



CANADIAN ARTS  
**COALITION**  
CANADIENNE DES ARTS

**Written Submission  
for the Pre-Budget Consultations in Advance of the 2019 Budget**

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Submitted on behalf of Canadian Arts Coalition members by:

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## **Recommendations:**

1. Increase the funding to the **Canada Arts Presentation Fund** for performing arts presenters and festivals by \$30 million in order to create synergies with other federal investments and to enable Canadian productions to be competitive both on the domestic market and on the world stage.
2. Recognize the professional status of **Canadian artists by implementing fair taxation** in order to establish a more coherent and predictable support and fiscal ecosystem.

## **Executive Summary**

The Canadian Arts Coalition is grateful for the government's existing investments in social infrastructure and in the Canada Council for the Arts. These two ongoing investments have been essential for the arts sector to blossom in the last year. In addition, digital platforms continue to be pivotal for artists to share their work internationally, as content creators.

For Canadian artists and arts organizations, economic competitiveness means having opportunities to share their creative output in other provinces and beyond our borders. Right now, the domestic market is the bottleneck of Canada's creative production chain. With adequate support, this domestic market can become a catalyst rather than an impediment to the Creative Export Strategy and the Creative Export Canada program announced in June 2018.

The Canadian Arts Coalition's two budget recommendations take into account the economic competitiveness of several stakeholders, both organizations and individuals. These two recommendations were identified as priorities by 30 member associations - representing thousands of artists and hundreds of arts organizations - during consultations held in June 2018.

## **About the Canadian Arts Coalition**

The Canadian Arts Coalition is a collaborative non-partisan movement spearheaded by a group of national arts service and membership organizations, with a volunteer Steering Committee comprised of artists and arts administrators. We are united in the belief that a strong arts and culture sector contributes to economically vibrant, liveable, and innovative communities, and that strong federal cultural policy and investment frameworks leverage arts and culture's contribution to the Canadian economy, Canadian communities, and Canada's standing internationally.

Canadian Arts Coalition's member organizations collectively represent thousands of artists and thousands of arts organizations. The list of members can be found on the Canadian Arts Coalition's website: [canadianartscoalition.com](http://canadianartscoalition.com)

## Recommendation 1

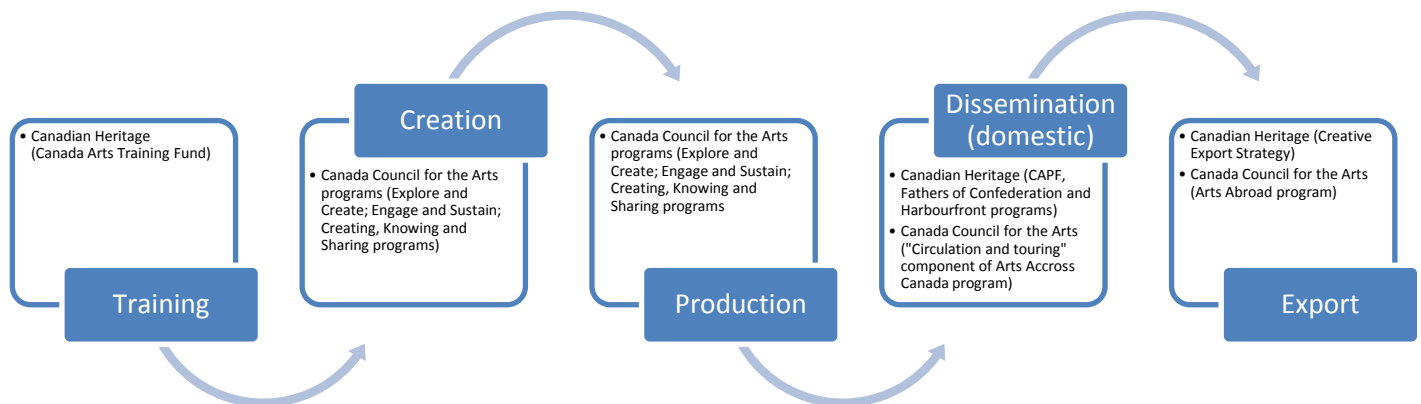
Increase the funding to the **Canada Arts Presentation Fund** for performing arts presenters and festivals by \$30 million in order to foster for a strong domestic market that will serve as a launch pad for Canadian performing arts productions on international markets.

