

*Government Orders*

to provide assistance to ensure that their collections continue to reflect Canada's heritage.

Donations to registered charities are eligible for tax credits, although the total value of gifts to charity in any one year cannot exceed 20 per cent of net income. Donations of cultural property that have been found to be, in the words of the act, of outstanding significance and national importance are eligible for a tax credit up to 100 per cent of net income and are exempt from the payment of capital gains tax.

That does not mean they receive a tax refund equivalent to the fair market value of their donation. Non-refundable federal tax credits are based on 17 per cent of the first \$200 of value of the donation and 29 per cent of any amount above that. When the exemption from capital gains tax is added to this, the best possible tax treatment a donor may receive is a refund equivalent to 50 per cent of the fair market value of the object or collection they are donating.

A donation to a museum means that a donor is donating both significant cultural property and 50 per cent of the fair market value to the institution. It would be more profitable to sell an object in the open market than to donate it to a cultural institution. Tax credits are a fiscal measure that provide an enticement and an acknowledgement of the importance of the donation, but they are not meant to represent financial compensation.

I will give a very brief example. I know that many Canadians who are watching the debate really want to know whether or not this is some sort of a scheme for rich Canadians, as the Reform Party would like to characterize it.

If a taxpayer had an object of art with a fair market value appraised at \$1,000 and that object of art cost only \$100 when it was acquired many years ago and the taxpayer sold that object of art to a museum for the \$1,000 fair market value, it would generate a \$900 capital gain, half of which is taxable. On that capital gain, even at the highest marginal rate, \$225 in income tax would be paid. That means the net proceeds to the donor would only be \$775.

If we compare that to the tax treatment that is being afforded to the donor under Bill C-93, the donation of the \$1,000 artefact would generate a tax credit of 17 per cent on the first \$200, or \$34, and 29 per cent on the remaining \$800, or \$232. In total, the cash value of the refund to the taxpayer would only be \$266. That should be compared to the \$775 they would have received had they sold the object outright.

In brief, what it really means is that the libraries, archives, museums and other cultural and heritage institutions of Canada are able to acquire for substantially less very important artefacts and cultural and heritage items for Canada. It is much more than

they would be able to afford by paying the fair market value in cash.

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Approximately 1,100 applications for certification for tax credits are received annually with a total fair market value of approximately \$60 million Canadian. Because this is a tax credit it results in forgone revenue of approximately \$25 million to \$30 million annually. However, when compared to other tax incentive programs this is a very small amount of forgone revenue and has an impact far beyond the dollar value of the cultural property that is being preserved.

Much of the cultural property being donated because of these tax incentives would otherwise be lost to Canada, as it would be exported and sold on the international market. By keeping these objects in Canada and in public collections they become part of Canada's heritage.

Approximately 300 institutions in every province and territory of Canada have their collections enriched each year because of the existence of these tax credits. The Cultural Property Export and Import Act therefore plays an important role in the development of heritage collections in Canada. It encourages donations of significant pieces of our patrimony to the people of Canada through public collections and these donations are forever for our enjoyment and for the enjoyment of our future generations.

The legislation was meant to promote private donations as a means of indirect government support when acquisition funds could not be sustained. Many Canadians are unaware of the important role played by private collectors in the preservation of our national heritage. Objects formerly from private collections now enrich our public museums, just as the great museums of the world have been supported by private individuals for centuries.

In Canada we have our own unique examples: the donation of Sir William Van Horne to the Musée des beaux-arts de Montréal; the Zacks bequest to the Art Gallery of Ontario in Toronto; the collection of Lord Beaverbrook, now proudly displayed in the Beaverbrook Art Gallery in Fredericton; Dr. Norman MacKenzie's collection, which forms the basis of the collection of the MacKenzie Art Gallery in Regina; the magnificent and diverse collection of the Harvey family, which is now in the Glenbow Museum in Calgary; and the generosity of the Koerner family to the Museum of Anthropology in the University of British Columbia.

These museums now house the collections of their benefactors and founders. Some even owe their existence to these private individuals who had a passion for collecting a strong sense of Canada's history. Because of their generosity and their decision to enrich our heritage these works are now preserved and will be appreciated by future generations of Canadians as