

I hope to show in this debate that this tax reform, first advocated by the committee of national voluntary organizations, is fiscally sound, beyond partisanship and urgently needed. It is needed because, at this very moment when our expanding society is benefiting from a vast range of services in the voluntary sector, the voluntary sector itself is struggling to survive financially.

There can hardly be a Canadian who is not helped or being helped by one or more of Canada's 45,000 registered charities. There are organizations for the disadvantaged within Canada, the poor, the sick and the needy. There are organizations for all groups, from children to the aged. There are health organizations for research and heart and lung disease, cancer, diabetes, muscular dystrophy, health services for the mentally or physically handicapped. There are religious organizations sustaining and preserving our spiritual values, be they Christian, Jewish, Hindu, Islamic or Buddhist. There are international development organizations providing basic needs to people in the developing countries. There are educational organizations for universities, colleges, adult education, child education, future studies. There are environmental organizations for the preservation and beautification of our air, land, water and cities. There are cultural organizations for native and ethnic groups for art, music and dance. Some voluntary organizations serve national needs, others serve local communities. Many of these needs cannot be met by government or business.

The benefits of voluntary activity extend to the participants, recipients and the community as a whole. For the participant, voluntary activity is a means to become involved in his or her community at a time when other community ties such as the family and the work place are being eroded. Voluntary activity helps a person to develop into a better, happier human being with a greater sense of purpose and understanding.

For the recipient of voluntary activity, a service is provided which might otherwise be unaffordable. It is more likely to be responsive to his or her individual need and more personal than a government or a bureaucracy.

Of course, if individuals are healthier and happier, society as a whole benefits. Through voluntary organizations, the talent, creativity and energy of human society are more fully utilized, with little extra cost. Often voluntary organizations are in the vanguard of social change, as in the case of civil rights, women's liberation, consumer advocacy or environmental protection. There is no way that governments could ever replace the voluntary sector—not without considerable cost in terms of human and financial resources and the loss of initiative and community purpose.

But today voluntary organizations are the victims of inflation and economic restraint which have led to a decline in individual contributions in both real and absolute terms. In 1946, Canadians donated an average of 1.2 per cent of their income to charity; in 1970, an average of only 0.5 per cent of income was donated. I believe this decline is continuing.

Corporate donations have also been declining. A 1975 study of corporate giving by the Institute of Donations and Public

### *Charitable Donations*

Affairs Research showed that donations had dropped by 15 per cent between 1974 and 1975.

Charities depend on individual contributions in order to maintain their independence from government and remain responsive to community needs. In 1977 an estimated \$755 million was donated by individuals to registered charities. The value of the volunteer services which individuals donate effectively doubles the size of this contribution. But the budgets of charitable organizations are being wrecked by inflation. Most are simply not receiving sufficient donations to enable them to maintain the services we have come to expect. The financial crunch has pushed some voluntary organizations into the lottery field where they face tough competition from governments. I think it is deplorable that charitable organizations have to rely on gambling to raise money.

If we want to ensure the economic survival of voluntary organizations, we will have to find a way of encouraging private donations. That brings me to the proposed amendment to the present tax system that would, in my judgment, provide this incentive.

Let us look at the present situation. A charitable donation can be deducted from taxable income up to a maximum of 20 per cent of income. Yet in 1977, only 12.5 per cent of taxpayers filed receipts for deductions.

The deduction of charitable donations from taxable income is an unequal incentive to give for different individuals. It costs taxpayers in higher income brackets less for each dollar donation than it costs taxpayers in lower income brackets. For example, let us assume two individuals give \$100 to a registered charity. One person earns \$15,000 a year and has a marginal tax rate of 12 per cent. The tax on his last \$100 is \$12. If he donates the \$100, his taxable income is reduced by \$100 and his income tax payable is reduced by \$12. The \$100 donation consequently costs him \$88.

The second person earns \$25,000 and has a marginal tax rate of 30 per cent. If he donates \$100, he reduces his income tax payable by \$30. The cost of the \$100 donation is therefore \$70, as opposed to \$88 for the lower income taxpayer. As we look at the whole country, it costs individuals who are taxed at the highest rate only \$36 for a \$100 donation; it costs those at the lowest rate \$94; and those who are too poor to pay taxes at all, \$100. The less you earn, the more it costs to make a donation.

● (1710)

The current tax system also provides for a standard deduction of \$100 for charitable donations and medical expenses. In 1977, 87.5 per cent of people who paid tax claimed this standard deduction.

When a taxpayer chooses to claim the \$100 standard deduction, he or she can do so without filing receipts to prove that a donation was actually made. Because the standard deduction can be claimed with or without making a donation, it provides no incentive to charitable giving. Moreover, it is expensive for the government. In 1977, the federal and provincial govern-