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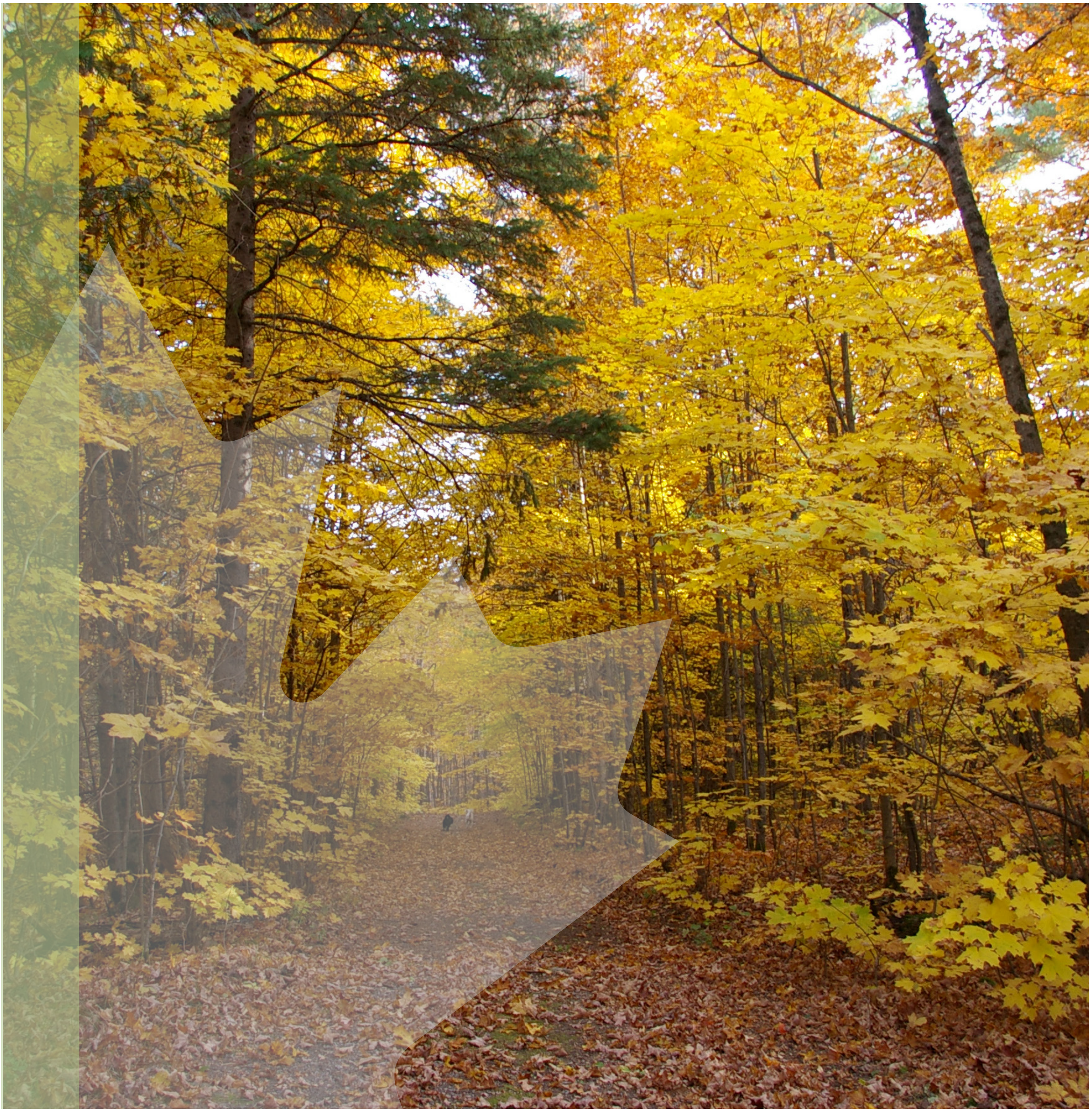

THE CANADIAN ECOLOGICAL GIFTS PROGRAM

Donation and Income Tax Scenarios

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THE **CANADIAN ECOLOGICAL GIFTS PROGRAM**

Donation and **Income Tax Scenarios**

INTRODUCTION

Canada's Ecological Gifts Program provides a way for Canadians with ecologically sensitive land to protect nature and leave a legacy for future generations. It offers significant tax benefits to landowners who donate land or a partial interest in land to qualified recipient organizations. Recipient organizations become responsible for the conservation of the donated land's biodiversity and environmental heritage. This responsibility lasts forever.