### Rationale

The Canada Arts Presentation Fund (CAPF) provides financial assistance to organizations that professionally present arts festivals or performing arts series (arts presenters). The objective of the Canada Arts Presentation Fund is to give Canadians access to a variety of professional artistic experiences in their communities. The heavily oversubscribed CAPF was created in 2001 and, in constant dollars, is currently 13.4% below its inception level<sup>1</sup>.

Arts presentation is a crucial part of the performing arts production chain: it is the point at which the value created upstream by the creators is finally monetized through ticket sales.

### The Performing Arts Production Chain and Supporting Federal Programs



Arts presentation can create essential synergies with other federal investments in the Canada Arts Training Fund, in the Canada Council for the Arts, and in the Creative Export Strategy. With the doubling of the budget of the Canada Council beginning in 2016, more productions are being created by Canadian performing arts companies and those productions need to meet audiences in Canada and abroad. Arts presenters allow these productions to tour domestically, which enables performing arts companies to amortize production expenses and increase their value-added output. Then, with each performance in front of a live audience, productions improve and become

<sup>1</sup> The program was fully incepted by fiscal year 2003-2004, at which point it received parliamentary appropriation of \$25.7 million. This would be \$33.5 million in current 2018 dollars (using the monthly, not seasonally adjusted Consumer Price Index for April 2003 [102.4] and April 2018 [133.3]). The current parliamentary appropriation of the program is \$29 million.

ready to enter the competitive international markets, with the support of the Creative Export Strategy.

As the Minister of Canadian Heritage highlighted in her Creative Canada speech last fall: “a strong domestic market is vital. It’s a launch pad for homegrown talent and a precondition for global success.” The clients of CAPF constitute an important part of the domestic touring market for the performing arts sector, but they are underfunded and many more arts presenters operate without any support from CAPF or other federal programs.

Currently, CAPF is receiving \$32M per year. This includes a \$3M reallocation from the Fathers of Confederation Buildings Trust, which was incorporated as a fourth component under CAPF starting in 2015-16. The other regular program streams are: Professional Arts Festivals and Performing Arts Series Presenters (the main component), Presenter Support Organizations, and Development.

## Action

The Canadian Arts Coalition respectfully requests a \$30 million annual investment in the Canada Arts Presentation Fund in order to create synergies with other federal investments and to enable Canadian productions to be competitive both on the domestic market and on the world stage. This investment could be phased-in over three years, beginning in 2019-2020.

**Expect cost:** \$30 million annually (by fiscal year 2021-2022).

**Intended Beneficiaries:** Canadian festivals and presenters, and their audiences across the country.

**Impact:** Investment in CAPF would strengthen the Canadian presenting market, which would result in Canadian festivals being able to attract more foreign tourists and in Canadian performing arts productions to be more competitive at home and abroad. The impact would be felt in communities across the country, especially in rural communities<sup>2</sup> and among Indigenous peoples<sup>3</sup>. Last year the *Vital Signs: Arts and Belonging* study shone a spotlight on the power of the arts to build a greater sense of belonging to our communities, especially rural communities. In particular, the study found that Canadians who attend live music regularly were almost two times more likely to have a very strong sense of belonging to their city or town as a to those who do not attend.<sup>4</sup> With additional support from the federal government, presenters would be able to meet Canadian’s growing expectations for community-engaged arts activities and other forms of non-

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<sup>2</sup> While the CAPF already provides access to the arts in “more than 250 cities or communities across Canada,” (as reported by Canadian Heritage, <https://www.canada.ca/en/canadian-heritage/services/funding/arts-presentation-fund.html>, accessed July 23, 2018), there are still many remote and rural communities whose presenting organizations could expand the number, quality and diversity of the local arts programming if they had support from CAPF.

<sup>3</sup> “half of Canadians (52%) give positive ratings (i.e., very good or good) for the number of arts and cultural events and activities in their community. However, positive ratings are lower among Canadians living outside major urban centres (44%) and among Indigenous peoples (45%).”

Envionics Research Group, *Arts and Heritage Access and Availability 2016-2017*, 2017.

<sup>4</sup> Community Foundations of Canada and CAPACOA, *Vital Signs: Arts Belonging*, 2017.

traditional artistic experiences (site-specific performances, cultural mediation, etc.) that build bridges among participants<sup>5</sup> and with the arts.

## Recommendation 2

Recognize the professional status of **Canadian artists by implementing fair taxation** in order to establish a more coherent and predictable support and fiscal ecosystem.

