



**CCVO**

Calgary Chamber of  
Voluntary Organizations

**Submission to the Standing Committee on Finance**

**on**

**Tax Incentives for Charitable Donations**

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## **Part I. Introduction**

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.

## **Part II. Suggested Goals for Tax Incentive Review**

CCVO believes the review of tax incentives for charitable donations that is currently underway is timely and presents an opportunity to expand the revenue base of Canada's charities, thereby supporting their overall sustainability. This is an opportunity to further supplement critical government funding and revenues from earned income.

Over the past four years, CCVO has conducted regular surveys of Alberta's nonprofits and charities to understand how they have been impacted by economic conditions. During the recent recession, many organizations faced a revenue crunch. An increase in demand for programs and services offered by organizations was accompanied by flat or declining revenues. Organizations persevered through these difficult times and continued to deliver on their mandates, in spite of their own financial challenges. Although the economy has made modest gains over the past year, revenues have by and large remained flat while operating costs continue to rise.

Notwithstanding the fact that individual donations comprise a relatively small portion of overall funding of Canadian nonprofits (8% in 2003, the last year of available data), we strongly support efforts to renew a culture of charitable giving. It is important to look for new ways to increase the pool of donors and to encourage existing donors to increase their level of giving. This need has been recognized within the province of Alberta where, in 2007, the provincial tax credit for annual donations exceeding \$200 was increased to 29%. We are pleased that the federal Standing Committee on Finance is exploring similar ways to increase charitable giving in Canada.

**In developing policy that supports a high level of charitable donations, we request the Committee to consider the following goals:**

- 1. Develop incentives that encourage individual and corporate giving across the charitable sector and that benefit small, medium and large organizations alike.***

In recent years, the federal government has introduced changes to recognize and encourage alternate (non-monetary) forms of donations, such as listed public securities and ecologically sensitive lands. These are positive developments; however, some organizations are in a better position to benefit from these forms of charitable giving than others.

Within the sector are many small, volunteer-run organizations that may lack the capacity to solicit and manage gifts such as listed securities or real estate. Given the economic challenges Canadian charities are facing, we urge the Committee to consider policy measures that encourage giving across the continuum of charitable organizations.

## ***2. Expand the pool of donors and the levels of charitable contributions.***

According to Statistics Canada, the total value of charitable donations for which a tax receipt was issued dropped by nearly a billion dollars from 2007 to 2009 (from \$8.6 to \$7.7 billion). Preliminary estimates for charitable giving in 2010 reflect the first year-over-year increase in the total value of donations since 2007. While this is certainly a positive development, it is too early to know whether this is the beginning of a new trend in increasing donation levels, or if it is a one-year reversal of an overall trend in declining charitable giving.

Not only has the total value of donations to charities been lower, but so has the percentage of Canadians donating to charities. Those that are giving are older than in the past. It is important, therefore, for Canada to look for ways to encourage giving across demographics, and replenish the pool of donors and encourage increased levels of giving.

## ***3. Support an efficient and enabling regulatory environment.***

Canadian charities are actively seeking to diversify their revenues. For example, they are pursuing earned income through fee-for-service, memberships, and various forms of social enterprise. This requires greater flexibility and a regulatory framework that supports such efforts.

Certainly, CCVO supports measures that prevent abuse of the charitable system. However, it is important that, in reviewing policy relating to charitable giving, we do not impose unnecessary restrictions on the overwhelming majority of charities that are legitimate, accountable and transparent.

### **Part III. Recommendations**

In support of the above stated goals, CCVO recommends the following:

#### ***1. Introduce a Stretch Tax Credit for charitable donations.***

According to Imagine Canada's research, "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 by the public.

The Stretch Tax Credit would increase the federal charitable tax credit on giving that exceeds a donor's previous highest giving level. It 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.

This credit would be capped at \$10,000. It would therefore appeal primarily to working families and middle-income Canadians, and not be as significant 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.

A stretch tax incentive can be expected to benefit organizations of all sizes by increasing the number and size of charitable donations.

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

In our 2012 Pre-budget submission, we recommended that the federal government continue to look for ways to streamline administrative processes impacting the charitable/nonprofit sector.

As recipients of Canadians' monetary donations, as well as 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. 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 had been 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 associated with grant and contribution programs. The recommendations in the report, if implemented, would go a long way toward improving efficiency in the nonprofit sector by reducing the administrative burden on charities and nonprofits and allowing them to focus on serving their communities.

We urge the Committee to consider the need to avoid unnecessary restrictions on Canadian charities as it develops policies to support increased charitable giving.

***3. Continue to consult with the charitable/nonprofit sector throughout the policy process.***

The charitable/nonprofit sector is diverse and complex, increasing the chance of policy decisions having unanticipated results. By engaging with the sector, policies will better reflect government intentions. We are pleased that the Committee is consulting with stakeholders early in this review and encourage the federal government to continue to consult throughout the policy development process.

**Part IV. Conclusion**

In closing, this submission supports Imagine Canada's Stretch Tax Credit as an appropriate, easy to implement and effective tool that would support nonprofits by encouraging first-time

donors to donate money to nonprofits and encouraging those who already donate to donate more. We believe that a stretch tax for charitable donations will benefit organizations across the breadth and depth of the charitable sector by increasing the size of individual donations, and will help will replenish the pool of donors actively supporting Canadian charities.

We would like to thank the Standing Committee on Finance for considering these goals and recommendations and **we request an opportunity to present at the upcoming hearings.**