



ASSOCIATION FOR
HEALTHCARE
PHILANTHROPYSM

Connecting People • Enriching Lives

***Building a Renewed Culture of Charitable Giving
Through Tax Incentives***

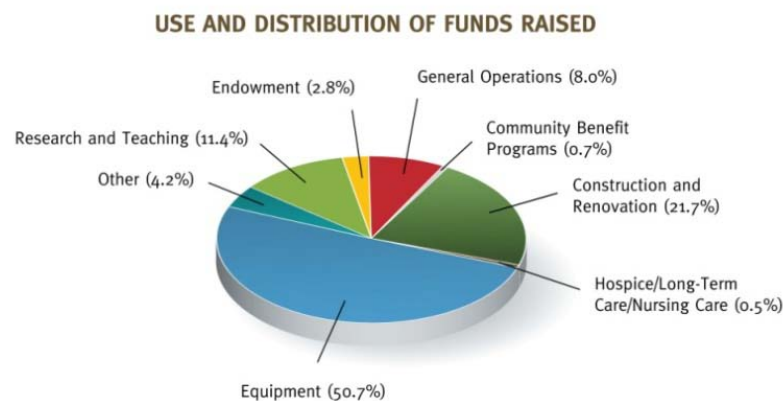
**A Submission to the House of Commons Standing Committee on Finance
January 17, 2012**

Who We Are

The Association for Healthcare Philanthropy (AHP) is an association of fundraising executives who are responsible for the management of foundations and fundraising departments that raise funds for hospitals and health care providers. Of its nearly 5,000 professional members, AHP represents 500 nonprofit hospitals and health care organizations in Canada. Our members' mission is to support local health care facilities and programs, which provide for the well-being of society.

AHP's members represent fundraising professionals in all sectors of health care including: community hospitals, medical centers, children's hospitals, specialty hospitals, teaching hospitals and medical institutions, long-term care facilities and hospices.

Health care organizations such as these have come to rely on the generosity of grateful patients and the communities they serve to help underwrite the acquisition of new health care technologies, facility improvements, essential equipment upgrades, medical research and wellness programs.



Source: AHP FY 2010 Annual Survey of Giving (CANADA)

Most, if not all, of health care providers routinely factor in to their budgets an expected level of philanthropic support. In FY2010, philanthropic support of hospitals and health care organizations reached \$1.204 billion in Canada, according to AHP's most recent giving survey report, representing an increase over the prior year, but still almost 10 percent lower than 2007 giving levels.¹

Our Mission

The mission of AHP is to be the leading authority for standards, knowledge and leadership in health care philanthropy, in order to engage and educate the people who change lives by supporting the health of their communities.

Our Belief

AHP believes that philanthropy is an essential component in the nonprofit community, particularly in the health care sector, and encourages federal lawmakers to cultivate a culture of philanthropy by:

- Reminding all citizens of their stake in philanthropy and its integrality to the nation's well being.
- Accelerating and encouraging charitable giving by providing tax incentives for philanthropic behavior.
- Eliminating any legislative barriers or disincentives to charitable giving.

Introduction

AHP is very supportive of the Government's initiative in referring to the House of Commons Standing Committee on Finance the conduct of a study on tax support for charitable giving and thanks the Committee for the opportunity to submit comments. The recommendations proposed herein are in support of the charitable hospitals and health care organizations in Canada that are serving the health care needs of Canadians.

Canada's charitable sector is vital to the economy and is instrumental in helping reduce the government's need to fund many vital services, particularly in relation to health care. Now, with the needs of so many Canadians growing as a result of the recession and the continued economic struggle, the nonprofit and charitable sector requires additional government policies to help restore declining giving levels and to lay the foundation for a stronger philanthropic base in Canada.

According to the AHP FY2010 Report on Giving, the amount of philanthropic support extended to health care institutions in Canada has yet to return to pre-recession periods.ⁱⁱ It is important to appreciate that the philanthropic sector was experiencing difficulties prior to the recession. According to an Imagine Canada study in 2006, 63 percent of health care organizations in Canada reported that they struggled to secure individual donations, and 73 percent reported that they also experienced difficulty in obtaining funding from other organizations.ⁱⁱⁱ

Perhaps most troubling is the decline in the number of donors. Canada Revenue Agency preliminary figures for 2010 indicate that only 23.5 percent of tax filers claimed a tax credit for charitable donations, which while representing a slight increase over 2009, represents a significant decline from 1990 levels, when almost 30 percent of filers claimed a tax credit.

AHP's benchmarking studies have consistently demonstrated that the most successful health care foundations and charitable organizations are those that have a diverse "portfolio" of donors. At the core of that portfolio is a large group of smaller donors, for it is from this group that relationships develop that spark individuals to make larger gifts. This concept of the philanthropic "pyramid" is critical to sustainability, and it is why re-building the Canadian donor base is so important during a time when economic difficulties have increased the need for philanthropic support of community services.

