

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget 2021

By: Samantha Postman, *MA, B. Mgt*

Social Action Matters: How Refunding Charitable Donations Stimulates the Economy

www.samanthapostman.com

Founder & CEO of SmartArrow Inc.

Founder & CEO of OneTribe Global

Co-owner & CFO of Prairie Land Farms Inc.

Lethbridge, Alberta, Canada

socialactionmatters@samanthapostman.com

- **Recommendation 1:**

That the government maximizes the potential of charitable donations to Canadian charities by implementing a transparent, flat 30% Refundable Community Investment Benefit (RCIB) on the T1 Individual Income Tax Return, replacing the complex and outdated Income Tax Act's Personal Non-Refundable Tax Credit for Charitable Donations.

- **Recommendation 2:**

That the government empower 2.2M Canadian corporations to give more to support charities by increasing their giving power with a Refundable Community Investment Benefit (RCIB) on the T2 Corporation Income Tax Return, replacing the current Charity Donations effective tax deduction rates.

- **Recommendation 3:**

That the government set Corporate Donation Tax Credit incentive rates equal to donation tax credits available to Canadian Individuals.

COVID-19 is like a forest fire, devastating our country and leaving behind a collapsed ecosystem. In the midst of crises, charitable organizations continue serving Canadians in need. Due to the COVID-19 pandemic, the demand for their services has exploded while their revenues and resources have plummeted.

Similar to replanting trees after a fire, our recommendations will work to restart the Canadian economy, rebuilding our vibrant ecosystem so that we can flourish again.

This is an opportunity to set the stage as a world leader in innovative compassionate care measures by using organizations and Canadian resources already in place. We can promote the culture of giving and compassion that Canada is known for now and for the future, modelling a word-class culture of socially sacrificial, entrepreneurial, Canadian values.

Let's tap into the power of collaborative social action from our community investment partners and stakeholders:

- Government of Canada
- Canadian Charitable Organization
- Canadians - Individuals and Couples
- Canadian Businesses - Corporations

We recommend the following action plan:

The Government of Canada must:

Wisely choose a smart economic stimulus plan with a good return on investment.

Unlock incremental philanthropic investment in our communities with velocity of money and money multiplier effects - using the Canadian tax system.

Implement measures at personal, corporate and charitable levels, activating cross-sector investing with quantitative and qualitative multiplier benefits and covering economic, social, health, education, thought leadership, art, culture, housing, environmental and other areas. Ensuring Charities survive to serve at our front lines.

Implement a more democratic, public directed social funding model. Re-framing charitable giving as an active community investment for all.

Ensure equal opportunity of shared social action reimbursement refunds are available to all Canadians and businesses, regardless of taxable income status - including the underemployed, seniors, students, women, single parents and indigenous peoples. These Canadians represent a powerful population of givers who would benefit by the valuable experience of reinforced generosity.

Adapt for this generation of givers. Due to technological advancements there is a need to restructure our philanthropy models. This change is driven by technological disruption and innovation. Modernly, donation receipts are provided to one personal or work email which gets lost in old threads and becomes inaccessible to partners and widows who could claim them. Originally, donations' benefits were designed in a time when income earning men paper-filed one tax return for his household, fully acting on behalf of his dependant wife and children.

Also address the out of date donation carry forward crisis brought on by the digital revolution, change in modern family finance structures and the Canada Revenue Agency's lack of tracking and reporting donation carry forwards on tax filers' Notice of Assessment.

Government of Canada

Economic Stimulus Plan: NEW Refundable Community Investment Benefit

This plan is simple, fair, clear, impactful and modernly democratic - public driven social funding model.

This plan activates Velocity of Money. It unlocks the stored wealth of financially strong Canadians and businesses, especially seniors with larger than needed savings. By guaranteeing them a reimbursement of social action giving, they will become community investment partners now and generously give now to help save our country and the causes they care about. Thereby, leaving a lasting legacy for future generations.

It activates Money Multiplier and converts all previous personal and corporate unused donations (up to five years stored carry forwards) to the new Refundable Community Investment Benefit for an immediate increased momentum of Canadians' spending, thereby immediately increasing our Gross Domestic Product and boosting the economy. Many of these credits would have been paid anyway over five years. Given COVID-19 climate, the quantitative and qualitative present value of storing these credits is worth less to the government and worth more if refunded now.


