

JE'S TAX BULLETIN

JACK EIGENMACHT CHARTERED ACCOUNTANT PROFESSIONAL CORPORATION

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Making the Most of Your Earthquake Relief Donations

CANADIANS HAVE THE REPUTATION OF GIVING generously where need exists, and that reputation has been confirmed once again by the response shown by the Canadian public to the recent earthquake in Haiti. The Canadian government has indicated, as well, that it will match the generosity shown by the Canadian public dollar for dollar, without limit. However, to ensure that the maximum benefit results from their donations, and specifically that the donations will qualify for the matching government funds, donors should be aware of the specific conditions that must be met, which are as follows.

For every dollar that Canadians contribute between January 12 and February 12, 2010 to a registered charity responding to the Haiti earthquake, the government of Canada will put one dollar into the Haiti Earthquake Relief Fund. To be counted for this purpose, donations must be:

- monetary, up to \$100,000;
- made by an individual Canadian (corporate donations do not qualify);
- made to a registered charity that is receiving donations in response to the January 12 earthquake in Haiti; and
- specifically earmarked by such organizations for the purpose of responding to the earthquake.

Any registered charity will have, and should be able to provide a potential donor with, the charity's charitable registration number. It's an unfortunate but inescapable fact that events such as the recent earthquake bring out the worst as well as the best in people, and, as with

every such event, there will be those who seek to use the disaster for personal gain. In addition, there may be ad hoc organizations that, while well-intentioned, lack the infrastructure or means to put donations to real use. A donor who has any doubts about the legitimacy of an individual or organization that claims to be a registered charity and is seeking to raise funds for earthquake relief can verify the organization's charitable registration status by calling the Charities Directorate of the Canada Revenue Agency at 1-800-267-2384. That toll-free telephone service is available weekdays from 8 a.m. to 8 p.m. Eastern Time, Monday to Friday, and right now, as a temporary measure, is also available on weekends, from 9 a.m. to 5 p.m. Eastern Time.

In addition to the relief efforts undertaken by the large registered charities, many community-based organizations have organized fundraising drives or events to aid in those efforts. Amounts raised by such organizations will similarly qualify for the government matching program, within the following parameters. Eligible donations will:

- include amounts from fundraising events undertaken to raise money from individuals in response to the January 12 earthquake in Haiti. This fundraising may be undertaken by school authorities, faith-based organizations, clubs, social groups, businesses, incorporated entities, or registered charities;
- exclude any donations by corporations, governments, businesses, partnerships, schools, incorporated or non-

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incorporated entities, and unions from their existing resources that were not raised from individuals specifically in response to the January 12 earthquake in Haiti;

- ensure no double-counting of donations (i.e., donations collected by a registered charity and given to another such organization should be declared only once to CIDA); and
- exclude donations that were made by corporations, governments, incorporated entities, registered charities, unions, or government bodies (provincial, territorial, or municipal) to augment amounts raised in a fundraising activity or event.

Individuals who donate funds to a registered charity for earthquake relief will be able to receive a charitable donation receipt enabling them to claim a tax credit for the amount donated. It's important to note that only a registered charity is allowed by law to issue such an official donation receipt. Where a charitable donation receipt is received, annual donations (for all purposes, as long as they are made to a registered charity) of up to \$200 can receive a federal tax credit equal to 15% of those donations. Where the amount donated exceeds the \$200 threshold, a federal tax credit of 29% can be claimed on the "excess" amount. Each of the provinces and territories also provides a tax credit for charitable donations, with the amount varying by province or territory.

Although taxpayers will be filing their income tax returns within the next couple of months, it will not be possible to claim earthquake relief donations on those returns, as all such donations will have been made during the 2010 tax year. The one exception to that rule will be for Quebec residents who file a Quebec tax return, as the province has announced that qualifying donations made between January 12 and February 28, 2010 can be claimed on the Quebec tax return for the 2009 tax year. There has, to date, been no equivalent announcement from the federal government. Taxpayers filing only a federal return will, however, be able to claim a credit for donated amounts on the 2010 return to be filed in the spring of 2011 or, under the usual rules applying to charitable donations, will be able to carry them forward and claim them in any one of the five subsequent taxation years.

More information about the federal government's Haiti Earthquake Relief Fund can be found on the federal government Web site at www.international.gc.ca/humanitarian-humanitaire/earthquake_seisme_haiti_help_aide.aspx

The information presented is only of a general nature, may omit many details and special rules, is current only as of its published date, and accordingly cannot be regarded as legal or tax advice. Please contact our office for more information on this subject and how it pertains to your specific tax or financial situation.