



**Association of Fundraising Professionals (AFP)**

**Pre-Budget Consultation Brief**

**To The House of Commons  
Standing Committee on Finance**

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## Executive Summary

AFP appreciates the opportunity to once again provide our recommendations to the Standing Committee on Finance. We also are grateful for the committee's commitment to the charitable fundraising profession and Canada's voluntary sector.

During previous consultations, AFP has pointed out the charitable sector's considerable economic impact on Canada. The charitable sector employs two million Canadians, contributing 10.5% of our labour force and 8.1% of GDP, according to the National Survey of Nonprofit and Voluntary Organizations, with more than \$100 billion in annual revenue and more than that amount in net assets.

These facts remain true, but this year, we offer our recommendations through the lens of our *What Canadian Donors Want Survey*. For the second time in three years, AFP and Ipsos-Reed surveyed a wide range of Canadians about their views about philanthropy, giving, volunteerism and charity. There were many positive findings.

More than three quarters (77%) of Canadians agree that that charities play an important role in society to address needs not being met by the government or the private sector, and confidence in the charitable sector is significantly higher than that for the private and public sector (75% versus 63% and 49%, respectively).

In addition, Canadians are very supportive of charity, with 70% having made a financial donation to a charity over the past 12 months. Most donors are very generous: 44% support 2-3 causes, 21% give to 4-5 causes and 16% support 6 or more causes. Just 20% support only one charity.

But there are signs for concern. The main reason that respondents cite for not making a gift to a charity is not being able to afford it. In addition, almost 10% said they simply do not donate to charity. Furthermore, while the number of donors giving larger gifts increased, the percentage of donors who gave small amounts decreased. This is a trend that Statistics Canada is seeing as well—giving increasing overall but only because of larger gifts made by fewer people.

None of these trends indicate a huge shift in giving—yet. But they provide greater impetus for seeing our recommendations enacted, especially since there has been no sustained increase in giving levels over the past few years. Accordingly, we call on the Senate Committee on Finance to continue to support charities and philanthropy in a variety of different and innovative ways. This year, these recommendations include:

1. Increase the flow of charitable funds and encourage Canadians to enhance their charitable giving by establishing a “stretch” charitable tax credit.
2. Extend the exemption from capital gains tax to charitable gifts of private company shares, appreciated land and real estate.

## Background

The Association of Fundraising Professionals (AFP) represents 32,000 individual fundraisers and charities that raise more than \$100 billion annually for charities around the world—equivalent to nearly one-third of all charitable giving in North America. In Canada, AFP's 3,500 members in 20 chapters work for more than 1,800 charities across the country and raise billions of dollars every year.

These dollars are not raised in a vacuum but in accordance with AFP's *Code of Ethical Principles and Standards*—first developed in 1964 and one of the few ethical codes that is enforced. Our code, which sets the highest standards for ethics in fundraising, has been used as the foundation for subsequent codes of conduct in many different countries around the world. AFP also has convened more than 30 national fundraising associations from across the globe to draft the *International Statement of Ethical Principles*, an additional series of values and standards for the international fundraising community.

AFP also instituted a credentialing process in 1981, which was designed to identify for the giving public fundraisers who possess the demonstrated knowledge and skills necessary to perform their duties in an effective, conscientious, ethical and professional manner. More than 4,000 fundraisers around the world have earned the CFRE (Certified Fund Raising Executive) and ACFRE (Advanced Certified Fundraising Executive) credentials.

### **Recommendation 1: Increase the flow of charitable funds and encourage Canadians to enhance their charitable giving by establishing a “stretch” charitable tax credit.**

To immediately increase charitable giving and create a long-term national culture of giving, AFP supports the recommendation from Imagine Canada that proposes a Stretch Tax Credit that would apply to donated amounts above \$200 that exceed a donor's previous highest giving level. It would provide a Stretch Tax Credit of 39% on these new donations—10 percentage points higher than the current level of tax credit on donations above \$200.

