

**Submission to the Standing Committee on Finance
Pre-Budget Consultation, Budget 2012**

**Presented by:
The Calgary Chamber of Voluntary Organizations (CCVO)**

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August 12, 2011

Executive Summary

The Calgary Chamber of Voluntary Organizations (CCVO) is a registered charity that works to strengthen the nonprofit/voluntary sector and provides leadership on policy issues affecting the sector as a whole. CCVO has a membership of over 400 Calgary and Alberta based nonprofits.

We would like to submit the following three budget recommendations for consideration by the Standing Committee on Finance:

- 1. Introduce a Stretch Tax Credit for charitable donations.**
- 2. Streamline processes to improve efficiency and reduce transaction and administrative costs borne by government and the nonprofit and charitable sector.**
- 3. Provide and promote access to federal business development and capacity building services for nonprofits and charities on par with those available to Canadian small and medium enterprises.**

About The Calgary Chamber of Voluntary Organizations

The Calgary Chamber of Voluntary Organizations (CCVO) is a registered charity working to strengthen the nonprofit and voluntary sector. We provide leadership on cross-cutting issues that impact the sector, develop practical resources that improve the effectiveness of organizations, connect organizations to timely and relevant information and facilitate connections within and across sectors.

We have a diverse membership of over 400 organizations ranging from small community-based groups to large umbrella organizations. These organizations work in areas such as social services, faith and religion, arts and culture, education, housing, sports and recreation, philanthropy, and the environment.

Introduction

During the recent global economic downturn, Canada's nonprofit and charitable organizations played a fundamental role in addressing increased social needs and in supporting the many Canadians adversely impacted during those challenging times. Many service-oriented organizations saw a dramatic increase in demand for their services and dutifully pursued their mandates despite facing financial pressures of their own.

As Canada continues to navigate its way through a delicate recovery from the recession, it is important for government to recognize the crucial role nonprofit and charitable organizations play in helping the Canadian economy achieve positive growth.

First, nonprofits and charities contribute to the training and development of the labour force. They provide a range of services from language training to skills development, which contribute to building a skilled and adaptive workforce required by all sectors of our economy. Many of these services help integrate groups that are under-represented in the workforce, such as new Canadians, Aboriginal populations, people with disabilities, and youth.

Second, charitable and community-based organizations helped “cushion” families and communities from the full impact of the economic downturn, and helped alleviate hardship for many Canadians.

Third, the essential services provided by nonprofit organizations, such as childcare and eldercare, make it possible for people to participate in the workforce and contribute to the overall strength of the economy. Nonprofits and charities also address a myriad of social and health issues that would otherwise detract from workplace productivity.

While many of these programs receive funding from some level of government, those dollars are often leveraged by organizations enlisting volunteers, and raising additional revenues through fundraising.

The nonprofit and charitable sector continues to support sustained economic recovery and employment by contributing to the strength, resilience, and vibrancy of our communities, making them attractive to talent and business investment.

For many Canadians, voluntary and charitable organizations are diligently working in their communities to address basic needs, tackle complex issues, enhance quality of life, and instill civic pride. However, what exists behind the scenes is often a tenuous balance of financial and human resource management. Many organizations rely on multiple revenue streams, which can include donations, fee-for service, fundraising, contracts, and grants. The balance is easily upset by external forces that can have a profound impact on organizations’ abilities to serve their respective communities and fulfill their roles as delivery agents.

In order to allow the nonprofit and charitable sector to continue playing this essential role in supporting Canada’s economic recovery, CCVO makes the following recommendations for the consideration of the Standing Committee on Finance:

1. Introduce a Stretch Tax Credit for charitable donations.

Charitable giving in Canada appears to be in decline. According to Statistics Canada, the total value of charitable donations for which a tax receipt was issued was \$7.7 billion in 2009, the last year of available data. This figure dropped from \$8.2 billion in 2008, and over \$8.6 billion in 2007. Not only have the total values of donations to charities been lower, but so has the percentage of Canadians giving money to organizations. As well, the average age of donors has increased, a concerning trend for charities who hope to encourage giving in new and younger donors. Charitable donations are an essential part of the funding mix that supports the voluntary sector and organizations rely on them for their financial wellbeing.

