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Chair

Mr. James Rajotte

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● (1530)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 40th meeting of the Standing Committee on Finance, with our orders of the day pursuant to Standing Order 108(2), a study of tax incentives for charitable donations. I want to thank all of our guests for being with us here this afternoon.

First of all, we have as an individual, Mr. Donald Johnson, who is a member of the advisory board of BMO Capital Markets. Secondly, from the Canadian Association of Gift Planners, we have Mr. Robert Kleinman. From the Canadian Land Trust Alliance, we have Ms. Karen Cooper. Welcome. From Imagine Canada we have Marcel Lauzière, who is president and CEO. We have two United Ways: from United Way of Burlington and Greater Hamilton is CEO Mr. Len Lifchus—I hope I am pronouncing that correctly—and our final presenter will be from the United Way of Canada, Mr. Allen Hatton.

You each have five minutes for an opening statement. We'll begin with Mr. Johnson.

Mr. Donald Johnson (Member of Advisory Board, BMO Capital Markets, As an Individual): Good afternoon, ladies and gentlemen. Thank you for providing me with an opportunity to participate in this important hearing on tax incentives for charitable donations. l'm appearing today in my capacity as a volunteer board member of four not-for-profit organizations in each area of the charitable sector—health care, education, social services, and the arts. In this capacity, my responsibility is not only to provide oversight and guidance to the management of these organizations, but I am also actively involved in fundraising from the private sector and donating personally.

The fiscal challenges facing the federal, provincial, and municipal governments are also creating fiscal challenges for our vital not-for-profit sector. With governments at all levels reducing their deficits by focusing on spending cuts and restraint, our charities desperately need additional funding as the demand for their vital services continues to grow, especially for health care and education.

The removal of the capital gains tax on gifts of listed securities has been an enormous success. The initiative began with the Liberal government in 1997 and was completed by the Conservative government in 2006, with the support of the NDP, as well as the Liberals and the Bloc Québécois. Since 2006, our charities have received over $1 billion every year in the form of stock donations.

You now have an opportunity to capitalize on this success by expanding the capital gains tax exemption to include gifts of two other appreciated capital assets: private company shares and real estate. Both are exempt in the United States, and it is estimated that removal of this tax barrier to charitable giving would result in an additional $200 million per annum of incremental donations, at a cost to the federal government of only $50 million to $65 million.

Concern about valuation abuse can be addressed very simply. The charity could not issue a tax receipt to the donor until the charity has received the cash proceeds from the sale of the asset. Furthermore, if the purchaser of the asset is not at arm's length from the donor, the charity, not the donor, would have to obtain two independent professional appraisals to confirm that the value received by the charity for the sale was fair market value.

These measures would help level the playing field for our hospitals, universities, arts and culture organizations, and social service agencies who are competing with their U.S. counterparts for the best and brightest talent. In addition, entrepreneurs who create and build companies and keep their companies private would have the same tax treatment for donating shares in their companies as entrepreneurs who take their companies public.

Understandably, many of the 107,000 members of the Canadian Federation for Independent Business would be supportive of this change. Also, because municipalities derive their revenues from property taxes, not income taxes, members of the Federation of Canadian Municipalities would also be supportive. Not-for-profit organizations in each of their communities would benefit from these increased donations. We urge your committee to recommend that Finance Minister Jim Flaherty include these proposals in his upcoming budget.

Thank you for this opportunity.

● (1535)

The Chair: Thank you, Mr. Johnson.

We will go to Mr. Kleinman now, please.

[*Translation*]

Mr. Robert Kleinman (Executive Director, Jewish Community Foundation of Montreal, Canadian Association of Gift Planners): Hello. I represent the Canadian Association of Gift Planners. I am accompanied by our Executive Director, Diane MacDonald.

We have over 1,000 members. Our expertise is in the area of planned giving and legislation respecting planned giving.

I am the Executive Director of the Jewish Community Foundation of Montreal and was previously a tax partner with Zittrer, Siblin, Ernst & Young.

[*English*]

Our association, CAGP, has three proposals, which we've outlined in our brief.

The first is the stretch tax credit. This was designed by Imagine Canada and has been talked about for a few years. As a nation, we are losing donors, which is troubling. More particularly, we are losing young donors, the young adults. Consequently, we have to change this movement and do something different. We have to change the paradigm, the agenda, and the discussion around the water cooler to civic involvement and charity. This requires leadership. We think this stretch tax credit can be one tool in moving Canadians to greater civic involvement, and this requires leadership from Parliament.

The second and third proposals we have are the capital gain exemptions on real estate and private company shares. When we're talking about private company shares, we're talking about something that's part of a unique system in the world.

The Canadian tax act is very unique, and how it treats corporations is unique. It motivates Canadians to create small businesses and put them in companies. They pay a lower rate of tax in that corporation. If they pull money out, they'll pay tax on dividends and salaries. But for the most part, if they don't need the money personally, they're going to keep it in that company and not pay that second round of tax. They're going to move it into holding companies. They're going to build wealth in their companies. That's different from the Americans.

So we need something to unblock that wealth—to move wealth from the wealthy to the public good—where a lot of it is in the hands of these corporations and holding companies. We believe this capital gain exemption on the transfer of private company shares to charities can be a great tool in providing that unblocking. This isn't for Bay Street. This is for coast-to-coast small businesses that have grown, that have done well, and that are the backbone of our economy, and whose turn it is to provide extra dollars to charity. We got that from the marketable securities from Bay Street; we got it from them, and they've done great. Now it's the others' turn.

Now, real estate is also another asset that is widely owned by Canadians across the country. Also, in some sense, there's an inability by some holders of real estate to dispose of it. The tax treatment is onerous because there is a tax shelter to real estate, and when you sell it, you pay back tax that you've saved. So sometimes they don't want to sell; they hold on to it. But we think the capital gain exemption is another way to unblock the movement of the value in real estate to charities. And when I talk about the movement of real estate, it's not the real estate; it's the cash.

At the end of the day, the CAGP, in examining these provisions and looking at it from a fairness point of view and the right way of doing it.... We've looked at the legislation currently in the Income Tax Act and we see that for gifts of non-arm's-length private company shares, sitting in the Income Tax Act today there are restrictions. The restrictions involve obtaining cash for those shares within a five-year period.

So we want to mirror the existing legislation used by CRA today, to their satisfaction, which indicates that for gifts of real estate or private company shares we have five years to monetize those gifts. If they are monetized within the five-year period, then that capital gain originally taxable on the transfer will be reversed and exempt. We want to use the same legislation.

