



# On Tax Incentives for Charitable Giving in the Performing Arts

Brief Presented to the House of Commons Standing Committee on Finance as Part of the Study of Tax Incentives for Charitable Donations

**Submitted to:**

GuyanneDesforges  
Clerk of the Standing Committee on Finance  
6-14, 131 Queen Street House of Commons  
Ottawa, Ontario K1A 0A6  
[fin@parl.gc.ca](mailto:fin@parl.gc.ca)

**Submitted by:**

CAPACOA, on behalf of Canada's Performing Arts Alliance  
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For more information, contact:

Ms Erin Benjamin, Executive Director  
Canadian Arts Presenting Association (CAPACOA)

## About Canada's Performing Arts Alliance (PAA)

The PAA represents over 850 of Canada's live performing arts organizations and our foremost performing artists. Driven by the [Canadian Dance Assembly](#), [Opera.ca](#), [Orchestras Canada](#), the [Professional Association of Canadian Theatres](#), and [CAPACOA](#), it is the recognized voice for the live performing arts sector in Canada - its artists, presenters, festivals, producers, volunteers, supporters and board members. The PAA is part of the Canadian Arts Coalition and works in tandem with other representative bodies in the cultural and not-for-profit sector including the Canadian Conference for the Arts, the Canadian Arts Summit, Imagine Canada and others.

## The Context

According to data collected by Statistics Canada, starting in 1996, partial or complete exemptions for capital gains on gifts of securities to registered charities have coincided – at least, up until 2007 – with increases in the total value of donations claimed. While these increases in total donations are positive and most welcome, a closer look at the indicators reveals that, while total donations have increased, the number of donors has declined. In 1990, nearly 30 percent of tax filers claimed a charitable donation tax credit; in 2010, preliminary estimates indicate that just under one in four tax filers (23.4%) claimed a donation.<sup>1</sup>

These shifts have been the subject of many analyses, and independent observers, such as the C.D. Howe Institute<sup>2</sup>, have raised concerns over the erosion of the donor base, and a growing concentration of giving directed to large charities (such as universities, hospitals, national charities, and foundations).

The PAA shares these concerns and invites the committee to consider new tax incentives that can reverse the erosion the donor base and maintain a healthy balance between small, mid-sized and larger Canadian charities.

## Performing Arts Charities

Performing arts charities provide Canadians with a range of benefits, including advancing education, advancing the public's appreciation of the arts, and providing access to public

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<sup>1</sup> Imagine Canada, "Trends in Individual Donations: 1984–2010", *Research Bulletin*, Vol. 15, No.1 (December, 2011). <http://www.imaginecanada.ca/files/www/en/researchbulletins/rb1501en.pdf> (accessed Jan. 16, 2012)

<sup>2</sup> C.D. Howe Institute, "Unlocking More Wealth, How to Improve Federal Tax Policy for Canadian Charities", *e-brief*, September 15, 2009, Malcom Burrows, ed. [http://www.cdhowe.org/pdf/ebrief\\_86.pdf](http://www.cdhowe.org/pdf/ebrief_86.pdf) (accessed Jan. 16, 2012)

amenities, such as performing arts venues. By doing so, they also build a sense of Canadian identity, foster social cohesion<sup>3</sup> and contribute to individual and community health.<sup>4</sup>

Canadians' appetite and interest in the performing arts is well established: in 2005, one in two Canadians (48.8%) attended a concert or performance by professional artists and/or a cultural festival.<sup>5</sup> 94% also believe that they make a community a better place to live.<sup>6</sup>

Here's a brief statistical outlook of arts and culture charities in Canada, and of the performing arts subsector in particular (where data is available):

- In 2007, 759,000 cultural donors gave a total of about \$101 million to arts and culture organizations. This represents 3.3% of all Canadian donors and 1.0% of total donations to all types of non-profit organizations.<sup>7</sup>
- In 2007, arts and culture organizations received on average \$132 per donor.<sup>8</sup>
- Compared with other non-profit organizations, arts and culture organizations receive much lower funding from government (28% for arts and culture vs. 49% for all nonprofits), much higher revenues from earned sources (50% for arts and culture vs. 35% for all nonprofits), slightly higher revenues from gifts and donations (17% for arts and culture vs. 13% for all nonprofits).<sup>9</sup>
- Total revenues of not-for-profit performing arts organizations decreased by 3.8% between 2008 and 2009 (not adjusted for inflation).<sup>10</sup> This may be an indication of the impact of the recession, but we'll need further data to fully assess this impact.

*53% of Canadians report that they would give more to charitable causes if a better tax credit were in place.<sup>11</sup>*

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<sup>3</sup> Canada. *The Arts and Heritage in Canada: Access and Availability 2007*. Report prepared by Phoenix Strategic Perspectives for the Department of Canadian Heritage, 2007. [http://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/canadian\\_heritage/2007/448-06-e/report.pdf](http://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/canadian_heritage/2007/448-06-e/report.pdf) (accessed Jan. 16, 2012)

<sup>4</sup> CAPACOA, *Performing Arts Attendees are Healthier*, published online Nov. 15, 2011. <http://www.capacoa.ca/en/services/arts-promotion/news/248-performing-arts-health> (accessed Jan. 16, 2012)

<sup>5</sup> Statistics Canada, *General Social Survey, 2005*, as reported by Hill Strategies Research in [Cultural and Heritage Activities of Canadians in 2005](#) and in [Factors in Canadians' Cultural Activities](#).

<sup>6</sup> *The Arts and Heritage in Canada: Access and Availability 2007*, op cit.

