

## Standing Committee on Finance (FINA)

### Pre-budget consultations 2012

## Association of Fundraising Professionals

### Responses

#### 1. Economic Recovery and Growth

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

The charitable sector has more than \$100 billion in annual revenue and possesses even more than that amount in net assets. The charitable sector is approximately equal in size to the economy of British Columbia. In effect, the sector is a business unto itself, essentially an entire province worth of organizations exclusively devoted to the strengthening of the factors (workforce, infrastructure, cultural initiatives, etc.) on which our country's economic future is based. When the economy stagnates, that is when charitable organizations and their services are needed the most. Charitable and philanthropic organizations provide jobs and bridge the gap by serving those in need and our communities when budgetary constraints hinder provincial and federal governments from providing similar services. There is clearly a need for new incentives to spur additional giving to charitable organizations, particularly in this tumultuous economic climate. The government and the nation's economy both benefit when the charitable sector receives the resources it needs. Private donations can help leverage the impact of government investments and allow charities to provide the programs and services that do much to augment the work of the government. AFP, therefore, offers the following recommendations: 1. Increase the flow of charitable funds in the wake of the recession and encourage Canadians to enhance their charitable giving by establishing a "stretch" charitable tax credit. 2. Extend the exemption from capital gains tax to charitable gifts of private company shares and land and real estate.

#### 2. Job Creation

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

The charitable sector represents a significant source of jobs and economic stimulus. The charitable sector in Canada is made up of more than 161,000 organizations with over 1.2 million paid staff and 6.5 million volunteers (Voluntary Sector Awareness Project). The federal government can greatly enhance charitable giving and bolster job creation in this key sector by implementing AFP's three recommendations--the stretch credit, the elimination of the capital gains tax on gifts of land, real estate and private company shares.

#### 3. Demographic Change

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

The charitable sector does much to provide training and skills to those who are less fortunate, which would offset the country's aging population and skills shortages. It is worth noting that many organisations serve Canada's aging population, which includes education and training for the development of new skill sets, healthcare and other unique services that affect this segment of the population. By enhancing charitable giving by enacting AFP's two recommendations, the federal

government can ensure that these organisations will continue to provide these important services affecting both the aging population and skills shortages.

#### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

One way of ensuring our country's competitiveness and continued prosperity is to enhance the voluntary sector's ability to provide its philanthropic programs and services that add so much to the nation's economy. In fact, the sector plays a unique role in bolstering Canada's prosperity and productivity. Education, workforce training, environmental protection and health care, to name just a few, all support the human and natural resources which are the heart of Canada's economic productivity. There are numerous concrete links between the work of the charitable and philanthropic sector and its impact on issues such as individual and business productivity. For example, if a country were to raise its literacy scores by one per cent relative to the international average, it could expect to eventually see a 2.5 per cent relative rise in labour productivity and a 1.5 per-cent rise in Gross Domestic Product (Statistics Canada, International Adult Literacy Study, February 2005). To provide its essential services and programs, the charitable sector needs resources—particularly private interest (individuals, corporations, etc.) sources. The government and the nation's economy both benefit when the voluntary sector receives the necessary resources because private donations can help leverage the impact of government investments and allow charities to provide the programs and services that do much to augment the work of the government. Accordingly, AFP encourages the committee to enact the stretch credit and eliminate the capital gains tax on gifts of private company shares, land and real estate.

#### **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

The economy has taken its toll on the charitable sector. According to Statistics Canada, Canadians donated \$7.8 billion to charity in 2009, down from \$8.19 billion in 2008. The 2009 data represents a \$700 million decrease in charitable giving in comparison to 2006 numbers, which set the all-time high for Canadian giving. Yet, with budget cuts affecting federal and provincial governments, resulting in reduced services to Canada's citizens and communities, charitable and philanthropic organisations step up to provide those services. With charitable giving levels at historic lows due to the economic climate, these organizations are asked to do more with less. Encouraging greater charitable giving by enacting AFP's two recommendations will do much to reduce the financial burden on charitable and philanthropic organisations and allow them to enhance their altruistic missions that are so vital to Canada.