Many donors who make ecological gifts 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 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 of the following criteria:

- 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, by the Minister of Environment and Climate Change or a person designated by that Minister;
- the recipient organization must be eligible to receive the gift, and any recipient charitable organization, municipality or municipal or public body performing a function of government must be approved to receive a specific ecological gift; and
- the fair market value of the land or of the partial interest in land must be certified by the federal Minister of Environment and Climate Change.

Corporate donors may deduct the eligible amount their gift (described below) directly from their taxable income, while the eligible amount for a gift from an individual or an individual's spouse or common-law partner is converted to a non-refundable tax credit. The tax credit is calculated by applying a rate of 15% to the first $200 (as defined by the *Income Tax Act*) of the donor's total gifts for the year and 29% to the balance.[2] Unlike other charitable gifts, there is no limit to the dollar amount of ecological gift donations in a year that are eligible for the deduction or credit. In addition, any unused portion of a corporate donor's gift or of a gift from an individual or an individual's spouse or common-law partner may be carried forward for up to 10 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 easements, covenants, 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 as described in Interpretation Bulletin IT-226R, Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust.[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 realized on the disposition of the property. Donors who donate capital property, such as

1 If the gift is split-receipted (see discussion below), there may be a taxable capital gain in some circumstances.

2 Under the high-income bracket introduced by the government in 2017, the tax credit for donations in excess of $200 may be calculated at 33% on the lesser of (a) the amount of the donation or (b) the portion of income that falls into a new top tax bracket, i.e. in excess of $202,800. The remaining donation tax credit is calculated at 29%.

3 While the tax interpretation bulletin IT-226R has been archived, it remains current as of the effective date stated in it. The "Archived Content" notice merely confirms that the page is not subject to Government of Canada Web standards and that the content will not be altered or updated. Eventually, this tax interpretation bulletin will be cancelled when it is replaced by an income tax folio.

land, are deemed to have received 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, less any disposition expenses.

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.

Gifts of land or of an interest in land that are non-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 land that are 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.

The *Income Tax Act* permits 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. "Split-receipting" is a practice by which a qualified recipient organization can issue donation receipts reporting the fair market value of property transferred to it, the amount of any advantage to the donor, 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. The advantage is treated as a gain subject to capital gains taxes, while the donor's donation tax credit or deduction is based on the eligible amount of the gift. The Canada Revenue Agency (CRA) has developed guidelines for applying the split-receipting rules, available on their website at www.canada.ca/en/revenue-agency.html, specifically CRA's Income Tax Folio S7-F1-C1, Split-receipting and Deemed Fair Market Value.

Split-receipting is allowed if:

- the transfer of property is voluntary and the property transferred has an ascertainable value;
- the recipient organization 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 organization of the gift is clear.

The donor is presumed to have intended to enrich the recipient organization 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.

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 organization. In addition, the fair market value must be certified by the federal Minister of Environment and Climate Change, 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 organization for 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 our website at canada.ca/ecological-gifts.

FOR MORE **INFORMATION**

Canada Revenue Agency website: www.canada.ca/en/revenue-agency.html

Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust: www.canada.ca/en/revenue-agency/services/forms-publications/publications/it226r.html

Split-receipting and Deemed Fair Market Value: www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/income-tax-folios-index/series-7-charities-non-profit-organizations/series/income-tax-folio-s7-f1-c1-split-receipting-deemed-fair-market-value.html

Ecological Gift Program website: www.canada.ca/ecological-gifts

Retaining the Right to Use Land Donated as an Ecological Gift: Life Interests and Licences; Usufruct, Right of Use, Superficies and Permission Agreements: www.canada.ca/en/environment-climate-change/services/environmental-funding/ecological-gifts-program/publications/retaining-use-donated-land.html

The Canadian Ecological Gifts Program Handbook: www.canada.ca/en/environment-climate-change/services/environmental-funding/ecological-gifts-program/publications/canadian-handbook.html

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 publication represent a range of typical cases across Canada. Donors are encouraged to contact their accountant and/or financial planner to discuss possible tax benefits the program could offer in their specific financial situation.

