

What you need to know about proposed changes to the Alternative Minimum Tax (AMT)

The 2023 federal budget unveiled potential changes to the Alternative Minimum Tax (AMT) system, with a proposed effective date of **January 1, 2024**. While we wait for further clarity, we anticipate that these changes could have a significant impact on individuals and trusts, especially as it relates to charitable giving.

At a federal level, the proposed AMT changes include increasing the tax rate from 15% to 20.5% and the income exemption from \$40,000 to \$173,000, as well as expanding what is subject to AMT and how it will be calculated. A notable highlight includes how capital gains will now have a 100% inclusion rate for AMT compared to 80% previously. Below are some guidelines to consider in determining whether you may be affected by these legislative changes.

- Individuals, trusts and estates with taxable income of \$173,000+
- Individuals who are interested in making tax-efficient donations through appreciated securities, stock options, or flow-through shares.

This proposed change in legislation may affect the tax benefits associated with charitable donations used to minimize taxes, but there are strategic ways that you can ensure that your philanthropic goals are still achieved.

- Consider a more substantial donation and/or fulfill outstanding pledge commitments in 2023, if possible, especially if you use appreciated securities, stock options, or flow-through shares as part of a donation strategy.
- Ensure you have sufficient taxable income to fully benefit from the charitable tax credits in 2023.

If you believe that AMT might affect your finances, please speak with your advisor directly. With careful planning, you might be able to ensure that any AMT paid can be recovered in future years.

Should you need any further assistance, please reach out to **Chris Adamson** at chris.adamson@sinaihealthfoundation.ca or at **416-903-9485**.

Source: SickKids Foundation