● (1540)

The Chair: You have one minute.

Mr. Robert Kleinman: The second issue is valuation. By using cash as the king of what happens, that alleviates much of the valuation issues, because it's easy to value cash at the end of the day.

I thank you very much for giving me the ability to come here and speak. It's a great honour to be here.

The Chair: Thank you for your presentation.

We'll hear from Ms. Cooper now.

Ms. Karen Cooper (Director, Canadian Land Trust Alliance): Good afternoon.

My name is Karen Cooper. I'm a tax practitioner. My clients are largely charities and NPOs. I also teach the law of charities at the University of Ottawa. However, I'm not here in that capacity. I'm a volunteer and a board member with the Canadian Land Trust Alliance.

The Canadian Land Trust Alliance is a national land trust alliance that represents a membership of 55 land trusts across the country. We also work with the Land Trust Alliance of B.C., the Ontario Land Trust, and the Alberta Land Trust, which also represent local organizations.

What is a land trust? It's a charity whose principal objective is to provide long-term protection and management of ecologically sensitive lands. So these are land-based registered charities.

Land trusts can own this land outright, and they sometimes have conservation easements, so that's a right to have a say in the long-term protection of the land.

There are about 200,000 individual members and donors. We've got about 20,000 volunteers involved in the land trust movement in Canada.

They've done a lot over the last few years to get their house in order, including the development of detailed standards and practices that all members have to adopt in order to be a member of the Canadian Land Trust Alliance. In addition, most land trusts are eligible recipients under Environment Canada's ecological gifts program. To be an eligible recipient under the ecogifts program, you have to adhere to the Canadian Land Trust Alliance's standards and practices. To date, over 920 ecogifts have been made, with a total value of $577 million, including 141,000 hectares of wildlife habitat.

Why are we here today? We have two recommendations to the committee. The first is an extension of the carry forward provision for ecological gifts to a minimum of 10 years. The reason we're saying to extend the current five-year carry forward to 10 years is because the gifts we deal with are ecogifts, they're large gifts, and very often the availability of the credit can't be used within the five-year period prescribed in the act.

This is particularly the case for lands under significant development pressure. We're talking about coastal land, waterfront property, the last little bit of undeveloped land on the outskirts of Calgary. All of that land comes at a high value, and very often the donors aren't high income to match. They're referred to as cash poor/land rich donors. So by extending the carry forward to 10 years, you give those donors a longer opportunity to benefit from the ecological gifts program.

The cost to the government of extending this carry forward is minimal, if any, because in fact the donor already has the entitlement to the credit. What's falling off the table at the end of the six years in total is their ability to claim it.

As I said, these are large gifts. The average value is about $600,000, if not more these days. Because of that, donors tend to divide their gifts. Sometimes it'll be half the land one year and six years later they'll do another half. Sometimes they'll provide the conservation easement one year and then the underlying title in their will. Multiple donations over time increase the cost to the government of administering the program and they also increase the transaction costs for our members.

The Chair: One minute.

Ms. Karen Cooper: Our second recommendation is, of course, to support Imagine Canada's proposal of a stretch tax credit for charitable giving. Not only are land trusts involved in ecological gifts, they also require increased donations for their stewardship funds. In effect, they use their stewardship funds to care for that land. It's one thing to have the land; it's quite another thing to have the money required to maintain, protect, and preserve that land in perpetuity. Our members view the stretch tax credit as an important opportunity to increase the tax benefits to your regular everyday donors, who are the donors who give our members the bulk of their stewardship funds.

Thank you for the opportunity.

● (1545)

The Chair: Thank you.

We'll now hear from Imagine Canada.

[*Translation*]

Mr. Marcel Lauzière (President and Chief Executive Officer, Imagine Canada): Thank you, Mr. Chair.

I am happy to appear today before the Standing Committee on Finance.

Imagine Canada is the voice for the charitable sector in Canada.

[*English*]

Today I'd like to talk mostly about the stretch tax credit, which is the focus of our brief. I want to talk about it because we feel it's an innovative and exciting policy proposal that we believe will make a real difference for charities and for Canadians.

This is actually about challenging Canadians of all walks of life to give and to give more. This is about changing behaviour. At Imagine Canada we like to say that everyone can be a philanthropist.

In developing the stretch tax credit we had two broad public policy goals in mind. The first one was addressing the shrinking donor base, and you've heard about that in the hearing of last week. The stretch is about strengthening and broadening the donor base starting tomorrow morning, but also for the next 5, 10, 15, 20 years. This is about, as I said, changing behaviour.

But the second policy goal is also about promoting engagement because we do know there is a direct relationship between giving and volunteering, between giving and civic engagement. So this is also about Canadians taking ownership of their communities. We see this as a unique opportunity for broadening the donor base and building community engagement.

As you know well, when you develop new policy or you think of new policy, you ask yourselves a number of questions. We've asked ourselves a number of questions.

The first one is, is it affordable? Imagine Canada is very conscious that the federal government is in a deficit situation, that it wants to eliminate the deficit, and of course Canadians also support that. We are certainly concerned about that, but we feel this is a cost-limited proposal. The Parliamentary Budget Officer did the numbers in the brief—between $10 million and $40 million a year. What's interesting to also remember is that the tax credit, and so the government cost really, only kicks in if behaviour actually changes. So there's only a higher tax credit if there are more dollars going to charities, if people are actually changing their behaviour, and that, I think, makes it quite different from a number of other tax credits. It really only kicks in if that behaviour changes. So that was the first question we asked ourselves: is it affordable?

The second one is, is it equitable? We believe this is really for Canadians of all walks of life. Successive governments have done, I think, very good work in the last few years in terms of measures to help wealthier or affluent Canadians become good philanthropists, and that has made a huge difference in terms of the dollars coming into the charitable sector to support Canadians. Overwhelmingly, those dollars have gone to universities, hospitals, and large cultural institutions, and that's a good thing. But the stretch is actually about levelling the playing field to ensure that Canadians of all walks of life also hear the message that they can be philanthropists. It's also about ensuring that the dollars actually go to charities that are small, that are large, that are urban, that are rural. So there really is, I think, something very equitable about the stretch.

Finally, we asked ourselves: does it actually have the support of Canadians? We worked with Ipsos Reid, which did a survey of over 1,000 Canadians across the country; 82% of those surveyed said they were in favour and supportive of the stretch tax credit.

Essentially, low cost, equitable—it means the broadest number of taxpayers will benefit the broadest number of charities, and it has the support of Canadians. For all of these reasons, we hope the finance committee will be supportive of the stretch.

