



FOUNDATION DE CHARITE CANADIENNE POUR LE CHANGEMENT

TRANSFORMING CHARITABLE GIVING
BY CREATING ADDITIONAL FINANCIAL INCENTIVES
SO MORE CANADIANS CAN,
“INVEST IN CHARITABLE ACTIONS”

Recommendation:

Revise the first stage of the charitable tax credit from the current level, (15% on the tax-filer’s first \$200 of donations) to a far more transformational tax credit, with the creation of a five year pilot program that will provide a 100% tax credit for the first \$1,000 of any tax filers annual charitable donations, while keeping the existing 29% credit for any donations exceeding the tax filers first \$1,000.

This revision in the regulations will make a significant contribution to addressing the “Noise of Need” for the sector that will only increase across this country unless bold steps are taken.

Background:

The Change Canada Charitable Foundation is a national public charitable foundation that focuses its energy and resources supporting small and medium charities across Canada. The Foundation directs most of its resources to organizations that provide services and programs to Canadians living in rural and remote areas of the country. Since 1998 the Foundation has raised and given away just over \$14 million in both financial and Gift-in-Kind support.

Change Canada understands the critical importance the services and programs delivered to all Canadians, from sea to sea to sea are critical to the future health of Canada and its civil society. We also see the importance of engaging youth as early as possible in their lives so they become habitual charitable givers. Even with the current level of Government support to the sector, there are still too few dollars and donors supporting the valuable work of the country’s 85,000 plus registered charities.

As Canada moves through the rest of 2012 and into 2013 indeed into the 3rd decade of this century the “Noise the need” will only get louder! We believe that were the Government of Canada to significantly increased the value of the first tier of the charitable tax credit (now set at 15% on the first \$200 of an individual’s annual charitable contributions) the Government would create the transformational

conditions required to motivate and encourage millions more Canadians to begin and become habituated to making their own annual charitable donations. We also believe that this change would play a significant role in ensuring that existing donors would begin to increase the average size of their annual charitable donations.

Rationale:

There are a number of factors and realities that are going to have an immediate as well as a long term impact on the numbers of donors making (annual or occasional) charitable gifts including the size of those gifts. These realities and factors include,

- **The Public Debt:**

In order to reduce the current public deficit, the Government of Canada as well as every Province and Territory including, local governments will dramatically cut their spending over the next number of years. Enhancing the charitable tax credit will provide charities with a powerful tool to increase the number of donors and the average value of their charitable donations at a time when the need for investments in the charitable sector are growing dramatically. This is a trend that will only get more challenging not less.

- **The Escalating Costs of Core Services:**

The costs to all levels of Government to deliver primary services including health care, education and social services are escalating rapidly. Our public treasuries are already being challenged as they try to meet the current demand. It will become even more difficult for them to support what will be challenging increases particularly as the numbers of non-working Canadians continue to increase. There will be tremendous pressure on the charitable sector to fill this financial gap. Transforming the first tier in our tax credit will provide the sector with an extremely valuable tool as it works to respond to the demands of Canadians the charitable sector services. This change should dramatically increase the number of new donors, while providing existing donors with a much more compelling reason to continue to increase their giving.

- **The Low Numbers of Tax Filers making Donations:**

In 2006 it was estimated that there were approximately 22 million Canadians who filed income tax returns. A Research Bulletin released by Imagine Canada in late 2011 entitled "Trends in Individual Donations: 1984 - 2010" reported that in 2010, 23.4% of Canadians tax filers claimed a donation that generated \$8.3 billion in charitable donations.

If there are still over 22 million tax filers in Canada by the end of 2012 then one can conclude that 1 in 4 Canadians claimed a charitable donation in 2010. In other words 5,148,000 Canadians claimed charitable donations leaving over 16,852,000 Canadians who did not make/claim any charitable tax credits. The number of tax filers claiming donations is steadily decreasing at a time in the

country's history when the need in the charitable sector is dramatically increasing.

NOTE: Even assuming that a number of Canadian couples (for tax purposes) are combining their individual donations on one return, there are still millions of Canadians, especially young people who are not making any charitable donations.

- **The Dramatic Increase in the Number of Retirees:**

According to Statistics Canada by the end of this decade the number of retired Canadians will outnumber the number of working Canadians for the first time in the country's history. Canada will be in new territory. Retirees who are living on fixed incomes will not be as likely or able to make any or indeed many donations. Transforming the tax credit will encourage current as well as future retirees to continue to give and perhaps at a higher level than they would under the current formula. In addition the dual pressures of the country's demographic deficit and increasing technological sophistication of the workplace means that in a decade, employers will be unable to fill the 1.5 million available jobs with qualified candidates. This will create a major impact on charitable giving capacity as well as industrial productivity for the country.