The need to study the incentives around giving to charities was expressed as recently as in Budget 2011. Motion 559, sponsored by the Honourable Peter Braid, the Member of Parliament for Kitchener-Waterloo, called for a review of charitable donation incentives. While it is so far undetermined what this review will lead to, this signals intent on the part of the federal government to reexamine the current laws.

According to Imagine Canada, “more than half of donors would increase their charitable giving if there were better tax incentives to do so.” CCVO supports Imagine Canada’s

Stretch Tax Credit proposal which would help create an environment for increased financial support of charitable organizations from the public while keeping tax rates low.

The Stretch Tax Credit would increase the federal charitable tax credit on giving that exceeds a donor's previous highest giving level. The tax credit would increase from 15% to 25% for eligible amounts below \$200, and from 29% to 39% for eligible amounts above \$200. Its purpose is to encourage donations from those who have not given in the past, and to help those who already give to give a higher amount than previously.

As the credit is capped at \$10,000 (total annual donations above that level revert back to the standard tax credit), it would appeal primarily to working families and middle-income Canadians, and not be as significant of a tax break to high-level philanthropists. Imagine Canada estimates that a 5% increase in donation amounts below \$10,000 would create an additional \$400 million for community investment across the country.

2. Streamline processes to improve efficiency and reduce transaction and administrative costs borne by the nonprofit and charitable sector.

Nonprofits and charities, like all types of organizations, work with finite resources. However, as recipients of Canadians' charitable donations, as well as of their time, charitable and voluntary organizations are held to high standards and bear a strong sense of responsibility to achieve their mandates. Similarly, government has an obligation to optimize the use of these funds by supporting efficiencies within and across sectors.

In March 2009, the government fulfilled its Budget 2007 commitment to reduce the administrative (paperwork) burden on Canadian businesses by eliminating nearly 80,000 regulatory requirements and information obligations under the Paperwork Burden Reduction Initiative. We encourage you to extend this good work to nonprofits and voluntary organizations by seizing every opportunity to eliminate unnecessary process and red tape, and allowing Canada's charities to devote more of their time and resources to their core activities. In 2007, the Canada Revenue Agency's (CRA) Action Task Force on Small Business Issues identified 61 "concrete" actions that would reduce the reporting burden. By November 2009, 57 of those actions were completed.

We believe that similar action is required to reduce the burden of unnecessary administrative and regulatory requirements for Canada's nonprofits and charities. The Independent Blue Ribbon Panel on Grant and Contribution Programs (2006) recommended many changes to reduce the administrative burden of grant and contribution programs. We urge that these recommendations provide a sound basis to begin reducing the administrative burden on charities and nonprofits and enable them to focus on serving their communities.

3. Provide and promote access to federal business development and capacity building services for nonprofits and charities on par with those available to Canadian small and medium enterprises.

Nonprofit and charitable organizations have many of the same needs and require many of the same competencies and resources as private sector organizations. Like large corporations and small businesses, they too wrestle with complex issues in a rapidly changing context. Nonprofits and charities need employees and boards of directors with core competencies in a variety of fields if they are to achieve success and ensure their long-

term sustainability. They are often required to adopt new methods and means of communicating to clients, government, and the general public; they are required to generate and maximize the use of funds, engage stakeholders, as well as be proficient in strategic management and analysis, and marketing, to name a few key areas. Organizations also need to understand their markets and the viability of their “products” and services.

While nonprofits and charities may not be excluded from using many of the support services the federal government has set up to aid small businesses, many of these organizations are not aware of such programs. CCVO encourages the government to promote the benefits and accessibility of these services to the nonprofit sector to ensure that organizations are aware of tools and expertise that would help them to operate more effectively and be able to continue contributing to the economic health of our communities.

Conclusion

In closing, CCVO recognizes that supporting economic recovery is a complex process and that difficult decisions lie ahead in the federal budgeting process. We appreciate the opportunity to provide recommendations to support the goals of this process.

Given the important role the nonprofit and charitable sector plays in supporting a healthy and resilient economy, we would like to also take this opportunity to stress the importance of considering and engaging the sector as you establish and implement your priorities for Budget 2012.

In the absence of a robust consultative process, policy makers are understandably challenged to fully anticipate the consequences of policy decisions on organizations and the people who work or volunteer for them. CCVO urges the federal government to fully consider all possible consequences when introducing new legislation, regulation, and policy that relates to nonprofit sector governance and compliance.