As charities look at broadening the donor base, they are also mindful to continue to deserve the trust and confidence of Canadians. This is about transparency, accountability, and governance. Imagine Canada will be launching two major initiatives in the next few weeks. The first one is called “Charity Focused”. This is going to be a one-stop portal where Canadians will be able to have easy, user-friendly information about the 85,000 charities that exist in Canada right now. This has come.

The Chair: One minute.

Mr. Marcel Lauzière: We've been able to build this portal with the funding from the Canada Revenue Agency. That, I think, is going to be a game changer and will help Canadians to make their own decisions. I'd love to be able to give a demo to the committee down the road if you're interested.

The second one, and I'll finish with this, is that we're launching a standards program, an accreditation program for charities, so that they can show Canadians they have the systems and policies in place to be effective organizations, because we know that's what donors, funders, and volunteers are looking for. That, I think, is playing a leadership role worldwide and we're quite excited about that.

● (1550)

[*Translation*]

I am going to stop here. I'll be pleased to answer your questions, in French or in English.

Thank you.

The Chair: Thank you very much.

[*English*]

We'll hear from Mr. Lifchus, please, your presentation.

Mr. Len Lifchus (Chief Executive Officer, United Way of Burlington and Greater Hamilton): Thank you, Mr. Rajotte and members of the House of Commons Standing Committee on Finance.

My name is Len Lifchus and I'm the chief executive officer of the United Way of Burlington and Greater Hamilton. I'd like to thank you for the opportunity to address you today on the needed tax incentives for charitable donations.

I've had the pleasure of working in the not-for-profit sector for 34 years, the last 17 as the chief executive officer of United Way in Kelowna, Peterborough, and now Hamilton-Burlington. Over the course of my career with United Way I've had the privilege of meeting many of the donors whose philanthropy has provided such essential programs and services in their communities. Some support of many of these programs has become particularly crucial and urgent because of funding changes to programs previously supported by all three levels of government.

From my experience, there is a broad spectrum of people who support Canadian charities. Most of our donors are middle-income earners working in the private sector. Still others are blue-collar workers, and many work in the public sector. Some of our donors are low-income wage earners who have experienced poverty and want to help in any way they can, knowing from personal experience just how difficult life can be. Some come from very affluent backgrounds and have the ability to give very generously.

In Hamilton and Burlington our campaign has grown from $6.4 million in 2007 to $6.9 million in 2011. Corporate giving has grown from $1.5 million to $1.6 million in that same period, although the number of corporate donors has declined. As well, the number of individual donors has also declined, with fewer donors giving more money.

When I look at our investments in local programs and services, the demands far exceed our capacity. In fact, this year we anticipate a $600,000 shortfall between requests for funding and the amount of money we will actually be able to raise. We currently support 133 programs and services provided by 73 agencies in these two communities. Last year these agencies reported over 291,000 client visits. What is very much needed is a shift in philanthropic thinking. We must find new ways to encourage more individuals to step up.

I know that some argue that it is government's responsibility to provide for all social programs and services, but I am not foolish enough to believe that the government can or should be the sole provider of social services in our country. Changes to the income tax laws, similar to what is being proposed by Imagine Canada's stretch tax credit for charitable giving, provide an incentive to individuals to increase their philanthropic efforts. This is one method of rewarding those individuals who make a personal financial contribution to the social health of their community.

As a funder, I ask that changes to the tax legislation be made a priority. If additional dollars are not raised by the charitable sector, we will increasingly be faced with the prospect of defunding programs that our communities have come to depend on. The stretch tax credit is an easy win for us all, providing needed dollars to benefit all Canadians. You can greatly assist us by ensuring an enabling and predictable regulatory environment for Canadian charities that supports the important work we do. We are very proud of our partnership, and together we can ensure that a strong, vibrant, and secure Canada is available to all.

Thank you.

The Chair: Thank you.

We'll hear from Mr. Hatton now, please.

Mr. Alan Hatton (President, Chief Executive Officer, United Way of Canada): Thank you, Mr. Chair.

Well, we've been very active with Imagine Canada, and we also support the stretch tax credit. And obviously Len spoke before me, so as an organization, we do support this particular tax measure.

I want to talk a bit about what's going on in the sector, because I think that's really critical to keep in mind here.

At the end of the day, this is about strengthening civil society. We are the largest funder of health and social services in the country outside of government. Each year now, we raise in excess of $500 million. The vast majority goes into thousands of organizations in communities right across this country.

I know, from talking to two or three of you earlier, that you've been involved in either Centraides or United Ways.

There's been a lot in the press these days about advocacy and transparency, in a certain way a distortion, I think, of what's actually taking place on the ground with charities. I think it's important to keep that in mind, because whatever decisions you make about how to support charities, it's critical if we are going to have a strong society made up of strong governments, a strong private sector, strong labour, and also strong community groups.

We engage more than 200,000 volunteers in United Ways across the country, and we have 900 full-time staff. So we are very engaged in economic development just in terms of the activity we generate in local communities.

What we're about now is actually innovation: measuring and trying to create results in local communities so that we can really talk about not where the money comes from and how much money we raise but about what we actually do with the money in local communities.

This is about solving social problems long term. For us, it's less and less about shelters and food banks and more and more about how do you create more housing? How do you get people out of poverty? How do you create jobs? How do you reduce discrimination in communities? The latter is what divides people.

To do this, we have to engage volunteers, donors, and citizens much more profoundly than in the past. If we're talking about long-term impact, this is much more challenging. Reducing poverty costs a lot more than investing in a food bank. Both are necessary, but if you're going to solve these problems, you have to be in this long term.

So our role is increasingly complex. In a sense, if we're going to do the old work, which is important—namely, supporting specific organizations to meet vulnerable people's individual needs—we also need to have companion strategies long term.

What do we see now on the road, as other panellists have said? We see governments cutting back at all levels and investing less and less in the not-for-profit sector. More and more will be going to health. More and more will be going to education. That means, frankly, in the social domain, less and less will be going to agencies on the ground in communities.

The private sector is very committed to supporting communities in their area, but they don't have the resources to do that. They're under more duress to make profits, and charity for them is more and more strategic. That isn't necessarily in the best interests of the total community. It's not bad, but it's not actually solving some of the deep problems we see in communities.

We also see that those organizations are now dealing with clients who have issues that are much more complex, that are multi-faceted, that cross over various fields. We have to be thinking more strategically about that.