### Rationale

Since April 2018, when the CBC wrote about sculptor Steve Higgins's negative experience with the Canada Revenue Agency, numerous artists have communicated with the Canadian Arts Coalition that the CRA has reassessed their tax returns that include income from public funders. Although the CRA has confirmed that they are not specifically targeting artists, the Coalition believes it is happening more commonly as of late because of confusion in the way that grants are reported by the Canada Council and interpreted by the CRA. The Canada Council for the Arts, and numerous other public funders, document project grants income on T4As. The income is initially reported in Box 105, however, reporting grant income in Box 105<sup>6</sup> equates artist's project grants with students' scholarships and does not facilitate the reporting all expenses related to artistic projects. It is paramount for artists to deduct the necessary related expenses, as any other business would.

Artists receiving Canada Council funding have undergone the rigorous peer review process and have clearly met the requirements for status as a professional artist. But national arts service organizations have heard repeatedly that the integrity of artists is being challenged by officers of the CRA. As a result, CRA officers' actions are not in line with the federal government's consistent support of Canadian artists over the last three years. The Canadian Arts Coalition highly recommends that the CRA's reassessment procedures be reviewed to better align with the realities of professional artists working primarily in the not-for-profit sector.

Additionally, the Canadian Arts Coalition recommends that the Canada Revenue Agency develop clearer guidance for all officers/auditors, and all granting bodies (such as the Canada Council for the Arts) in reporting to keep the distinction between student scholarships and Artist's Project Grants distinct.

### Action

That the Minister of National Revenue work with the Canada Council for the Arts to re-write the interpretation bulletin and change the reporting procedure for artists' T4As

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<sup>5</sup> 94% of Canadians consider that "arts experiences are a valuable way of bringing together people from different languages and cultural traditions." Foreign-born Canadians are particularly likely to strongly agree with this idea (71%, vs 60% among Canadian-born).

Envionics Research Group, *Arts and Heritage Access and Availability 2016-2017*, 2017.

<sup>6</sup> Box 105 is for scholarships, fellowships, bursaries, and artists' grants.

**Expected cost:** Less than \$1 million in foregone tax revenues<sup>7</sup>

**Intended Beneficiaries:**

This recommendation will benefit professional Canadian artists whose average income is just over \$30,000 according to the 2016 Census data. Additionally, the median income for creative and performing artists is significantly below the poverty line at approximately \$14,000 which underlines the urgent need for fair taxation policies for Canadian artists.<sup>8</sup>

**Impact:**

The positive impact of this recommendation will be felt by artists, by public funders, and by the CRA staff.

Currently, artists are overwhelmed by the reassessment process – which triggers phone calls to the public funders, especially the Canada Council. Currently, the National Arts Service Organizations and the Canada Council are fielding numerous calls to educate artists about their tax returns to encourage them to go through the reassessment, if they claimed the funding under other professional income<sup>9</sup> with all the necessary expenses.<sup>10</sup> After the lengthy reassessment process the majority of artists are not found owing anything. The CRA is spending considerable officer/auditor time on these files that require individual attention.

The positive impact of this recommendation would be expected efficiencies for the Canada Council and the CRA, but more importantly, taxation policy that is in line with the government's arts funding policies and priorities.

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<sup>7</sup> The Canada Council for the Arts paid out \$10.8 million in grants to individual artists in 2016-17. This represents income tax revenues of \$1.6 million. If artists were allowed to deduct expenses from grant income, the government could, in the worst case scenario, lose up 50% of these tax revenues, that is \$800,000.

<sup>8</sup> Statistics Canada, "[Employment income statistics by occupation](#)", data table from the 2016 Census.

<sup>9</sup> National Arts Service Organizations have heard from their members that most bookkeepers move the grant or award income to Box 128 "Other Professional Income" in order to deduct expenses, but thereby triggering the reassessment.

<sup>10</sup> In some cases, artist's deductions have been questioned without the officers researching what is necessary to undertake a creative project. It may not seem significant to have a few business-related expenses disallowed, but depending on what is excluded, it can have a major impact on an artist's bottom line, when they already live near the poverty line.

## **Request to Appear**

The Canadian Arts Coalition would welcome the opportunity to appear before the Standing Committee on Finance as we have not appeared since 2014. An invitation to appear can be emailed at [info@canadianartscoalition.com](mailto:info@canadianartscoalition.com).