Charitable Tax Credits
RRCC Extending our Impact

We have great news! The government is offering to help fund our Extending our Impact project. They promise to give back some of the tax dollars we already pay, and that they would otherwise keep! It's our opportunity to have current tax laws help pay for our project.

Most of you are probably already aware of the tax credits you receive for church donations on your tax returns each year. But if you haven't really thought about it, here is a quick snapshot of what happens.

If we give money to the church, the government will automatically provide a credit which will reduce tax owing on current year taxable income, or for up to five additional years. It's the most effective way to reduce tax costs and free up money for donations to support church ministry and projects!

To clarify, the government will almost match your donation which can effectively almost double how much you give!

Here's a generalization of how it works:

$5,000 Donation = tax reduced by $2,290 + your cost of $2,710.

$9,225 Donation = tax reduced by $4,225 + your cost of $5,000.

$25,000 Donation = tax reduced by $11,450 + your cost of $13,550

$100,000 Donation = tax reduced by $45,800 + your cost of $54,200.

The above examples assume you have taxable income on which you would otherwise be paying tax in the current or next 5 tax years. Examples are estimates and will vary depending on your actual taxable income. Higher tax brackets may benefit even more, but attention should be given to the impact of large donations on AMT (Alternative Minimum Tax) calculations.

The above is provided for informational purposes only
Consult your tax professional for personal results

RRCC Extending our Impact Charitable Giving Options
The following types of donations are all available

1. ***Cash and Pledges.*** Both immediately and over the next 1 – 3 years.
   a. Lump sum annual amounts. Years 1, 2, and 3.
   b. Monthly/Quarterly/Semi-Annual amounts. Years 1, 2, and 3.
2. ***Value for Services and/or Supplies***. The verifiable invoiced value of services/supplies donated can receive a charitable donation receipt. Even though the donor receives little or no compensation for the services or supplies, they will receive tax deductions on other income.
3. ***RRIF/RRSP withdrawals***. Any funds withdrawn from a registered retirement savings plan (RRSP) or registered retirement income fund (RRIF) are taxable in the year of withdrawal at the owner's personal marginal tax rate. Donating a RRSP or RRIF withdrawal to charity can often result in a donation receipt worth more in tax credits than the tax on that withdrawal. The benefit of the receipt will vary depending on taxable income and specific tax brackets.
4. ***Appreciated Securities with unrealized capital gains.*** The government eliminates all tax owing when securities that have increased in value are donated in-kind directly to a charity. Normally selling a security like a mutual fund, stock, or bond that has increased in value triggers tax resulting in a smaller amount to donate. Alternatively, when that security is donated directly to the charity, the donor receives a receipt for the full value without having to pay any tax on the gain. The security is then liquidated, and the proceeds used for our project.
5. ***Depreciated Securities with unrealized capital losses.*** The donor receives a receipt for the value of the shares received and can still use the capital loss triggered on the donation to offset any other capital gains realized on other assets. Keep in mind that unlike appreciated securities, there is no need to donate your loss securities in-kind to utilize the tax loss. The security can be sold and the cash donated. Any unused net capital loss in the current year can also be carried back up to 3 years (or carried forward indefinitely) to be applied against taxable capital gains in those years. It might be worthwhile to look at 2021-2023 tax returns to see if any capital gains were reported in those years, since 2024 is your last chance to carry back a loss to 2021 and recover taxes paid on previous gains.
6. ***Pre-Estate Legacy.*** Consider a review of available assets to determine if there is an excess over what will be required for income during life expectancy. Consider liquidating property or other assets in order to leave a substantial pre-estate legacy donation designated to reduce church debt and benefit future generations.
7. ***Estate legacy.*** Donors may add the church as a beneficiary in their will, or use a Donor Advised Fund like Abundance Canada to designate amounts to the church. Current tax rules

allow you to structure your estate to maximize charitable donations in the year of death. These legacy gifts can be designated to pay off outstanding debt, or to be used for debt service or new capital projects in the church. Because of the charitable donation receipt the estate value for remaining heirs is often not reduced significantly.

8. ***Life Insurance Proceeds.*** This is a long-term solution, but many strategies exist to maximize charitable donations from life insurance. Proper estate planning can incorporate the use of existing or new life insurance policies to help eliminate or reduce church debt and provide significant benefit for ministry to current and future generations.

9. ***No/Low Interest Loans***. This option requires further review, but the church would be interested in knowing what potential funding might be available from individuals willing to provide the church no/low interest loans. This could potentially save the church significant costs compared to more traditional forms of borrowing.

   Tax professionals are currently reviewing the best options to structure this type of loan to remain onside with CRA rules. At this point we are considering the following:

   a. Lenders provide loans at rates below what is charged by the conference.

   b. Lenders provide loans at the same rate charged by the conference. However, the lender could choose to donate some or all of those proceeds back to the church through our normal gift and pledge commitments. A charitable donation receipt would be received for any donation which might more than offset the tax owing on interest earned. The loan rate is set semi-annually by the Conference Legacy Fund.

   c. Our pledge form will explore the potential for this type of borrowing to gain a better perspective on whether it is a worthwhile option to pursue.

   d. Lenders would be provided legal documents with terms, conditions, and rate.

   e. These would be unsecured loans since they would not be registered against the property itself which is owned by the BC MB Conference.

   f. There is a funding risk to the church if loans are not renewed. That risk could be mitigated somewhat if our total borrowing does not exceed what is approved for the Conference mortgage. The church could access additional conference loans if needed in the short-term to cover a maturing no/low interest loan.

10. ***Strategize.*** Maximize charitable donation receipts by utilizing no/low interest loans that are intended to be forgiven in stages. The donor receives no/low interest proceeds each year, can choose to donate those proceeds, plus could donate a portion of the loan principal each year. That way, there is not a single large donation credit in the first year only, which may expire in 5 years, resulting in the loss of some tax benefits. Losing tax benefits reduces the amount of after-tax income available to donate.