Where's the pressure coming for us? It's not to deal with those issues; it's to be more transparent, to fill up more reports, to follow more regulations. Those are all important, but that isn't the critical work we ought to be talking about as Canadians, and that really has to be addressed.

For us, as we look forward and ask, "Where are new streams of resources coming?", the stretch tax, for all the reasons that Marcel said, I think....

Do I have one minute left, Mr. Chair, or one second?

● (1555)

The Chair: One minute.

Mr. Alan Hatton: Thank you.

Basically we support that, because for us it's broadly based. It's a way in which we can actually change donors' behaviour. This is critical. This is a long-term investment. If we get donors, our experience is that once we get people engaged in volunteering, engaged as donors, we have them for life—unless we don't deliver. And then, rightly so, they should go somewhere else.

Our sense is that this is a way to change behaviour for Canadians, and for us that's a long-term investment, because the work we're doing now, if we're to honour what donors want, what governments want, what communities want, which is long-term impact, is work that is more expensive than ever.

Thank you.

The Chair: Thank you for your presentation.

We'll start members' questions with Mr. Julian, for five minutes.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair.

I'd like to thank all of our witnesses for coming forward today, because of your testimony but also because of the good work your organizations do in the community. You make a terrific difference right across the country, and we thank you for that. I was involved in leading a United Way agency before I was elected to Parliament, and I know what a difference the work that each of you does can make in a community. I'd like to commend you.

Now, what we're going to be struggling with over the next few weeks really is that balance between providing that additional support for the charitable sector and making sure the dollars are well spent and the dollars that governments contribute actually go to help support the programs. So I'd like to start with the issue of the stretched tax credit.

I understand that a number of you are speaking very clearly in support of it. I'd like to get a sense from you of what you think the cost to government would be, what the cost to taxpayers would be, and what the benefits would be, in very concrete terms. I'd like to start with Mr. Hatton and Mr. Lifchus, and then, of course, hear from Monsieur Lauzière and Mr. Kleinman.

● (1600)

Mr. Alan Hatton: I think for us the advantage is that a donation that comes in to us is actually unencumbered. I don't mean that we use it foolishly, but that we can actually be really strategic. So many other grants, so many other projects, and so many other resources that come in are very targeted and have a lot of strings attached.

The beauty of this—people donating to something they believe is important, whatever that charity is, right across the country—is that it actually allows that charity to do some of the innovative things and some of the things they can't get resources for through other means. That's probably the main thing.

The second is the fact that it's broadly based. For this, it doesn't matter if you contribute a hundred dollars, a thousand dollars, or several hundred thousand dollars: every person can be challenged to make a contribution. It's broadly based.

On the cost to the treasury, as Marcel said, we've done some preliminary studies and we've had discussions with Finance. It's hard to say, but as Marcel says, this only kicks in when people actually make a contribution, so I think it's something we can measure year upon year and adjust as time goes on.

Mr. Peter Julian: Monsieur Lauzière.

Mr. Marcel Lauzière: Yes, to add to what Al was saying, there's a dual policy goal here, which I think makes it really unique. The first one, of course, is to rebuild. I shouldn't say that it's to “rebuild”, because it's still very strong, but it's to strengthen and broaden the donor base for years to come. We often forget that many, many charities, the vast majority of charities in Canada, actually do their great work through very small donations, not through very big gifts. It's really the small donations in that engagement with communities: that's how they actually do the work. That's what the stretch is all about.

So that's the first goal. It's to challenge Canadians and remind Canadians that if they give $30, $100, or $200, that makes a huge difference to their particular community. That's the first goal.

The second one is that we know there's a real link with people who are volunteering, people who want to get civically engaged. Al was saying earlier that once donors are on board, very often they stay on board. I think the stretch is something that would be very helpful on that front.

Also, I think it will allow charities to have an extra tool in talking to potential donors and the donors they already have. The idea of the stretch is to get people to constantly think of stretching their dollars. If last year they gave $300, why wouldn't they try to give $350 the next year and maybe $400 the next year? It's that whole idea of stretching and of challenging. In that sense, I think it's a tax credit that is very different from other tax credits that have come forward.

The Chair: You have one minute to comment briefly.

Mr. Robert Kleinman: We don't have the exact figures. Let's just break it down to see what it really is. It's a 10% added bonus, right? So they would be entitled to the normal credits that they would get. We're talking about a 10% bonus. We're not talking about wealth. For people who've donated more than $10,000, it doesn't affect them.

So if you're talking 10% and you're saying that if this can create an extra $300 million, that's a $30 million cost. That's the way I would put it. We can't picture.... We can't get the numbers without Finance, really, based on estimates, to really say what this could be. But if you add $300 million of new additional giving by a group of Canadians, that would cost you $30 million.

The Chair: Thank you.

Thank you, Mr. Julian.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I also would like to reiterate the thank you for the great work that your organizations do. I think every single community is much richer for these important organizations and how they contribute.

I've had people come into my office who have spoken very enthusiastically about the stretch tax credit, whether it be some of our artists or other groups. Then—I don't know if you read the notes from our last meeting on this particular issue—all of a sudden I had what felt like a bucket of cold water dumped, in terms of the stretch tax credit and where it might actually go, which was anywhere from some research indicating that the tax credits were marginal versus other research that said it really did change behaviour.

There was a certain caution that was put out there—that tax equity is an important principle for tax policy—because you would have different tax treatments for individuals who had made identical gifts in a particular year. There were also some concerns about people gaming the system, that it was complicated, and it would be open for gaming in terms of what happens.

It would be really beneficial for me to hear your response—again, I'm not sure you had the opportunity to actually read some of the comments made in that meeting—and for you to share your thoughts with me about what they expressed as concerns about a stretch tax policy.

● (1605)

Mr. Len Lifchus: If I could quickly respond to that, having analyzed our specific donor base in Hamilton—Burlington, our more affluent donors give the same donation every year. A $10,000 donor gives $10,000 every year. It's consistent. You call and they say, “Count me in.”

We see this as a real win for middle- and low-income individuals, who will be encouraged to give more. That's really the heart and soul of our donor base. That's the group that we tend to try to move into leadership categories from the $500 to the $1,000 to the $2,500. That, for us, would be a real win, because that's a motivator for people who are looking for incentives to help give.

The other benefit we believe would be borne by such an initiative is that while there may be a slight drop in revenue to the federal government, there will be less reliance by our agencies on funding by government to deliver programs and services, in which case they will have the needed resources and the waiting lists will be reduced. It becomes an indirect win in our local communities.

