor	$77,983	Amount based on 2007 federal personal income tax rates.
Amount of donation claimed in the year of the gift	$264,228	Amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable. Any amount of the gift that is not used to generate donation tax credits in the year of the gift may be carried forward and used for up to five years.
Federal non-refundable donation tax credit deducted in the year of the gift	$76,599	Based on 15.5% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming a claim for the basic personal exemption and that there are no other deductions, charitable or otherwise).
Amount available for carry forward	$1,735,772	Subtract the amount used in the year of the gift from the eligible amount of the gift ($2,000,000 minus $264,228).

ISBN: 978-0-662-45742-8
Cat No.: CW66-238/3-2007E

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Cover photos: A. Holbrook, R. Amy, K. Fournier

Inside pages are printed on Enviro100, which is 100% recycled, 100% post-consumer waste, processed chlorine free, Forest Stewardship Council certified. Manufactured with Green-e®-certified biogas energy. The cover is Forest Stewardship Council certified.

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