The names of donors and ecological gift recipient organizations in these tax scenarios are fictional.

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

The federal personal income tax rates applicable in 2017 are applied in scenarios 1 to 9. 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 amount 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.

Scenario 10 represents a donation by a corporation, and accordingly uses the net federal corporate income tax rate applicable in 2017.

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 donors have the option of using less than the maximum amount in the year of the gift if they wish.

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. Disposition costs incurred by the donor may also be used to reduce the capital gain; these have not been accounted for in these scenarios.

The information in the tables 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 scenario also shows the method used to calculate the amount of the donation available to carry forward up to 10 years.

A BREAKDOWN OF DONATION TAX CREDIT CALCULATIONS IS PRESENTED BELOW AS A SIMPLE ILLUSTRATION OF SCENARIO 2* IN THIS DOCUMENT

Fiona owns a small consulting firm in Vancouver and earns $80,000 a year. Fifteen years ago she purchased an undeveloped three-hectare (ha) 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 ecological gift.

CERTIFIED FAIR MARKET VALUE:	$600,000
ELIGIBLE AMOUNT OF GIFT:	$600,000
TAXABLE INCOME:	$80,000
FEDERAL INCOME TAX – AMOUNT BASED ON 2017 FEDERAL PERSONAL INCOME TAX RATES:	$13,875

Eligible amount of donation claimed in year of gift to reduce net federal tax owing to zero: $41,924**

FEDERAL NON-REFUNDABLE TAX CREDITS:	
BASIC PERSONAL AMOUNT:	$1,745 ($11,635 times 15%)
DONATION TAX CREDIT IN YEAR OF GIFT:	$12,129 (15% of first $200 plus 29% of $41,924)
TOTAL FEDERAL NON-REFUNDABLE TAX CREDITS:	$13,875
NET FEDERAL INCOME TAX PAYABLE	$0

Amount of donation available to carry forward: $558,076 ($600,000 minus $41,924)

* As in Scenario 2 in this document, this is hypothetical and simplified to illustrate only federal income tax implications. It takes into account the 2017 basic personal amount of $11,635, and calculations are based on the 2017 taxation rates.

** Formula used to calculate the eligible amount of donation to claim in the year of the gift to reduce federal tax payable to zero: (federal income tax minus basic personal amount minus 15% of $200) divided by 29% plus $200. For example: ($13,875 – $1,745 – $30) / 0.29 + $200 = $41,924.

The tax scenarios in this publication illustrate only the potential federal tax benefits of ecological gifts. This publication 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 easement, covenant, or servitude on a property may reduce the amount of property tax owing to local government. 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.

The tax scenarios in this publication are hypothetical and simplified. The tax implications of any transaction, including 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. To ensure that all tax implications of the gift are clearly understood, all potential donors (corporate or individual) are advised to obtain independent tax and legal advice on ecological gifts or on any other tax issue discussed in this publication.

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 our website at www.canada.ca/ecological-gifts.

Scenario 1

Considering options for protecting land

MOUNTAINSIDE PROPERTY - Paul owns a 20-ha 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 ecological gift with a $50,000 payment from the conservancy ("advantage" for a split-receipt), donating it outside of the Ecological Gifts Program, or making an outright donation as an ecological gift. 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 ECOLOGICAL GIFT	CAPITAL GIFT (NON-ECOLOGICAL GIFT)	OUTRIGHT ECOLOGICAL GIFT
CERTIFIED FAIR MARKET VALUE	$200,000	$200,000	$200,000	$200,000
NOTE: The certified fair market value of any gift is generally the current appraised fair market value of the gift. The value of an ecological gift must be certified by the Minister of Environment and Climate Change.				
AMOUNT OF THE GIFT ELIGIBLE FOR A DONATION RECEIPT	$0	$200,000 –$50,000 $150,000	$200,000	$200,000
NOTE: The eligible amount of the gift indicated on the donation receipt is the fair market value of the property transferred to the recipient organization, minus the amount of any advantage provided to the donor (for the split-receipt, $50,000 is the advantage 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
NOTE: Subtract the adjusted cost base of the property from the current fair market value.				
TAXABLE CAPITAL GAIN	$50,000	$12,500*	$50,000	$0
NOTE: For sales and non-ecological gift 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 (as outlined in Scenario 8: 50% × 50% × $50,000 = $12,500). There is no taxable capital gain if an outright ecological gift 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
NOTE: Income reported for income tax purposes from employment and other sources plus the taxable portion of the capital gain.				