The Chair: Mr. Lauzière, do you want to—

Mr. Marcel Lauzière: I'll maybe just speak on a few points.

On what research shows in terms of tax incentives, surely no research will show that 100% of people give because of tax incentives. That's clear. But pretty much all research has shown that it does play a role. The CSGVP, which is a big Statistics Canada survey on giving and volunteering that is done every three years, shows that just over 50% of Canadians said they would give more if the tax credit was more generous. The survey we just did with Ipsos Reid shows that 82% of people were favourable. One of the academics who appeared before you last week showed that her research was actually showing the same thing. It's not the only thing, absolutely, but we think it could make a real difference.

It's different from simply hiking the tax credit. The stretch element to it, in our sense, really would allow us to challenge Canadians and make it into something where.... We remember ParticipACTION. We remember that type of thing where we called upon Canadians to go further than they could actually go, or had gone in the past. The stretch element makes that so. It's a tax credit, yes, but I think the stretch is a bit different.

On the gaming front, these are essentially small donors. Some people will always be a bit more strategic in the way they do things. The experience we have had is—and I'm sure people like Len, who are very close to the people who are making those donations, would agree—very few people I know would want to hurt a charity, or push the money they want to give to the charity back out because they want a few more tax credit dollars in their pockets. That could happen. I really don't think that's how Canadians think of things, generally.

The last point is on the awareness of the tax credit. We feel that if this were to go forward, the Canada Revenue Agency would then be able to tell Canadians on a yearly basis, as they do for the RRSP, how much they can actually put into the whole stretch tax credit idea. That, I think, would raise awareness of the tax credit in a major way and would make a big difference.

Many Canadians don't know the tax credit actually exists. This would be a way to raise awareness and let Canadians know this is out there, and at the same time challenge them.

The Chair: Thank you.

Thank you, Mrs. McLeod.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair.

Thank you to each of you for appearing before us today.

As we're making our considerations during these times of tougher budget decisions, it's really important that we consider what the real cost is to government. Some of you alluded to the reality that the Department of Finance attributes a tax expenditure figure—I believe they said $34 million a year, for instance—for the capital gains exemption. In reality, that is based on the assumption that the disposition of the shares would have occurred in any case, which we know is quite possibly not the case. Realistically, as a committee, it's really important, when considering the actual costs to government, to consider that the attributed costs the Department of Finance uses do not really reflect the actual costs. In fact, the actual cost could be a lot less, and in many cases could be nothing, because the shares would not have been disposed of otherwise.

I want to delve into this whole issue of the contribution of private equity and the elimination of capital gains tax on those donations. It strikes me that, particularly in rural and small town Canada, there are a lot of small town millionaires who've done very well. They are not super rich people, but they've done well. They could contribute significantly some of their wealth to the non-profit sector. This comes at a time when there are a lot of succession issues as well for these business people in their 60s and 70s in rural and small town Canada, whose children may be in Montreal or Toronto or Vancouver or Calgary. What do you see as the potential to potentially unleash a generation of wealth to charities in rural and small town Canada as a result of eliminating the capital gains tax on gifts of private equity?

● (1610)

The Chair: Go ahead, Mr. Johnson.

Mr. Donald Johnson: You make a very good point. The catalyst for major donations—eliminating the capital gains tax on private company shares—would be at a time when the entrepreneur is deciding to retire and the children aren't going to take over the business. The owner is going to end up selling the business. That would be a catalyst for significant, increased charitable donations. It would also give the owner of the private business the same tax treatment as the entrepreneur who starts a public company and donates his or her shares to charity.

Hon. Scott Brison: Potentially, small town and rural Canada is suffering. There's a lot of difficulty attracting non-profit capital to those communities, so it could really make a big difference in the kinds of communities I represent.

In terms of land donations and eliminating capital gains tax on gifts of land, I'd appreciate your views on agricultural communities, in particular, such as the Annapolis Valley, which I represent, where there's a lot of pressure on farmers in terms of development. Their main asset happens to be their land. Many of them would like to see their farmland preserved for agriculture. There are land trusts now being developed and funding raised from community members.

I'd appreciate your views on the capacity to help, not just in terms of parkland and recreational properties but also in terms of helping to preserve prime agricultural land in places like the Annapolis Valley. I think that should be part of your pitch as well.

Ms. Karen Cooper: Thank you for the question.

The program for ecological gifts is limited to ecologically sensitive land. The way the federal government and provincial governments have a say in the criteria for what is ecologically sensitive very often includes the protection of agricultural land as land that qualifies as being ecologically sensitive. There are a number of land trusts, in fact, that are farmland trusts. Their objective is to protect prime.... It's not necessarily agricultural land in a commercial sense. Certainly, farmland trusts do exist, and if they meet the ecological sensitivity criteria, they are the subject of a number of ecological gifts.

There's a great big gift, out in Alberta, of one of the original ranches from back at the turn of the century. That ranch is now going to be preserved in perpetuity as grazing land and as ranch land, and it will be protected from the development coming out of Calgary.

The Chair: Thank you, and thank you, Mr. Brison.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and I'd like to thank the witnesses for being here today. It's great to see you.

I'm going to pick up where Mr. Brison left off, on the capital gains on real estate and just how that would work. Mr. Johnson, I'll probably direct a lot of my questions to you. It's just that I only have five minutes. I'll maybe stick to one area and hope that my colleagues will pass on to you.

When we talk about capital gains on real estate, what you're proposing is that you'd be able to donate real estate without paying any capital gains. Is that correct?

● (1615)

Mr. Donald Johnson: Yes, that is correct.

Mr. Randy Hoback: I'm wondering then, would we not see in tax planning instead...? A person who is looking at giving that year—he has $100,000 he'll donate to charities or he can give land. Now, if he sells the land and gives it to you, he'll pay 50% tax, or he can just give you the $100,000. Won't you just see substitution in tax planning? It doesn't necessarily increase the money given, but just on what type of giving actually happens.

Mr. Donald Johnson: I think most of the gifts of land and real estate would be incremental to what the donor would normally be giving. If the donor's current capacity to give is his or her ability to donate cash, and they own a significant asset in the form of real estate, which has a low cost base, they're just going to hold onto that real estate. However, if you remove that tax barrier to giving, then they do have the capacity to make a much more significant gift.

Under the Canadian Income Tax Act, the real estate would not actually have to be transferred to the recipient charity. The individual could sell the real estate and donate the cash proceeds, or a portion of the cash proceeds, to a charity within 30 days and still be exempt from capital gains tax.

