

Charitable Donations

ments lost \$245 million in tax revenue because of the \$100 standard deduction.

In 1974, a coalition of national charities set up the committee of national voluntary organizations. It has 108 national members who represent thousands of groups across the country. Under the committee, a task force on tax reform was established to examine ways of enhancing the role and capacity of voluntary organizations by providing an equitable incentive for taxpayers to make donations. In 1978, the committee set up a special project task force which recommended a significant amendment to the Income Tax Act. Called the "give and take" proposal, this recommendation has gained widespread support.

Here is the essence of the proposal. Ninety-eight per cent of taxpayers have a marginal tax rate under 50 per cent. It is these people who provide the bulk of the money for charity. A 50 per cent tax credit would mean that they could donate 50-cent dollars to charity.

For the person with the \$15,000 income whose \$100 donation costs him \$88 now, the tax credit would mean that his donation would cost only \$50. For the person with the \$25,000 income whose \$100 donation costs him \$70 now, the tax credit would also mean that his donation would cost only \$50. Both persons would receive equal tax benefit regardless of income, and both would have an increased incentive to give.

The tax credit would be set at 50 per cent for three reasons. It gives increased tax benefits to 98 per cent of taxpayers; it provides individuals with the same incentives as are already provided to corporations; and it can be paid for very easily if the government eliminated the standard \$100 deduction entirely for both charitable donations and medical expenses.

There is no reason why political donations should receive any more beneficial tax treatment than charitable donations, yet three-quarters of a \$100 political donation can be claimed as a tax credit. A \$100 donation to a political candidate therefore costs only \$25. A \$100 donation to a charity costs anywhere from \$36 to \$100, depending on income. Following the introduction of tax credits for political donations, contributions to political parties quadrupled. A similar incentive should be given to charitable donations.

The option of deducting charitable donations from taxable income would ensure that the 2 per cent of taxpayers whose marginal tax rate is over 50 per cent would not be discouraged from making donations. Although this group is small, their contributions are large—\$89 million in 1977. If they were only able to claim a 50 per cent tax credit, the cost to them of their contributions would increase, and their incentive to give would therefore be decreased.

A further incentive for charitable giving could be provided to all taxpayers if the deadline for charitable donations was extended to 60 days beyond the tax year end, as is the case with registered tax shelters. There would then be less of a time lag between the donation and the tax reconciliation.

Because the \$100 standard deduction provides no incentive to giving, it should be eliminated—and that proposal is at the

heart of the suggested amendment. Such an amendment would increase the paper burden in Revenue Canada if it had to scrutinize receipts from the 7.7 million taxpayers who now claim the standard deduction. But the burden could be relieved if receipts were required only for donations exceeding \$100. Receipts for gifts under \$100 could be retained by the taxpayer in case of audit by Revenue Canada. This procedure is followed by the internal revenue service in the United States for charitable donations and is followed in Canada for child care expenses.

The national voluntary organizations' task force on tax reform has calculated what the cost of the proposal would be. With no standard deduction, a 50 per cent federal tax credit, and deductibility for taxpayers with a marginal tax rate over 50 per cent, federal and provincial governments would lose \$391 million in tax revenues. In contrast, federal and provincial governments now lose about \$484 million in tax revenues because of claims for the standard deduction and deductions for stated charitable donations. The proposed amendment would therefore initially save governments \$93 million. According to the task force, "if giving increased at the rate of 10 per cent per year, in approximately four years the government would be at the break-even point according to 1977 figures." So I am putting forward an affordable proposal.

The \$391 million cost of the proposal is calculated on the following basis. Four essential cost factors are as follows:

Receipts for \$601 million in donations were claimed by taxpayers in 1977. Some \$512 million of this was donated by taxpayers whose marginal rate was less than 50 per cent and who would therefore claim the tax credit. The cost of a 50 per cent tax credit on \$512 million would be \$256 million.

Some \$89 million of the \$601 million was donated by taxpayers whose marginal rate was over 50 per cent, and who would therefore claim the tax deduction. The cost of the tax deduction on \$89 million would be \$50 million.

The 7.7 million taxpayers who currently claim the standard deduction are estimated to give an average of \$20 each to charity, for a total of \$154 million. The cost of a tax credit on \$154 million would be \$77 million.

The medical deductions which would appear as a result of the end of the standard deduction would cost governments an estimated \$8 million.

Adding all these cost factors, the total cost of the proposal is therefore \$391 million. But, again, that is \$93 million less than the present system costs the government.

Mr. Speaker, the "give and take" proposal for tax reform has received the support of many organizations across Canada. All the major churches are behind it. The international non-governmental organizations support it. The national and local YMCAs, YWCAs, the Red Cross, Cancer Society and United Way are all in favour. The Canadian Council on Social Development recommends it, as does the Advisory Council on the Status of Women.