

Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

2006FIN192235

MAR 12 2007

Ms. Margo Sheppard
Executive Director
Nature Trust of New Brunswick
P.O. Box 603, Stn. A
Fredericton, NB E3B 5A6

Dear Ms. Sheppard:

Thank you for your correspondence of July 13, 2006 concerning a cross-border donation of ecologically-sensitive land that your organization has been working to secure. Please excuse the delay in replying.

In your correspondence, you refer to an American donor who wishes to donate ecologically-sensitive land located in New Brunswick to your organization. You indicate that the land to be donated has been certified as ecologically sensitive by Environment Canada and that its value has also been certified. You note that the donation has been delayed by a Canada Revenue Agency requirement that a security deposit be provided by the donor against the capital gains tax owing on the disposition of the land.

You are correct to point out that, on a policy basis, it is not appropriate to require a security deposit in respect of the disposition of an ecogift. My officials have been in touch with their counterparts at the Canada Revenue Agency (CRA), and I understand that CRA is preparing an administrative policy which would provide for Ministerial discretion to waive the security deposit in these circumstances. In addition, Budget 2006 has already addressed the larger issue by eliminating *all* capital gains tax on these donations in the future.

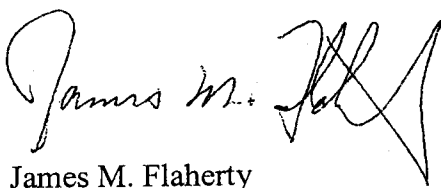
Canada

I understand that my officials were in touch with you earlier regarding your specific transaction and that, given the particular state of your discussions with the donor at that moment, you suggested that it would be best not to invite officials from the Canada Revenue Agency to intervene in the case at that time. However, I am forwarding a copy of this correspondence to my colleague, the Honourable Carol Skelton, Minister of National Revenue, so that her officials will be aware of the matter if you are in touch with them in the future.

I appreciate having this issue brought my attention so that we can remove this potential stumbling block from preventing future donations of ecologically-sensitive land to Canadian conservation organizations.

Thank you for communicating your concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "James M. Flaherty". The signature is written in black ink and is positioned above the printed name.

James M. Flaherty

c.c.: The Honourable Carol Skelton, P.C., M.P.