Mr. Randy Hoback: Under that process, then, you'd have 30 days. If I intended to give you real estate, you would say, okay, go ahead and sell it; you've got 30 days to sell it and then donate it. Or you'd have to donate the cash after you've sold it, within 30 days. Is that correct?

Mr. Donald Johnson: You'd donate the cash within 30 days of having sold the asset.

Mr. Randy Hoback: So if it took a year to sell or two months, it doesn't matter?

Mr. Donald Johnson: It's better for the actual donor to sell the real estate than to transfer the real estate to the charity because charities typically don't have the capacity to address all the issues associated with real estate. The owner of the real estate would know all that and would know who the best buyer of the real estate asset was.

Mr. Randy Hoback: That makes sense, because why would a charity want to be disposing of land? That possibly creates other issues if they're the ones disposing of it.

How do you square this with the taxpayer who makes donations but who doesn't have land? When you look at a situation where... because a taxpayer has donated land, he's avoiding capital gains exemption. If I'm a taxpayer who makes a wage of $1 and I'm going to pay charity, well, then I'm not getting that tax-exempted. So how do you appease those who say you're giving unfair advantage to people donating land versus people donating cash?

Mr. Donald Johnson: On Scott Brison's point, if the donor is responsible for paying a tax on the donated asset, then in the vast majority of cases they're simply going to hold onto the asset. So the government is not going to get the capital gains tax revenue because the donors simply hold onto the asset, whereas if you remove the barrier to giving, they will donate the asset. So, effectively, the cost to the government is the charitable donation tax credit, similar to cash.

The government is giving up a foregone capital gains tax, but in reality it's sort of a discounted present value of a future capital gains tax. In the vast majority of cases, the individual would simply hold on to the asset rather than sell it.

Mr. Randy Hoback: So the next owner who purchases the land will have capital gains when he goes to sell that land, and then the government would recapture it at that time.

Mr. Donald Johnson: Also, with gifts of real estate, when the donor sells the real estate, if it's, say, commercial real estate, they've had the tax benefit of the amortization of the cost of that real estate. There would be a recapture of the amortization of the asset, so they would be paying tax on the recapture.

Mr. Randy Hoback: Thank you.

The Chair: Thank you, Mr. Hoback.

Mr. Chisholm, please.

Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP): Thank you very much, Mr. Chairman.

I also want to thank the presenters today.

I'm a fairly recent addition to this committee, and in examining this particular issue.... Before I was elected in May, I was part of the United Way in Halifax and also co-chair of the fundraising committee, so I can speak directly to the kinds of pressure that organizations like yours and your members are under in the community today in trying to raise money.

I am interested in the concept behind the stretch tax credit. In our last campaign while I was there, we had a corporate donation. The way we set it up was that this corporate donation would match anything a donor gave that was more than they had given the previous year. It's probably something that happens across the country, but we found it very effective as a way to leverage a little more money out of people's pockets. It was very much in the $100, $200, $300, $500, $600 range at which you are recognizing some quite material changes. I'm curious about this concept and wonder whether you would talk a little bit about it.

On your point, Mr. Hatton, that governments are retrenching, whether it's a Conservative government nationally or the NDP government in Nova Scotia, there is pressure to balance the books and to be more responsive, and there is a question of choices. Too often, maybe, the choices leave communities and community groups sitting high and dry, putting real pressure on organizations such as yours.

If we can come up with a strategy that recognizes a cost to government of 10% and in which the cost only comes about when the money is given, that sounds like a pretty good deal. Would you talk a bit to that?

● (1620)

Mr. Alan Hatton: Thank you. I hadn't even thought about it. We do this; we do it very effectively. We tend to do it for very large donors; we don't do it for small donors. It works for large donors because they think that through leveraging they're getting a larger return for their investment or donation than otherwise. I hadn't thought of it in that sense, but one of our new strategies is to support leadership giving, and if it were across the board and we could sell it to everybody, that would be a huge advantage. I think you're absolutely right.

Mr. Len Lifchus: Let me add to Al's comments. We have two types of matching programs in the three United Ways that I've worked for: matching offered not only by corporations but by generous individuals who match first-time gifts as well. We have corporations that match their employees' gifts dollar for dollar. Just recently, ArcelorMittal Dofasco in Hamilton matched all new business gifts that came in to the United Way up to $50,000. We had 67 businesses come forward with new gifts that brought in additional revenue. Some were individual gifts and some were corporate business gifts.

So it is an incentive, and this is an example of how the stretch tax credit would benefit the donor, because the person wasn't previously giving and is now giving $100 or $500 or $20, which increases their own individual giving and would allow them a stretch tax credit for their return. The winners are the community and the programs that are funded.

The Chair: There are about 30 seconds left.

Mr. Robert Chisholm: I want to ask quickly about the eco land credit. You talked about extending it to ten years from six years. Could you just give me a brief comment on that?

Ms. Karen Cooper: Certainly.

The current ecological gift program exempts that kind of gift of real estate from capital gains, and currently you get the deduction in the year of the gift and for an additional five years. Because these are gifts of land tending to be of high value from folks who don't necessarily have a high income, they may not and very often do not use the full value of the gift over the course of the six years. Extending it to ten years gives them more time.

The U.S. has recently extended the credit to 15 years. We picked a sort of midway point.

The Chair: Thank you.

We'll go to Mr. Adler.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

I also want to welcome all of the guests here today.

Everybody's hurting for money—governments, charities, individuals. Notwithstanding all the tax credits and incentives out there for charitable giving, what are you doing in Montreal to encourage the younger people and create a culture of giving, as opposed to relying on incentives and going back to the same donor base, which you've all admitted is shrinking?

● (1625)

Mr. Robert Kleinman: We've tried in our organization and in our sister organizations to bring young people together, to provide them with the tools to actually give. We provide them with some dollars. They have to contribute some and we provide some. We give them an opportunity to make donations and we teach them about different organizations. That's how we're trying to deal with them. We're dealing with them from the age of 13 up, providing small amounts of cash, which, with the help of their families, allows them to make gifts of $50 a year. This is a way of teaching them about philanthropy. That's what we've been involved with.

Mr. Mark Adler: And you're finding that to be an effective...?

Mr. Robert Kleinman: Well, it's a long—

Mr. Mark Adler: Yes, it's a long-term project, I know.

Mr. Robert Kleinman: The kids are excited about it. They're having fun.

Mr. Mark Adler: Great.

Mr. Robert Kleinman: They love the program. The parents love the program. Will this mean something 10 years from now? I hope so.