Tax Incentive Recommendations

Hospitals and health care providers in Canada are operating on diminishing margins as a result of reduced federal and provincial support, and they are struggling to keep pace with ever-mounting capital and operational expenses. It is therefore critical that the federal government step in to assist these

institutions and encourage health care philanthropic giving for the short and long-term. To that end, AHP supports the following tax incentive proposals:

1. *Help restore and grow personal charitable giving by encouraging Canadians to give through the establishment of a “stretch” charitable tax credit.*

While tax credits are certainly not the only reason that donors give, research has demonstrated that tax incentives play an important role in encouraging and increasing philanthropic giving. In the 2007 Canada Survey of Giving, Volunteering and Participating, more than half of all donors indicated that they would increase their charitable giving if there were better tax credit incentives to do so.^{iv}

AHP therefore endorses and strongly supports the “stretch tax credit for charitable giving” proposed by Imagine Canada and supported by a coalition of organizations. This mechanism would augment the existing tax credit for individuals who give more than their previous highest giving level, up to a maximum of \$10,000 in total annual giving. Eligible amounts that fall below \$200 would accrue a tax credit of 25 percent, while eligible amounts above \$200 would accrue a tax credit of 39 percent.

This proposal will impact a broad number of taxpayers and in particular encourage middle-income earners to give for the first time and existing donors to increase their generosity. If implemented, this measure could contribute greatly to creating a lasting, stronger base of financial support to meet the increased demand for services provided by charities and nonprofits.

AHP recognizes that this proposed incentive imparts a cost during a time when the federal government is seeking greater fiscal balance. However, the cost, which we submit is not significant in relation to its benefits, must be weighed against the long-term advantages of a more robust philanthropic base in Canada and the reduced “cost” of philanthropic dollars. If an individual donates an additional \$1,000 to charity, the government forgoes \$390 in tax revenue, but communities benefit from the entire \$1,000. The government is unlikely to find another vehicle that can leverage private spending for community services on an almost 3-to-1 ratio.

This proposal is our primary recommendation because it is necessary to broaden our base to help sustain our sector and increase the number of charitable donors.

2. *Eliminate capital gains tax on gifts of private company shares and real estate to stimulate greater private sector funding of charities.*

The elimination of capital gains tax on gifts of listed securities introduced in the 2006 budget is a great example of the power and success of tax incentives to drive charitable giving. After the introduction of this incentive, the number of charities receiving donations of securities increased significantly, and the number and value of donations of securities doubled.^v

As a longer term initiative AHP supports the expansion of this provision to include the elimination of capital gains tax on gifts of private company shares and of real estate, with the provision that donors will not receive a tax receipt until the charity has sold the private company shares or real estate and received the cash proceeds from the sale.

This measure simply builds on the tremendous success of the 2006 efforts and will encourage additional sources of charitable funding from higher-income earners—the top and equally critical part of the philanthropic “pyramid” that is essential for the success and viability of health care foundations and fundraising organization. The success of the 2006 capital gains provision is supported by economic research, which shows that higher-income earners take tax incentives into consideration when planning their philanthropic support, and that such incentives directly influence the amount that they give.

However, while we support this initiative we are concerned that this initiative not impact any consideration of the stretch tax credit proposal. As indicated, the “stretch” proposal is a vital initiative to broaden our donor base and aid our association in fulfilling its mandate.

Conclusion

Health care foundations and fundraising organizations play a critical role in the health of Canadian communities—providing essential financial support for hospital and health care provider equipment and infrastructure, research and teaching, and community benefit programs not supported by federal funding. The recent and current economic hardships have left charitable organizations faced with increased demands and reduced donations. In addition, the diminishing donor base in Canada foretells greater challenges in the future if the trend is not reversed.

The stretch tax credit should be implemented at the earliest opportunity to help broaden the donor base by providing a powerful incentive to encourage Canadians to give, and to give more, in support of critical community services and programs, at a relatively low cost.

AHP looks forward to the opportunity to address any questions the Committee may have related to health care philanthropy and the nonprofit and charitable sector.

Endnotes

ⁱ AHP FY2010 Report on Giving- Canada:

<http://www.ahp.org/publicationandtools/Documents/FY2010AHPReportonGivingCanadaFactsheet.pdf>

ⁱⁱ Ibid.

ⁱⁱⁱ http://www.imaginecanada.ca/files/www/en/nsvo/n_financial_challenges_factsheet.pdf

^{iv} <http://www.statcan.gc.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=4430&lang=en&db=imdb&adm=8&dis=2>

^v David M. Lasby & Michael H. Hall, *Charitable Gifts of Securities: Implications for Canadian Organizations* (Toronto: Imagine Canada, 2007): 6-7.