CAGP

Appearance before the
Special Senate Committee on the Charitable Sector

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Speaking Notes

Mr. Chair and honourable members of the Committee, thank you for the opportunity to appear before you today on behalf of CAGP, the Canadian Association of Gift Planners, to discuss funding of the charitable sector, with a specific focus on the role of tax benefits as well donating private securities and real estate.

CAGP's is a national membership association. Our 1,200 members in 20 Chapters across the country are made up of charity fundraisers as well as an array of allied professionals, such as financial planners and advisors, lawyers, estate planners and accountants. For more than 25 years, CAGP has been inspiring and educating people involved in strategic charitable gift planning, and advocating for a beneficial tax and legislative environment that strengthens philanthropic giving.

In our recent submission to the Standing Committee on Finance made in relation to their 2019 pre-budget consultation, CAGP made two recommendations specific to strategic charitable giving.

We recommended that changes be made to the Income Tax Act to allow for the withholding of income tax to be waived when a donor instructs a financial institution to make a charitable gift directly from their Registered Retirement Savings Plan or their Registered Retirement Income Fund to a Canadian registered charity or other qualified done.

In addition to making simple cash gifts, donors are increasingly integrating assets in their strategic giving plans, one of the most common being RRSPs and RRIFs. We recommended a simple amendment that will increase the efficiency of donors making a charitable gift through these assets.

Presently, if an individual wishes to direct a donation from their RRSP or RRIF, the financial institution holding the asset must withhold tax notwithstanding that, as a result of the gift, no tax will be owing. The donor must then file their tax return, report the gift, receive a tax refund and then, if desired, remit the balance of the gift to the charity to complete the planned amount of the gift.

As you will appreciate, this complexity creates issues for charities in explaining this giving vehicle to a prospective donor, in receipting the gift, and in ensuring that the donor's ultimate objective of making a charitable gift in a particular amount is achieved. If a donor is directing their financial institution to pay funds out of their RRSP or RRIF, directly to a registered charity, this process seems unnecessarily complex. The instruction from a donor to a financial institution could be recorded on a form to document and confirm such a gift.

We believe our recommendation to the Standing Committee on Finance would be strengthened by stated support from this Special Senate Committee.

Our pre-Budget submission also made a recommendation as to the matter this Committee specifically asked CAGP speak to in our appearance today -- that the government eliminate the tax on the capital gain from the disposition of private company shares and real estate, when the proceeds of the sale of those assets are donated to a charity. This is a matter that CAGP has been an ardent champion of, lending our voice to the determined advocacy efforts of my fellow panellist Mr. Donald Johnson.

The elimination of capital gains tax on gifts of listed securities in 2006 has been enormously successful, resulting in close to $1-billion of donations of shares to charities every year. Real estate and private company shares are the last two asset classes that aren't incentivised. Expanding the capital gains exemption to include these significant capital assets, would complete the picture of a suite of strategic, asset-based giving vehicles.

Speaking on behalf of Canada's charities, CAGP believes this proposed provision is an opportunity to significantly enhance donations to our charitable sector, further enabling their vital work. It would also strengthen the culture of giving in Canada by providing a mechanism whereby the personal impact of a tax event can be minimized while donors are simultaneously supporting a cause they care about.

As small business owners play a large role in Canada's economy, the opportunity to convert those assets into charitable gifts is significant and would provide an innovative way to give back. Further, as an early indicator of the intergenerational wealth transfer, we see Canadians disposing of their leisure properties. Motivated by simplifying their asset base (or perhaps a desire to mitigate arguments amongst their children) we believe many Canadians would be incited to charitable giving when selling their cottages, if the capital gain tax were to be eliminated.

It's worth noting, these are not solely assets in the hands of wealthy Canadians. Many small business owners and cottage owners are part of Canada's middle class. Elimination of capital gains tax on these assets when making a charitable donation would serve to democratize charitable giving, providing an opportunity for average Canadians to make a significant and meaningful charitable gift. This democratization also applies to charities located in rural Canada where many small businesses and most leisure properties are located.

We believe this is a policy change that would significantly impact Canada's charities and there is widespread support for this proposal across the charitable sector. We encourage this Committee to also voice its support.

But perhaps more important than these two charitable giving provisions I just mentioned, is appreciating the broader picture and policy discussion related to the tax system and charitable giving in Canada.

Canada has a remarkably generous tax system that enables charitable giving. It's a system that has been built over 20 years, through thoughtful planning and balanced public policy. It is crucial that we recognize this; that we be aware of what has been built, and preserve and protect it, seeing this as a system of Canadian *values* rather than examining incentives at a given moment in time, or on an individual basis. It's the proverbial case of the whole is greater than the sum of its parts.

There is little data as to the giving habits of Canadians in terms of specific giving vehicles, but there are indicators that we are moving the needle. While the number of donors has decreased, those who *do* give are giving more; stimulated in all likelihood by asset-based giving. At the same time, we also know that many wealthy Canadians are giving below their capacity. There is significant room for improvement and strategic charitable gift planning – which CAGP defines as, the donor-centred process of planning current and future charitable gifts in a way that meets the donor's philanthropic goals, and balances personal, family and tax considerations – has an important role to play.

If I were to share the one thing as the CEO of CAGP that keeps me up at night, it's that so few donors *or charities* – in fact much of the charitable sector as a whole – recognize that. It's a dated statistic, but fewer than 10% of Canadians include a donation in their will to a cause they care about. Few donors understand just how within their reach it is to make a significant gift by establishing an insurance policy. There are thousands more who could take advantage of the opportunity to donate securities.

At the same time, asset-based giving is rarely included in research about the giving habits of Canadian donors. Few charities allocate a budget or ensure their staff are equipped to have these discussions with donors. We all get it – charities are challenged to bring in resources they need *now*; how can they consider investing in a program that will pay off in 5, 10, 20 years? But they ignore it at their peril and they are missing out on significant donation revenue.

In closing, while CAGP asks that you include the specific gifting provisions noted earlier as a recommendation in your final report, the Committee, with its mandate, its visibility and its credibility also has a unique opportunity to impact the charitable sector by recognizing the value of our robust and comprehensive tax system that enables philanthropy, by advocating that it be preserved and protected, and by recommending that charities be supported in learning about these important tools to strengthen charitable giving.

Again, thank you for the invitation to appear before you today.