House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

○ **an organization** **Organization name:** _____

or

◉ **an individual** **Name:** L. Jacques Ménard, C.C., O.Q., Chairman BMO Nesbitt Burns

Topic: Charities, charitable giving and volunteerism

*Recommendation 1: Please provide a short summary of your recommendation.

As chairman of BMO Nesbitt Burns and my life-long community involvement in various not-for-profit organizations having chaired many major capital campaigns and important fund raising activities, I am recommending that the government introduce an amendment to the Income Tax Act that would exempt charitable donations of private company shares and real estate from capital gains taxes. This measure would capitalize on the enormous success of the 2006 budget measure which removed the remaining capital gains tax on charitable gifts of listed securities.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$10 million-$99.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

These proposals are very tax-effective from the Federal Government's perspective. By reducing program spending by $50-65 million per annum, the Government would enable our charitable sector to access $200 million of incremental funding from the private sector. This incremental funding helps to offset the shortfall in funding for healthcare, education, social services and arts and culture as governments at all levels are focused on reducing and eliminating deficits primarily through spending cuts and restraint.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The beneficiaries of these measures would include all stakeholders in the not-for-profit sector in every province and region across Canada. These include the 2.1 million Canadians who are employed by our hospitals, universities, social service agencies such as United Way/Centraide and performing and visual arts organizations, as well as the millions of Canadians across the country who benefit from the vital services which our charitable sector provides.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

These measures would have a positive impact on the lives of all Canadians by providing our not-for-profit sector with an additional $200 million per annum of funding from the private sector each year for the foreseeable future. This additional funding would certainly create jobs, help our charities to attract the best and the brightest talent and help them grow from being “good” to becoming “great.”

Topic: Please select from the pull-down menu

Recommendation 2: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

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Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Topic: Please select from the pull-down menu

Recommendation 3: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

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Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Please use this page if you wish to provide more explanation about your recommendation(s).

Implementing these proposals would be good public policy for a number of reasons including:

• First of all, the benefits to the charitable sector far outweigh the costs to the Federal Government. $200 million of incremental funding for the not-for-profit sector at a fiscal cost to the Federal Government of only $50-65 million is a very tax-effective way for the Government to provide tax incentives for charitable donations at a time when it is focusing on reducing the deficit, primarily through spending cuts and restraint.
• These measures would remove an inequity in the current Income Tax Act. Entrepreneurs who start a company, take the company public and donate a portion of their shares to a charity receive a Charitable Donation Tax Credit and are exempt from any capital gains taxes. Entrepreneurs who start a company and keep their company private and donate shares to a charity are required to pay a capital gains tax on the difference between their cost base and the value of their shares at the time of the donation. This inequity should be removed.
• These measures would level the fundraising playing field for our Canadian charitable sector as we compete with our US counterparts for the best and brightest talent. Currently, U.S. hospitals, universities, research institutes etc. can access private sector donations from individuals and corporations who have appreciated capital assets, including listed securities, private company shares and real estate. Canadian charities can only access donations of appreciated capital property in the form of listed securities, because potential donors of private company shares and real estate currently have to pay a capital gains tax on their gift and they consequently do not donate these assets.
• Government funding for health care, education, social services and arts and culture enable our not-for-profit organizations to be “good.” Typically, private donations enable our charitable organizations to grow from being “good” to being “great”.
• Implementation of these proposals in the upcoming budget would send a very positive message to all Canadians. It is one of the few public policy issues upon which all parties can agree. Both the Leader of the Official Opposition and the Finance Critic of the Liberal Party have publicly communicated their support, in principle, for these measures.
• In its February, 2013 report to the House of Commons on its Hearings on “Tax Incentives for Charitable Donations”, the House Finance Committee had six recommendations. The first of the six recommendations was “Subject to the government’s stated intention to balance the budget in the medium term, that the federal government explore the feasibility and cost of eliminating or lowering the capital gains tax on charitable donations of real or immovable property or the shares of private corporations to charities, provided that the proceeds of disposition are donated to a charity within a fixed period.”

*Please note that at least one recommendation must be provided