

## Eyeing BCE windfall; The BCE deal could mean a bonus for charities and capital exemption for donors of shares

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Illustrations: Color Photo: Peter J. Thompson, National Post / Owen Charters, executive director of online donations portal CanadaHelps, has been assisting donors and charities with processing gifts of securities. Gifts of securities to charities are 100% exempt from capital gains tax.

Graphic/Diagram: / By The Numbers

The largest corporate takeover in Canadian history could prove a jackpot for charities, which are beginning to spread the word--give them your Bell Canada shares and cut your capital gains tax. More than 800 million BCE Inc. shares worth about \$34-billion are set to expire before the end of June, when the telecommunications giant is bought by an Ontario Teachers' Pension Plan-led group.

It could be a windfall for thousands of charities as BCE shareholders sitting on millions in capital gains awake to the opportunity of a rare tax break. The federal government made gifts of securities to public charities 100% exempt from capital gains tax in May, 2006, and extended the break to private foundations in March, 2007.

Charities don't want to miss the opportunity. To remain afloat amid shrinking government funding and services, charities have had to evolve into more professional, business-like organizations that can run effective fundraising campaigns, provide competitive services to niche markets, present detailed reports on their activities -- and now accept and sell stocks.

"It's a really unique situation to have such a large sum of shares being moved in one sitting, and having this type of legislation enabling gifting. It's a wonderful opportunity for those who want to give," says Diane MacDonald, executive director of the Canadian Association of Gift Planners, referring to the BCE shares. Ms. MacDonald assists charities in understanding the tax implications of different types of donations, including estate and insurance-policy bequests.

"A lot of people's wealth is tied up in securities," says Ms. MacDonald, who alongside others such as Imagine Canada, lobbied for capital gains tax changes as early as 1996. "For them to sell their securities and then give didn't make as much sense.

Jamie Golombek, vice-president of tax and estate planning for AIM Trimark Investments, says someone who originally invested \$80,000 in BCE shares and donated them to charity at \$100,000, with a capital gain of \$20,000, would avoid paying \$4,600 in capital gains tax. On top of that, the donor would receive the usual tax credit, which in this case would be about \$46,400.

Heather Warren, a gift planner at Amnesty International Canada, says the human rights charity is

one of many charities welcoming stock donations and has provided information on its Web site about the process, including specific information about BCE donations.

"It takes a lot of money to fix the evils of the world," Ms. Warren says, adding that while gifts of securities were a growing source of money for the charity, the number of donations was still relatively small. The charity, which like most others has its broker cash the stocks in upon receipt, received 26 gifts of stock in 2007, at an average size of \$5,770, compared with no gifts of stock in 2002.

Other charities have also noticed an increase. Susan Mullin, vice-president of development at the York University Foundation in Toronto,

says the foundation has received twice as many gifts of securities since capital gains tax was eliminated in 2006, even though recent volatility in the stock market has impaired capital gains.

"Donation size increased dramatically after the complete elimination of capital gains. In fact, we had a couple of gifts of securities in excess of \$1-million and one of \$2-million the year that it came in," says Ms. Mullin, who oversees the development of the university's \$303-million endowment fund, which has grown 450% since 1997.

Susan Doyle, president and chief executive of The Ottawa Hospital Foundation, says charities are also benefiting because the capital gains tax changes have coincided with the ageing of the socially and financially conscious Baby Boomers.

"Most charities have really benefited from this new tax measure. About 5% of our donations from individuals in 2007 were securities. When I started here in 2001, there were zero," Ms. Doyle says.

A survey of 215 charities by charity research and lobby group Imagine Canada in October found the number of charities receiving gifts of securities rose to 49% after the tax change. This was compared with 43% prior to the change, when only 50% of capital gains taxes were waived. It found both the volume and value of securities donations increased in this time, making it an important growth source of capital.

But as the need for a broker and structural support to

handle these types of donations grows, many small operations are feeling overwhelmed.

Owen Charters, executive director of online donations portal CanadaHelps, says some smaller charities were shying away from gifts of securities.

As a result, CanadaHelps began to process securities donations on behalf of charities through its Web site in October, making it an easier process for both charities and donors. The Web site is a one-stop charity that facilitates more than \$10-million in donations a year to about 80,000 organizations across Canada.

Mr. Charters, who started the charity in 2000, obtained an MBA from York University to increase the effectiveness of his work as the sector became more competitive and professionalized. He says there were three main factors driving the development of the sector.

"It's the competition for the dollars; it's maturation of the sector as it comes into its own as a professional sector; and the third thing is we have donors that are demanding increasing accountability and increasing transparency along with an efficiency that comes with that," he says.

"The whole area of fundraising has become a profession unto itself."

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