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

Scenario 1

Continued

CALCULATION	SALE	SPLIT-RECEIPT ECOLOGICAL GIFT	CAPITAL GIFT (NON-ECOLOGICAL GIFT)	OUTRIGHT ECOLOGICAL GIFT
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED IN THE YEAR OF THE GIFT	$0	$200,000 –$50,000 $150,000	$125,000 × 75% = $93,750	$200,000
NOTE: For ecological gifts, 100% of the eligible amount of the gift may be used to calculate the donation tax credit, while for other charitable gifts, the total amount that may be used is subject to a limit (in the case of a capital gift, the limit is 75%).				
NET FEDERAL INCOME TAX OF THE DONOR	$24,924	$15,412	$24,924	$12,850
NOTE: Amount based on 2017 federal personal income tax rates.				
ELIGIBLE AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$0	$47,224	$80,023	$38,387
NOTE: As outlined in the formula in the simple illustration above, this is the amount calculated to provide a donation tax credit sufficient to completely eliminate the donor's federal tax payable. This is not possible for a sale.				
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$0	$13,667	$23,179	$11,104
NOTE: Based on 15% of the first $200 and 29% of the balance of the eligible amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise). Starting in 2017, if the taxable income of the donor is above $202,800 for the year of the gift, then the tax credit is calculated by applying a rate of 15% to the first $200 of the donor's total gifts for the year and 33% to the balance.				
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$0	$150,000 –$ 47,224 $102,776	$ 200,000 –$80,023 $119,977	$ 200,000 –$ 38,387 $161,613
NOTE: Subtract the amount used in the year of the gift from the eligible amount of the gift.				

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 3-ha 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 know 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 Environment and Climate Change.
TAXABLE INCOME	$80,000	Income reported for income tax purposes from employment and other sources ($80,000). With the taxable capital gains exemption for ecological gifts, the $400,000 capital gain ($600,000 minus $200,000) on the property does not need to be added to the donor's taxable income.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED 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 OF THE DONOR	$13,875	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$41,924	As outlined in the formula in the simple illustration above, this is the 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 10 years.
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$12,129	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).*
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$558,076	Subtract the amount used in the year of the gift from the eligible amount of the gift ($600,000 minus $41,922).

* 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 amount 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 and Climate Change.
TAXABLE INCOME	$20,000	Income reported for income tax purposes from employment and other sources.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED 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 INCOME TAX OF THE DONOR	$3,000	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$4,423	As outlined in the formula in the simple illustration above, this is the 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 10 years.
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$1,255	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$15,577	Subtract the amount used in the year of the gift from the eligible amount of the gift ($20,000 minus $4,423).

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, which will reduce the value of the land by a corresponding amount. With the easement, the land is valued at $47,500. Jack's annual income is $40,000.

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 Environment and Climate Change.
TAXABLE INCOME	$40,000	Income reported for income tax purposes from employment and other sources.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED 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	$6,000	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$12,500	As outlined in the formula in the simple illustration above, this is the amount calculated to provide a donation tax credit is sufficient to completely eliminate the donor's federal tax payable. In this case, Jack is not able to completely eliminate his federal tax payable. Jack's normal tax owing would be $4,255 (based on personal income tax rate of $6,000 minus the federal non-refundable tax credit for the basic personal amount of $1,745). With the donation, Jack now owes $658 in federal income tax instead of $4,255.