<sup>7</sup> Kelly Hill, "Individual Donors to Arts and Culture Organizations in Canada in 2007", *Statistical insights on the arts*, Vol. 8 No 3, Hill Strategies Research Inc., February 2010. Data from Statistics Canada's 2007 *Canada Survey of Giving, Volunteering and Participating*.

[http://www.hillstrategies.com/resources\\_details.php?resUID=1000344](http://www.hillstrategies.com/resources_details.php?resUID=1000344) (accessed Jan. 16, 2012)

<sup>8</sup> Ibid.

<sup>9</sup> Kelly Hill, "National Survey of Nonprofit and Voluntary Organizations", *Arts Research Monitor*, Vol. 3 No 7, Hill Strategies Research Inc., January 2005.

[http://www.ArtsResearchMonitor.com/arm\\_details.php?armUID=1033](http://www.ArtsResearchMonitor.com/arm_details.php?armUID=1033) (accessed Jan. 16, 2012)

<sup>10</sup> Data for 2009 is only available in aggregate format. Breakdown of revenue sources will be available with the 2010 Performing Arts Survey.

Statistics Canada, *Performing Arts*, 2009.

<http://www.statcan.gc.ca/pub/87f0003x/87f0003x2011001-eng.htm> (accessed Jan. 16, 2012)

## Recommended Tax Measures

The PAA invites the Standing Committee on Finance to consider, in order of priority, two measures to help increase donations to the charitable sector, thus strengthening its ability to serve Canadians. The first measure, the “stretch” tax credit, would engage and mobilize more average middle-income Canadians. The second measure would build on the capital gains exemptions introduced in 1996.

### **1. Establish a “stretch” tax credit that would increase the federal charitable tax credit by an additional 10% on all new giving up to \$10,000, in order to increase the flow of charitable gifts from Canadians.**

Arts organizations in the performing arts subsector rely on donations that are well below the national average: in 2007, the average gift to an arts organizations was \$132, vs. \$437 for the charitable sector in general.<sup>12</sup> They would consequently particularly benefit from incentives that would encourage giving by new and median-income donors.

The PAA therefore strongly supports Imagine Canada’s recommendation for a stretch tax credit for charitable giving.<sup>13</sup>

The Parliamentary Budget Officer estimated that this measure would cost the Treasury between \$10 and \$40 million per year in foregone revenue, that it would attract up to 600,000 new donors, and that it would increase median donations by 26%.<sup>14</sup>

We support the stretch tax credit, because it is particularly cost-effective: it will only apply to new and increased donations. We support it, because it will benefit to the broadest number of Canadians and the broadest number of charities. We support it, because it will effectively broaden the donor base and increase the total level of giving by Canadians.

Arts organizations also have a demonstrated record of leveraging such measures to full advantage, and we anticipate a similar uptake if such a new measure was introduced.

Not least, there is a strong correlation between donors and those that volunteer<sup>15</sup>, leading to the conclusion that an increased donor base will help lead to a more engaged volunteer base. In so doing, communities will be strengthened.

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<sup>11</sup> Statistics Canada, *Survey of Giving, Volunteering and Participating*, 2007.

<http://www.statcan.gc.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=4430&lang=en&db=imdb&adm=8&dis=2> (accessed Jan. 16, 2012)

<sup>12</sup> Ibid.

<sup>13</sup> Imagine Canada, *Forging a New Path to Sustainability*, pre-budget brief submitted to the House of Commons Standing Committee on Finance, August 2011.

[http://www.imaginecanada.ca/files/www/en/publicpolicy/imagine\\_canada\\_prebudget\\_submission\\_summer\\_2011\\_en.pdf](http://www.imaginecanada.ca/files/www/en/publicpolicy/imagine_canada_prebudget_submission_summer_2011_en.pdf) (accessed Jan. 16, 2012)

<sup>14</sup> Imagine Canada, *Stretch Tax Credit for Charitable Giving*, n.d.

[http://www.imaginecanada.ca/files/www/en/publicaffairs/stretch\\_tax\\_credit\\_2012.pdf](http://www.imaginecanada.ca/files/www/en/publicaffairs/stretch_tax_credit_2012.pdf) (accessed Jan. 16, 2012)

<sup>15</sup> Statistics Canada, *Canada Survey of Giving, Volunteering and Participating*, 2007, op cit.

## **2. Extend capital gains exemptions to donations of real estate and private company shares**

The C.D. Howe Institute has argued that, since 1996, the elimination of capital gains on gifts of public securities has created imbalances in the tax system. Because private company shares and taxable real estate are not eligible for capital gains exemption, this may in turn create an over-dependence, among some charities, on a single class of assets.<sup>16</sup>

The PAA supports the C.D. Howe Institute's recommendation to extend capital gains exemptions to donations of real estate and private company shares, as such exemptions will continue to benefit those larger organizations that have the capacity to receive and manage such significant and important donations. We believe that this recommendation can mitigate existing inequities in tax policy, and may also contribute to diversify the donation base for charities.

## **Conclusion**

Charitable donations have always been an important component of the funding mix for performing arts organizations. In the current economic environment, as governments seek to control and restrain spending and recovery remains fragile, they may become ever more important, ensuring both the continued strength of the performing arts sector, and the continued access of Canadians to arts and culture through performances and festivals.

We thank the committee for your consideration, and we ask you to integrate our proposals into your recommendations on of charitable giving in Canada.

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<sup>16</sup> C.D. Howe Institute, *e-brief*, September 15, 2009, op cit.