The economics of tax returns is like the game of Monopoly. The extra "\$200" you get for passing "GO" is a mechanic for money creation - it is critical to the ongoing health of our finance-based economy. Tax reforms act the same way.

The last page of the T1 and T2 is prime real estate like the game of Monopoly's Park Place and BoardWalk. People pay close attention to the last markers just *before* GO, where they collect \$200 with renewed excitement and energy. This last page is the primary section people openly discuss with friends and family.

Canadians earmark tax refunds as “spending money”, it is like “free money” to them even if the money was theirs to begin with. This “free money” goes straight into economic spending, is used to pay down debt to make room to spend more or gets re-donated to charity.

Up to 30 million men and women who annually file T1 Individual Tax Returns would experience additional benefits from this federal initiative.

Ultimately, the NEW T1 Refundable Community Investment Benefit look like this:



Canada Revenue Agency
 Agence du revenu du Canada

Income Tax and Benefit Return 2021

Step 7 – Refund or balance owing

Net federal tax: 42000

Tax paid by instalments	47600	+		
<div style="display: flex; align-items: center;"> <div style="font-size: 2em; margin-right: 5px;">➤</div> <div> Provincial or territorial credits Refundable Community Investment Benefit NEW (Complete Schedule 9.) Line 32 \$ \$\$\$\$ </div> </div>	47900	+		
	× 30% = 48000	+		\$\$\$\$\$\$\$\$

Add lines 43700 to 45700, and 46900 to 47900. These are your **total credits**. 48200 =

Line 43500 minus line 48200

This is your **refund or balance owing**.

=

If the result is negative, you have a **refund**. If the result is positive, you have a **balance owing**.

Refund 48400

+ \$\$\$\$

Balance owing 48500

- \$\$\$\$

Up to 2.2 million Canadian controlled corporations that annually file a T2 Corporate Tax Return would feel additional joy with this federal initiative:

The NEW T2 Refundable Community Investment Benefit would resemble this:

Canada Revenue Agency
 Agence du revenu du Canada

T2 Corporation Income Tax Return

200

Summary of tax and credits

Federal tax

Part I tax payable from amount L on page 8 700

Provincial and territorial refundable tax credits from Schedule 5

Refundable Community Investment Benefit from Schedule 2 NEW

Tax instalments paid

840	\$ + \$\$\$\$
850	
890	

Total credits

Refund + \$\$\$\$

Balance (amount A **minus** amount B)

Balance owing - \$\$\$\$

Canadian Charitable Organizations

Our charitable sector is critical to our social wellness and economy. 172,000 nonprofits provide services Canadians expect from federal, provincial and municipal governments.

“Our communities are greatly strengthened by organizations working in areas as diverse as health, [education], skills training, support for seniors, immigrant and refugee settlement, social services and poverty alleviation, arts and culture, places of worship, environmental protection and stewardship, amateur sport, animal protection, human rights and gender equality, international development, reconciliation, homelessness, refuge for people fleeing domestic abuse [and animal shelters]. Charities’ and nonprofits’ contribute to social capital and quality of life in Canada.”- Imagine Canada

Economic activity in the nonprofit sector totalled over \$169.2 billion in 2017, representing 8.5% of Canada's GDP.

Over 2.4 million Canadians are employed in the charitable sector, making it the nation's largest employer. Given that donations are also distributed to their employees, who spend money in the economy and pay taxes on their income, this is a sizable economic contributor.

Volunteering provides an additional \$41.8 billion of indirect micro economic value, a source of important labour. Volunteering provides a vital space for Canadians to develop work and life skills, leading to improved happiness and lifelong well-being-- benefiting Canada now and in the future.