Scenario 4

Continued

CALCULATION	EXAMPLE NUMBERS	NOTES
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$3,597	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$0	Subtract the amount used in the year of the gift from the eligible amount of the gift ($12,500 minus $12,500).

Scenario 5

Donation of conservation easement

WATERFRONT PROPERTY - About 15 years ago, Alan, a Toronto, lawyer, bought 20 ha of waterfront in the Muskokas 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 Environment and Climate Change.
TAXABLE INCOME	$120,000	Alan's income reported from employment and other sources.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED 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	$23,624	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$75,540	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 10 years.

Scenario 5

Continued

CALCULATION	EXAMPLE NUMBERS	NOTES
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$21,879	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$164,460	Subtract the amount used in the year of the gift from the eligible amount of the gift ($240,000 minus $75,540).

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 combined $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 ecological gift 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 Environment and Climate Change.
TAXABLE INCOME	$25,000	Assume Benoit and Jeannine each have income reported for income tax purposes from employment and other sources of $25,000 ($50,000 / 2).
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED 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, as individuals or together, 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 THE DONOR	$3,750	Amount based on 2017 federal personal income tax rates.

Scenario 6

Continued

CALCULATION	EXAMPLE NUMBERS	NOTES
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$7,009	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, either of them is permitted 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 10 years. The total amount claimed by the couple is $14,019 ($7,009.50 multiplied by 2).
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$2,005	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$45,981	Subtract the amount used in the year of the gift from the eligible amount of the gift ($60,000 minus $14,019).

Scenario 7

Donation of remainder interest

COASTAL PROPERTY - Sue earns $75,000 a year as an accountant in Halifax, NS. For more than 40 years, she has owned 6 ha of property in Lunenburg County, NS, 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 ecological gift. 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 (value of the land minus the value of the life interest Sue is retaining). The group also enters into an agreement with Sue to use and care for the property.

CALCULATION	EXAMPLE NUMBERS	NOTES
CERTIFIED FAIR MARKET VALUE OF THE CONSERVATION EASEMENT	$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 Environment and Climate Change. 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.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED 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 INCOME TAX OF THE DONOR	$12,850	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$38,387	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 10 years.

Scenario 7

Continued

CALCULATION	EXAMPLE NUMBERS	NOTES
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$11,104	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount with no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$211,613	Subtract the amount used in the year of the gift from the eligible amount of the gift ($250,000 minus $38,387).

Scenario 8

Donation of land with split-receipting

MOUNTAINSIDE PROPERTY - Marc owns a 20-ha forested mountainside property in the Eastern Townships of Quebec, 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 manage the property or take 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 be certain 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 donate the property as an ecological gift 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 $80,000 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 Environment and Climate Change.
AMOUNT OF THE ECOLOGICAL GIFT ELIGIBLE FOR A DONATION RECEIPT	$120,000 –$80,000 $40,000	Under the 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 organization, minus the payment 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 ($80,000), that is, $40,000.
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.
TAXABLE CAPITAL GAIN	$26,800	The taxable capital gains exemption for an ecological gift only applies to that portion of the capital gain attributable to the $80,000 payment (the advantage provided). In this example, the amount of the advantage ($80,000) represents 67% of the fair market value of the property transferred ($120,000). Therefore, the taxable capital gain is $26,800 (50% × 67% × $80,000).
TAXABLE INCOME	$60,000 +$26,800 $86,800	Income reported for income tax purposes from employment and other sources ($60,000) plus the taxable capital gain ($26,800).

Scenario 8

Continued

CALCULATION	EXAMPLE NUMBERS	NOTES
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED IN THE YEAR OF THE GIFT	$40,000	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	$15,187	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$40,000	Marc will use the entire eligible 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; however in this case, Marc is not able to completely eliminate his federal tax payable. Marc's normal tax owing would be $13,442 (based on personal income tax rate of $15,187 minus the federal non-refundable tax credit for the basic personal amount of $1,745). With the donation Marc now owes $1,869 of federal income tax instead of $13,442.
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$11,572	Based on 15% of the first $200 and 29% of the balance of the donation amount claimed in the year (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$0	Subtract the amount used in the year of the gift from the eligible amount of the gift ($40,000 minus $40,000).