Mr. Mark Adler: Me, too.

Mr. Marcel Lauzière: Youth are very interested in the charitable sector, no doubt about that. They are volunteering. We sometimes think they are not, but they are. They're the largest group of volunteers in the country. They volunteer fewer hours, but they volunteer in very big numbers.

Their expectations are often different. They may go from one charity to another, rather than staying with the same charity for 30 years. That's a challenge for charities sometimes, but it is really heartening to see.

One way to come into a charitable organization is through volunteering. Another way is through giving. Of course, it's not all about tax credits. We find that when people start giving it's a hook into that organization. They develop a relationship with that organization, and often they start volunteering with it. The kids are asking a lot of questions—and that's not a bad thing—about impact and where organizations are going, what the real results are.

So all of these things, I think, mesh together. It's not only one element, clearly not just a tax credit. But the idea of the stretch is something that could really help them get into it from a different perspective.

Mr. Mark Adler: I know there are a lot of advantages to the stretch, but isn't one disadvantage possibly that individuals might delay their donations with an eye to pooling with, say, their spouse to attain a higher deduction? Wouldn't that create a cashflow problem for charities? Is that not a major disadvantage of a stretch tax?

Mr. Marcel Lauzière: With what we're recommending under the stretch, there would be no spousal pooling. We've had discussions with the Canada Revenue Agency and Finance about that, because we think it would be too complicated. So with regard to the stretch, it would have to be per individual.

Again, I think the people who will be interested in the stretch are interested in it because they really want to help a particular charity. They believe in what they do. As for wanting to wait and do something that would not be helpful to the charity, we may see some of that, but overall I don't think that would be the behaviour of most Canadians. We have, however, recommended that spouses be disconnected for the stretch.

Mr. Alan Hatton: We've actually given a lot of thought to your first question about how to engage youth, because that's the future. That's a great question.

In fact, in every one of our major cities we now have Gen-Xer clubs. This is not about fitting them into the campaign so much—it's what folks are interested in. What turns you on? They love to be engaged, but they're not engaged like our generation. It isn't about guilt and charity and my mother and father always gave, so I will too. Those days are over.

Mr. Mark Adler: That's right.

Mr. Alan Hatton: It's about impact, results, using Flickr, using Facebook, using clubs. It's about them coming together and finding out about the issues. It's about us finding better ways to engage them. We can't keep up. They are ahead of us. Our systems can't cope with what they want to do, which is hard for organizations. But if you get onto that, it's really exciting.

So for us it's having the traditional way for people to give, but being much more ahead on the new ways.

● (1630)

Mr. Mark Adler: Are they jumping on the bandwagon?

Mr. Alan Hatton: Yes, they are.

[*Translation*]

The Chair: Thank you very much, Mr. Adler.

Mr. Mai, it is your turn.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

[*English*]

As you probably know, in the pre-budget minority report we supported the stretch tax credit, so I won't ask too many questions regarding that.

What I would like to know is more in terms of in the field with United Way. You mentioned that now you have a shortfall of $600,000 in revenue, and also that the government is doing less and less provincially and federally.

Can you tell us more in terms of what's happening with the help you get from the government? Tell us about your experience with the lack of revenue or the difficulty you've been going through.

Mr. Len Lifchus: The biggest challenges that we, as a funder, are facing are not so much our own challenges as they are the challenges of the 73 agencies that we fund. It's because of shifting government funding for a number of programs. I'm not saying federal and I'm not saying provincial and I'm not saying municipal; I'm saying it's a shift in the change of funding. Also, in our area, because of changes in the economic environment, there is a growth in poverty, especially among seniors, that is being impacted.

So when I say there's going to be a $600,000 shortfall, I'm implying that the agencies who have now just completed their funding applications have asked for $600,000 more than we have raised in this particular year. Last year it was $300,000 more, so it depends on the environment. Often, agencies would like to start new initiatives and they look to United Way to continue to fund them. Often, there are programs coming off three-year Trillium funding that then come to United Way to provide the sustainable funding.

One of the challenges that the agencies are trying to deal with—so they turn to us to be the financial resolution—is a growing demand for programs and services in the community that is not being met by other government programs.

Mr. Hoang Mai: Right.

I wanted to ask Mr. Johnson and Mr. Kleinman a question regarding the recommendations they have made.

Your recommendations regarding real estate and private shares did differ a bit, but the issue for me is more in terms of prevention. There were some cases where the value of the gift was an issue and there was fraud. How do you prevent that from happening?

Mr. Donald Johnson: You prevent that from happening by saying that the charity cannot issue a tax receipt to the donor until the charity has received the cash for the sale of the asset. That's the real value.

Mr. Hoang Mai: Mr. Kleinman—

Mr. Donald Johnson: I'd just like to add one other thing, since there's a lot of interest in United Way around here. I happen to have been a member of the major individual giving cabinet for Toronto United Way for the past 10 years, so I will give you an example in terms of how removing this tax barrier can trigger donations.

United Way in Toronto was founded in 1956. From 1956 to 1996, before the capital gains tax was removed, the total in gifts of stock over 40 years to the United Way in Toronto was $44,000. Since 1997, when the capital gains tax was cut in half, and then removed in 2006, the total in gifts of stock to United Way in Toronto has been over $75 million. That gives you an example that while the donors are typically quite wealthy people, the beneficiaries are the people who are served by the 200 agencies to which the United Way in Toronto provides crucial support.

Mr. Robert Kleinman: When you talk about fraud evaluations, if you saw where they've come from.... In a sense, it's been from tax shelters. It never made sense; the values weren't there. You were valuing air.

Here you're not talking about air; you're talking about cash coming in at the end of the day and about monetization, and it's easy to value cash.

Mr. Hoang Mai: Thank you.

If you're transferring private shares, that's not necessarily cash.

Mr. Robert Kleinman: Right. So you get a valuation, which can be difficult, but we're talking about a capital gain exemption based on cash. If you're going to give that capital gain exemption—they don't have to give it, you're not entitled to it automatically—you have five years to cash that asset, and once you cash that asset, then you're going to give that exemption on that asset.

So something has to happen. There's a form that can be developed; the Quebec Taxation Act has the same one for art because there are different rules there. There are ways of doing it so that the charities are involved and the government gets its form to see what's happening, and it can be pretty clean.

● (1635)

The Chair: Okay, thank you.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you all for appearing before us this afternoon. I just had a couple of quick questions, first of all to the Canadian Land Trust Alliance.

Who owns the land once it's been put in trust?