To continue benefitting from the Stretch Tax Credit in subsequent years, tax payers would need to continue to increase their levels of giving over their previous year's baselines. This measure is intended to encourage all Canadians, but particularly middle-income earners, who wish to give for the first time or to give more in response to current needs up to a maximum of \$10,000.

This provision would have the beneficial effects of reducing the tax burden on Canadians while fueling charitable giving directly, which, in turn, creates economic gains throughout the sector. This giving incentive would particularly alleviate tax burdens on working families and middle income Canadians. A \$10,000 cap on eligibility for the Stretch Tax Credit would target it towards average families who donate cash and have not benefited from previous tax measures that encourage larger gifts of assets. Because there is no floor on the Stretch Tax Credit, even those who can only afford to make smaller donations will benefit.

The maximum benefit would be \$980 if used in one year (i.e. a one-year increase from \$200-\$10,000 in giving), though it is likely that for many, the increased benefit would be incrementally achieved over several years. The Stretch Tax Credit would benefit charities of every size and in every region and should, over time, broaden the base and increase the giving levels of Canadians across the country. It would also complement recent incentives encouraging gifts of assets aimed primarily at higher income Canadians with an initiative that is less exclusive and recognizes that most Canadians donate income rather than assets.

A few years ago, the Parliamentary Budget Office (PBO) prepared an analysis based on implementing the Stretch Tax Credit on donations above \$200. The PBO estimated that after three years, the incremental cost to the Treasury in foregone revenue would be between \$10 and \$40 million a year. Within three years, the PBO estimates that there would be up to 600,000 new donors, and that median donations would increase by up to 26%. The Stretch Tax Credit would be an extremely efficient way to maximize and leverage federal investment in vital community services.

By encouraging more Canadians to become donors, the Stretch Tax Credit would also help strengthen communities. We also know that donors are more likely to be involved with charities in other ways, including volunteering; thus, encouraging more donors could lead to higher levels of volunteerism in communities.

**Recommendation 2: Eliminate the capital gains tax on gifts of private company shares, appreciated land and real estate to charities.**

In addition to the Stretch Tax Credit, the Government of Canada can further lower the tax burden on Canadians while spurring charitable giving and the associated economic growth of the sector by eliminating the capital gains tax on gifts of private company shares, land and real estate.

The federal government removed the capital gains tax on donations of securities to most charities in 2006, making these donations more attractive to potential donors than they had been previously. We encourage the federal government to now turn its attention to private company shares, appreciated land and real estate.

Eliminating the capital gains tax would remove a huge barrier to these types of gifts and make it far more likely and appealing for donors to give private company shares, land and real estate to charity. In fact, there is significant potential and interest from Canadian donors for these gifts.

It has been estimated that this proposal would enable the charitable sector to access an estimated \$170 to \$225 million of incremental funding from the private sector with a tax revenue cost to the government of only \$50 to \$65 million. This recommendation would exponentially leverage the programs and services provided by Canada's charities.

As was the case for gifts of securities, contributions of private company shares, appreciated land and real estate are currently stymied by a tax system that makes such giving too burdensome and not attractive to most donors. It is, therefore, instructive to examine the effect of the elimination of the capital gains tax on gifts of securities to learn more about the potential positive impacts of similarly eliminating the capital gains tax on gifts of land and real estate.

## **Conclusion**

Charitable organizations need the support of government in order to better serve all Canadians. More importantly, a healthy charitable sector can help drive Canada's economy. These three recommended policy changes will go a long way towards lowering the tax burdens on Canadians while strengthening the capacity of the charitable sector to provide critically needed programs and services.

AFP appreciates this opportunity to submit recommendations for the Standing Committee on Finance. Should members of the committee have questions about these proposals, please contact AFP at (416) 941-9212 or [jlee@afpnet.org](mailto:jlee@afpnet.org).