

How can charitable donations reduce my income tax?

The Canada Revenue Agency (CRA) regulates charities registered under the *Income Tax Act* in Canada. Under the Act, donations to registered charities can help to reduce your individual income tax.

Tax credits are calculated as a percentage of the amount you donate in a given year. For example, in 2006, the first \$200 you donate is eligible for a federal tax credit of 15.25 percent of the donation amount. After the first \$200, the federal tax credit increases to 29 percent of the amount over \$200. Generally, you can claim all or part of your donations up to a limit of 75 percent of your net income.

You may also be eligible for a provincial tax credit for your donations. The amount of the provincial tax credit varies between provinces.

You do not have to claim all of the donations you made this year on your current-year return. You can claim them on your return for any of the following **five** years. You can also combine your receipts with your spouse and have only one person claim the entire amount.

Registered charities can issue official receipts for income tax purposes. You can verify if a charity is registered using the CRA Charities Listings, which is an online, searchable database of all registered charities in Canada. The Charities Listings is available on our Web site at www.cra.gc.ca/donors.

You need a valid receipt to qualify for a tax credit that reduces your income tax payable. As a donor, you should make sure your receipt includes the following:

- a statement that the receipt is an “official receipt for income tax purposes”;
- your name and address;
- the name and Business Number/Registration Number of the charity;
- the amount of the cash donation or the fair market value of the non-cash donation; and
- the date of the donation (the year is sufficient for donations of cash).

If you donate something other than cash, your receipt will contain additional information such as a description of the property donated.

For a complete list of the registered charities in Canada, and for more information about tax savings and official donation receipts, visit our Web site at www.cra.gc.ca/donors.