



## **Ted Falk C-239 Commentary by Malcolm Burrows**

The idea of increasing the basic charitable tax credit to encourage more donations comes up every few years in Ottawa. The current version, Bill C-239, The Fairness in Charitable Gifts Act, underwent second reading in the House of Commons on April 11, 2016 and has been sent Committee for further review. It is unlikely to emerge intact.

The initiative of MP Ted Falk (Provencher, Manitoba), the private members bill attempts to level the tax treatment of charitable and political donations with a primary focus on those who donate less than \$400 per annum. Political donations in Canada receive the following tax treatment: a 75% federal tax credit on the first \$400 of total annual donations; a 50% federal tax credit on the next \$350 of total annual donations; and the 33.3% tax credit on total annual donations over \$750. Mr. Falk aspires to apply these rates to charitable donations. His conception is flawed.

First, the two donation tax credits are different in design. Political tax credits are fully refundable regardless of income and capped at \$1,525 per candidate or party. Charitable tax credits non-refundable, but can be claimed against 75% of net annual income during life and 100% at death. The charitable credit is 15% federally for total donations of less than \$200 per annum, but also attract provincial credits and in most provinces fully offset tax at the highest marginal rate over \$200. Bill C-239 does not propose to change the charitable limits or non-refundable structure, but higher rates on larger donations would create an unprecedented benefit for donors who give more than \$750 a year.

Second, it is important to remember that most ordinary charitable donations are not primarily tax motivated. Donors give because they believe in the cause and are asked to donate. Canada's system is based on the principle of tax offset. A donor gets a tax credit that pays backs what she would have paid in tax on the amount. A taxpayer doesn't pay tax twice. Indeed, the tax credit is higher than the average tax rate of most donors due to graduated tax rates – and higher than a US donor receives as a deduction. Indeed, most Canadian taxpayers couldn't tell you how much they are saving in taxes when they give and yet they still give.

Third, the Liberals have pointed out that Bill C-239 would cost \$1 billion more per annum, likely just to fund existing donation levels. Paying more for existing behavior is just irrational, not to mention politically unsupportable. Experiments in increasing the donation tax credit, such as the First-Time Donor Super Credit and Alberta's 50 percent tax rate, have not delivered commensurate increases in donations, but they have inflated government costs. Redistributing tax revenue may be a valid policy objective, but we should not pretend that increased tax credits are going to produce dramatic increases in donations to charities.

Canada already has one of the most generous tax regimes for donations in the world. While I appreciate Mr. Falk's initiative and genuine concern for charities, his bill is not the best way to help charities. Donations are values-based transactions and donors are considered to be generous. With Mr. Falk's tax credit they would consistently be making money. As gift planners and



members of the charitable sector, we have to stand up and say that C-239 is inconsistent with the ideals of philanthropy that we espouse.



*Malcolm Burrows is Head, Philanthropic Advisory Services at Scotiabank and the founder of Aqueduct Foundation, a public foundation with donor advised funds. He has been a gift planner for 25 years and is a Friend of CAGP since 2003.*

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