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, but he wants to be certain that the property is protected, and be able to visit and use the property occasionally. His parcel of 130 ha 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 be certain 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 forever use the property at any time for walking and horseback riding. 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 that Brian must follow, so 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.

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 Environment and Climate Change.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED IN THE YEAR OF THE GIFT	$2,500,000 –$500,000 $2,000,000	Under the provisions on split-receipting, the eligible amount of the gift is the fair market value of the property transferred to the recipient organization, 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 taxable capital gains exemption of an ecological gift only applies to a portion of the capital gain of $2,300,000 where an advantage is provided. In this example, the amount of the advantage ($500,000) represents 20% of the fair market value of the property transferred ($2,500,000). Therefore, the taxable capital gain is $230,000 (50% × 20% × $2,300,000).
TAXABLE INCOME	$70,000 +$230,000 $300,000	Income reported for income tax purposes from employment and other sources ($70,000) plus the taxable capital gain ($230,000).

Scenario 9

Continued

CALCULATION	EXAMPLE NUMBERS	NOTES
NET FEDERAL INCOME TAX OF THE DONOR	$90,938	Amount based on 2017 federal personal income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$301,029	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 ten years.*
FEDERAL NON-REFUNDABLE DONATION TAX CREDIT DEDUCTED IN THE YEAR OF THE GIFT	$90,938	Based on the income of the donor, tax credit for donations in excess of $200 may be calculated at 33% on the lesser of (a) the amount of the donation and (b) the portion of income that falls into a new top tax bracket, i.e. in excess of $202,800. The remaining donation tax credit is calculated at 29% (assuming that there is a claim for the basic personal amount and that there are no other amounts, charitable or otherwise).
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$1,687,971	Subtract the amount used in the year of the gift from the eligible amount of the gift ($2,000,000 minus $301,029).

* Because the donor's taxable income will be above $202,800, part of the calculation of the credit will be at the higher rate of 33%.

Scenario 10

Corporate donation in Quebec

FORESTED PROPERTY – The Scierie du Vieux Hull is an old timber company in the Outaouais region of Quebec. The company owns a number of timber lots that are no longer being used and is interested in the tax benefit they could provide. The largest of the timber lots borders on a suburban development, and a major land trust wishes to protect the land from additional development. Thirty years ago, before the suburb was developed, the lot was originally valued at $1 million. The changing landscape has meant that the land increased in value, and a recent appraisal found it to be worth $8 million. Based on the market trends, the company forecasts an annual net income of $1.25 million. The company's Chief Financial Officer asked one of their financial officers to summarize the federal tax benefits available to them if they donate the land to the land trust under the Ecological Gifts Program. The provincial income tax benefits will also be significant, but will be calculated later. This scenario assumes that the company does not hold the land, on account of income, that it is capital property. For an explanation of the rules regarding gifts of inventory land please see the Canada Revenue Agency website at www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-018-eng.html.

CALCULATION	EXAMPLE NUMBERS	NOTES
CERTIFIED FAIR MARKET VALUE	$8,000,000	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 Environment and Climate Change.
TAXABLE INCOME	$1,250,000	Corporate income reported for income tax purposes.
MAXIMUM ELIGIBLE AMOUNT THAT CAN BE USED IN THE YEAR OF THE GIFT	$1,250,000	For certified ecological gifts, the entire fair market value of the donation may be used to claim the related tax deduction and reduce the tax payable. Corporate donors may deduct the eligible amount of their gift directly from their taxable income.
NET FEDERAL INCOME TAX OF THE DONOR	$187,500	Amount based on 2017 federal net corporate income tax rates.
AMOUNT OF DONATION CLAIMED IN THE YEAR OF THE GIFT	$1,250,000	Amount calculated to provide a donation tax deduction sufficient to completely eliminate the donor's federal tax payable. Any amount of the gift that is not used in the year of the gift may be carried forward and used for up to 10 years.
ELIGIBLE AMOUNT AVAILABLE FOR CARRY FORWARD	$6,750,000	Subtract the amount used in the year of the gift from the total eligible amount of the gift ($8,000,000 minus $1,250,000).

Additional information can be obtained at:

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