- **The number of unemployed Canadians:**

Unemployment is still a serious issue confronting the country. It has not decreased measurably over the past number of years. With the deep cuts at all levels of the public service, not to mention the private sector, unemployment may in fact climb. This will place a tremendous strain on the critical services the charitable sector provides to the country's citizens. A dramatic revision to the charitable tax credit would provide the sector with an exciting new tool that can help it raise significant amounts of new revenue.

- **A simple to understand tax credit will attract more donors:**

This change will simplify what is now a complex tax credit formula by creating for the tax filer a benefit that is very easily understood and democratic. This said Imagine Canada's proposed "Stretch Tax Credit" and Change Canada's proposal share a common objective, encourage more Canadians to begin or to continue on an annual basis to make charitable donations.

- **Assisting the 80% of charities who only receive 20% of the donations:**

Small and medium sized charities deliver extremely valuable services to Canadians across this country with little fan fare, day in and day out. This revision would provide small and medium charities with additional power to attract more donations since the recommended change would serve to **"help level the philanthropic playing field"** particularly charities serving rural and remote Canadians

NOTE: The needs of Canadians living in rural and remote Canada are just as important as those of us living in urban centres. Unfortunately charities in rural and remote Canada have a far more difficult time raising money. Charities serving rural and remote Canada would welcome this change.

• **Improving Canada’s International Standing as Givers:**

Canada only **ranks 8th** out of the Top 10 countries in the “World Giving Index.” The rankings are as follows: 1st – USA; 2nd – Ireland; 3rd – Australia; 4th – New Zealand; 5th – United Kingdom; 6th – Netherlands; 7th – **Canada**; **8th** – Sri Lanka; 9th – Thailand; 10th – Lao People’s Democratic Republic. Canada already has some of the most generous giving policies in the world. However even with these policies we are still only 8th. By implementing this tax credit change Canada’s international rankings will no doubt move up.

A cost or investment?

Canada’s charitable tax credit policy was designed as an offset system. Currently the ideal as far as senior are concerned is a 50:50 offset. However this approach is not creating the intended benefit for the country in terms of encouraging and prompting an increase in charitable giving. The IMAGINE Canada document stated that giving is declining in Canada. A dramatically enhanced first tier tax credit would have a major impact on reversing this trend.

We recognize that this recommendation could be flying into some dramatic and strong traditional fiscal headwinds. It will, if adopted, alter the 50:50 status quo so that Canadian donors could enjoy a larger financial benefit, a benefit that could come at the expense of the Federal Treasury.

There will no doubt be some who will say that ‘this is too costly at a time when Canada needs to do every thing necessary to balance its budget and eliminate its multibillion dollar deficit. They will see this as a COST to the Federal Treasury.

We see it differently. We see this an opportunity for the Government of Canada to provide all Canadians with a financial incentive to INVEST in their local communities, in health or educational or social services or any of their favourite causes through their charitable donations.

All levels of government have made it clear that they all need to get their financial houses in order. As a result there will be far fewer funds available. In addition, making this change will send the message to Canadians that the Government of Canada is serious about enabling all of us to be partners by investing in our country through an enhanced charitable tax benefit.

The Return on Investment (ROI) for Canada’s Treasury, not to mention the charitable sector’s programs that are essential to Canada’s standard of living and

place in the world, will far out weigh the cost to the treasury. However unless the Government of Canada takes this bold and courageous step by enacting this change, in all likelihood charitable giving will continue to decline.

In addition, by enacting this change, the Government of Canada will provide a lever to the charitable sector to attract far more of billions of dollars in potential charitable donations that are now not being reinvested in Canada's charitable sector. The current policy already has this effect. The country can no longer afford "business as usual" approaches. This applies to charitable giving as well.

All levels of government are telling the charitable sector's leadership and senior volunteers that they will have to do more with less from government. By revising the current 1st tier tax credit the Government of Canada will be providing the sector with a 21st century investment tool to achieve this objective. This transformational change for the sector should be seen will not as a COST but as an INVESTMENT that will encourage the over 16 million tax filers who do not claim any charitable credits at this time to become investors in Canada's future through their charitable donations. Change Canada and Taking IT Global believe that Canada cannot afford to maintain the current status quo at a time when it needs to create innovative tools for all Canadians to support the charitable sector and civil society.

Recommendation :

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D Darryl R Peck

Founder/Director
The Change Canada Charitable Foundation

THE NOISE OF NEED