Activating Donation Benefits For Canadians

“As a tax expert, I have prepared over 7500 tax returns and discovered most people do not understand complex tax credits; however, they understand refund, taxes owing and refundable benefits. 99% of my clients only cared and asked about the last page on the tax return.” -

Samantha Postman

Canadians are saying:

- *“As a single mom and low income family, charities have helped me get on my feet when I needed it. My family believes in supporting charities back. I really want to continue setting an example to my children. Since I can claim my children as dependants, I have been unable to receive the full 50% tax credit donation benefits back. We can't support our charities anymore given our current tax treatment of donations.”*
- *“As a university student, I don't qualify for a refund on charitable giving. My mom told me I didn't qualify to get any of my donations back. Maybe, I can get the government share later if I save the receipts and carry them forward in my own records for up to five years but, somehow my older brother got \$100 dollars back on his tax return for his donations over \$200. Why didn't I learn about any of this in school?”*
- *“Seems unfair that some of us seniors bear 100% of the social cost to help our community, we get no tax reimbursements. We want to donate more now while we can see the impact, not through our financial holdings after we die in 15-20 years.*

Canadian Businesses

2.2 million Canadian corporations annually give 4.5 billion in Canada - fourteen times that of the 350M federal support for charities issued on April 21.

If this community investment refund makes Canadian corporations feel only 5% more generous - their support boosts our charitable sector by 64% without the government spending a dime.

With the rise of customers supporting social enterprises and conscientious corporations - 88% of consumers prefer supporting companies who give - leading to increased customer interaction and spending. As a result, the economy is improved and profits increase which replenishes the treasury through taxation.

Canadian Corporations & Businesses are saying:

- *“Allowing private businesses to enhance their role in local communities through this initiative will help to ensure there is ownership to actively engage in solving social problems at a tactical level using private sector resources and expertise.”*
- *“As primary shareholders who also draw employee wages and dividends, our Charitable Donation tax credits are complex. If we make a donation personally, which is sometimes a more favourable tax incentive, then our corporation doesn’t benefit from the more generous tax offsets individual Canadians receive. Our company needs an increased capacity to invest more in social good organizations.”*
- *“This type of stimulus allows us to support our communities where it is needed immediately, with long term benefits that simply cannot be captured with government programs.”*
- *“Our firm has always held charitable organizations in very high esteem. We have been privileged to develop close relationships with these organizations and have continually witnessed their incredibly positive impact on the communities they serve. The services these organizations are absolutely vital in times of crisis like this.”*

Why must the Government of Canada act now:

Canada’s social deficit will grow faster. We have already surpassed the 2026 predicted 23 billion social deficit, increasing the staggering gap between the demand for services from charities and non-profits and the ability of society, primarily the government, to pay for them.

- Women and their children are disproportionately suffering the most, especially with their mental health. Charities have lost billions in revenue. This has resulted in massive layoffs for women, who make up 70% of their workforce. As a result, they are shifting financial and social dependence to the government treasury through increased child benefits, medical care and other government services.

The government will take many years to replace the charitable sector with new government infrastructure, costing the treasury up to 5x more than NPO’s provide. Soon, the senior population will be one in four.

Testimony of Success:

“As a charitable organization, we believe the refundable charitable donation benefit will ensure we can provide support to those relying on our philanthropic activities and continue these operations in the future. Rewarding Canadians to give more will go a long way in preventing charities from collapsing. We support this proposal because it encourages generosity in Canadian taxpayers which directly benefits the people of Canada. Furthermore, such a stimulus program will certainly create a larger donor base nationwide, making more businesses, entities, and individuals willing to partner with charities like us. We are feeling the financial impacts associated with the pandemic, like many other charities, which is why it is vital to provide these tax incentives to all Canadians now.” - Bridges of Hope

The time for bold decisive action from all levels of government to stimulate the economy and support our neighbours is now. Combined, these proposed measures could unlock incremental philanthropic investment in our communities that could have a multiplier effect far greater than the initial donations made.

Let's rebuild Canada together.

Action Plan

Communications Strategy

via www.samanthapostman.com.

About the Author: For over twenty-one years, Samantha established and nurtured relationships for diverse clients and industries through: tax strategy, investment and tax advising, tax returns, financial assessments, law, corporate tax and various government agencies. Samantha has over thirty years of diverse volunteerism and credits the Charitable sector with helping her thrive despite her broken past.

Resources compiled from:

- [Statistics Canada](#)
- [Senate Special Committee on the Charitable Sector's Catalyst for Change](#) report.
- [Imagine Canada](#)
- [Cardus](#)
- [CanadaHelps](#)
- [Canadian Council of Christian Charities](#)