

Foundation INsights

What Antiques Roadshow Can Teach You About Fundraising

If that doesn't catch your attention, please move on to the next page. For those of you who stick with it, this little digression into the world of art on the walls, antiques in the attic and collections in the cellar illustrates a little known route to collecting collectors and generating an alternative and repetitive source of gifts-in-kind and cash for charitable organizations.

In simplest terms, the process takes advantage of long standing tax provisions to transform items of focused collector attention into a revenue stream for not-for-profit organizations. There is a wide scope of qualifying items that include objects which are collected by Canada's public art galleries, museums, universities, libraries and all levels of government. Technically, this comprehensive range of material is referred to as "cultural property." It is arranged in eight general categories, which include:

- 1) Objects from the soils and waters of Canada
- 2) Ethnographic material
- 3) Military objects
- 4) Fine art
- 5) Decorative art
- 6) Scientific or technological objects
- 7) Textual or graphic records and sound recordings
- 8) Musical instruments

Essentially, whatever can be construed to be a part of the historical and cultural fabric of Canada is a candidate for inclusion.

The impact of demographics is everywhere, and reflected in the now ever present talk of downsizing and planning for the future. Along with the generational transfer of assets, now is the time to consider the best practices of divestiture, which may be sale, bequest or gift. The formal placement and gifting of cultural property can solve family issues surrounding how to split one important object, or develop strategies for estate planning and gifting. It is also a highly satisfying part of philanthropy to know that part of your legacy is now embedded in the heritage of this country.

If a public institution has the mandate to collect in the area of your item, there is the possibility to qualify for the tax credit provisions under the Cultural Property Import and Export Act. To qualify, the object must adhere to recognized standards of quality and importance to the story of Canada. It does not have to be made by a Canadian, but it does have to be clearly relevant to the history, growth, and development of the country.

In the mid-1970s, the Cultural Property Import and Export Act was enacted with two general mandates. Firstly, to oversee the trade in objects of Canadian and international cultural significance and

secondly, to develop the collections in Canada's public domain by encouraging donations of objects of cultural importance in return for generous tax considerations. The Canadian Cultural Property Export Review Board (CCPERB) issues certificates for income tax purposes in the range of \$100-150 million dollars annually for items donated to Canadian collecting institutions. Apart from the primary benefit of gifting to Canada, there are tax advantages awarded to qualifying donations under the Act. Notably, objects certified by CCPERB are exempt from capital gains tax, and the non-refundable tax credit can be fully used in the current tax year, applied retroactively for two years, or carried forward for up to five years. To take advantage of the CCPERB provisions, the donor must agree to make an irrevocable gift of the object, subject to CCPERB certification, to a collecting institution as recognized under the Act.

How Can the CCPERB Help Your Charity Grow?

Additional benefits can be developed from a donation under the Act, however they are not attached to the gift of the object itself. They arise when the donor also agrees to gift part, or all, of the tax rebate related to the tax credit from a qualifying gift, to a not-for-profit organization. The gifting structure then becomes a two part process:

- 1) The donor gives a qualifying object to a collecting institution in exchange for a tax credit certificate.
- 2) The donor then uses the tax rebate to make a secondary gift, a cash donation to the not-for-profit of their choice.

From a fundraising perspective, taking advantage of the CCPERB process requires not-for-profit board members to target and move on potential donors that have collectible items and could benefit from the income tax rebate connected to a qualifying gift. Planning gifts via CCPERB also encourages not-for-profits and collecting institutions to educate owner/collectors about the gaps in public collections that need to be filled over time. This process also triangulates between collecting and non-collecting not-for-profits and strengthens their relationships by working together with one donor and increasing the pool of philanthropy.

Here's an illustrative example of the process: a not-for-profit organization has a donor who, first, gives an Algonquin style canoe, like the one shown below, to a collecting institution. The donor then gives the not-for-profit organization that helped connect him with the collecting institution a cash donation equal to the tax rebate related to the qualifying gift.



Algonquin Style Canoe (20th C by William and Mary Commanda, Maniwaki, Quebec) Canadian Canoe Museum No.977.187

Photo by Michael Cullen Courtesy of:



www.canoemuseum.ca

In this way, one donor is able to support two causes. The donor gets a tax credit certificate for the gift of the object, which contributes to the collecting institution's mandate. The not-for-profit issues a tax receipt for the subsequent cash donation. Importantly, the donor now is closely connected to both organizations, and they in turn, through creative association and planning, have strengthened their gifting resources.

To make a tax/cost efficient impact, the value of a proposed CCPERB donation should start around the \$20,000 threshold. While not mandatory, the donor should also be prepared to absorb the cost of the two appraisals required by CCPERB, as well as make a contribution to the collecting institution's Collection Maintenance Fund to cover the administrative expenses of a complete CCPERB application, the initial acquisition costs of registration, photography, cataloguing and conservation reports and other expenses such as insurance, storage, preparation for display, etc. These costs vary by object and their resolution is an important component of any gift agreement.

So, the next time you watch Antiques Roadshow think of your neighbour or colleague who has something similar and start thinking about how you can approach them to help you achieve your organization's fundraising goals.

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