Mrs. Karen Cooper: It's the land trust itself, most often. Sometimes it will be transferred after the initial donation to Parks Canada, or a provincial government sometimes, if the land abuts an existing conserved property. But the land trust retains what's called the conservation easement, which entitles the land trust to enforce continued protection of the land.

Mr. Dave Van Kesteren: I have a question for the Canadian Association of Gift Planners.

Do you work for organizations? Who is your parent company? Who is the force behind you?

Mr. Robert Kleinman: The Canadian Association of Gift Planners is an association of individuals who either work for charities or are allied professionals. They could work for insurance firms, brokerage houses, trying to look at planned giving as a way of...or stimulating planned giving in Canada.

Mr. Dave Van Kesteren: How big is your organization?

Mr. Robert Kleinman: There are over a thousand members.

Mr. Dave Van Kesteren: Okay.

When we began the study—and I want to direct this to the gentlemen from United Way—we were figuring out where the donations all came from. When we analyzed that—actually, I think it was Statistics Canada who gave us those numbers—I noted that it is abysmal when we look at some of the giving across the board. We certainly have room for growth.

What was striking, though, was that the majority of the giving came from two separate groups. Those groups were, first of all, educated, and they were religious groups, and predominantly Protestant religious groups, as they said. Have you asked the question why that is? Have you been able to possibly look at some of the methods that they've had success with and apply them in your organizations?

Mr. Alan Hatton: Yes. For us also it's individuals, not corporations.

Corporations make contributions and support their employees. But more and more, it's still, by and large, individuals. That's the first thing. For us, it's individuals. We don't follow those patterns so much in local communities. We try to get out into workplaces, and we work with both labour and management to encourage people to make a contribution to the United Way for various groups in the communities.

For us, it's a constant challenge to diversify into more and more workplaces, because that's how you can contact people.

That's one part of it. The second part is that people want to know now what is happening with their donations, about what actually makes a difference. That's why I talked in the beginning about focusing on what begins to solve the problems, not just continuing every year to get a donation.

For a lot of people, they want to see where their money goes. That's what turns on young people. That's what turns on entrepreneurs much more than the old ethic. We're doing all kinds of things now to communicate what difference we're actually making. I think the stretch tax, again, provides people who want to make a difference in the community a new way to do it, and get a benefit from it that wasn't there before.

Mr. Dave Van Kesteren: I'm glad you brought that up. I think you're absolutely correct. I was reading once that in Rome, I think—and this is in 100 AD or 200 AD, somewhere in that period of time—wheat was given at an alarmingly increasing rate and that just seemed to perpetuate.

I'm curious. Do you look at some of your programs and say you're not getting results here, that this is the same thing over?

I think you're right. I think people want to see improvement. Have you possibly changed your focus—not that we can't address the need—to correct the need? Is that part of your program as well?

● (1640)

The Chair: Just a brief response, please.

Mr. Alan Hatton: Yes, that's absolutely critical now.

We've been doing that for years and years; now it's even heightened, in two ways. The first is what they are doing that actually solves the broader community problems—not just continuing work as usual. Number two is what new patterns and partnerships we can engage people in to make a difference on both levels.

The Chair: Thank you.

[*Translation*]

Mr. Giguère, it is your turn.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Mr. Chair, it is a pleasure to welcome people who work for all of their fellow citizens. It is very nice.

There is talk of creating a donor culture. At present, the tax credit rate varies depending on weather the gift is more or less than $200. Insofar as the people who give less than $200 are very often less well off and $200 represents a large amount, a real sacrifice for them, would it not be preferable to apply a single rate to all donors?

Mr. Marcel Lauzière: At present, the rates are 15% and 29%. So it would probably be necessary to propose a rate of 29%. The system is complex. It could be simpler. What you are suggesting would not solve all the problems, but it's an idea to which we would not be the least bit opposed.

You were talking about small donors. But people often forget—or simply do not know—that donations made to charitable organizations in the area of health, be it cancer, heart or multiple sclerosis, amount on average to $30, $35 or $40. These organizations are supported by thousands of Canadians who all make small gifts. This is not so for the entire sector, but it is certainly the case in the area of health. It is very interesting. For these small donors, the tax rate is 15%, but perhaps consideration should be given to a rate of 29%, provided that 29% does not become 25%, obviously.

Mr. Alain Giguère: We understand.

You also mentioned control of donations and the fact that you were going to prepare a list of all donors so that people know exactly who their donations are for and whether they are trustworthy people. I, myself, had to deal with a serious problem in Laval. It was an ecological gift. Ever since the situation turned sour, all similar transactions have been frozen. No one wants to make a donation anymore. People hope for overvaluations that do not make any sense.

My question is directed more specifically to Ms. Cooper.

I noted that you wanted to propose some remedial measures, and I would like to know which ones. It is to prevent similar events from happening again.

[*English*]

Ms. Karen Cooper: I can't comment on the particular facts of a member's situation. If it were an ecological gift, the mechanisms exist already in the Income Tax Act.

First, the land is certified by a government authority as ecologically sensitive. In Quebec it happens to be the provincial government that makes the determination that it is ecologically sensitive. Bureaucrats and biologists take a look, and it's significant environmentally sensitive land. The valuation is prepared by independent valuators chosen by the parties, and it goes to a committee within Environment Canada that assesses the valuation. These are two protection mechanisms that exist already.

[*Translation*]

Mr. Alain Giguère: Just a second, please.

Ms. Karen Cooper: Yes?

Mr. Alain Giguère: The problem is that in the case you mention everything was done properly. It remains that a public servant behaved illegally. As far as I am concerned, I want to know what remedial action applies when someone makes a gift valued at an unreasonable amount and they get a huge tax credit in return.

[*English*]

Ms. Karen Cooper: The mechanisms exist in the Income Tax Act. First, if the value was certified, it was certified. If somebody is not happy with the certified value, there is an appeal mechanism within the context of the Income Tax Act. So the remedy is there in itself. Also, CRA has ample audit procedures to take a look at the transaction. If it feels there was some form of fraud, if there was some misrepresentation, it's within the CRA's normal enforcement mechanisms to do an audit and reassess.

● (1645)

[*Translation*]

Mr. Alain Giguère: I have one last question.

The Chair: You have 15 seconds left.

Mr. Alain Giguère: Thank you very much, Mr. Chair.

As a shrinking donor base has been noted and 46% of donations go to religious organizations, we wouldn't want to see funding campaigns costing more and more.

The Chair: Ask your question, please.

Mr. Alain Giguère: I would like to know how you are going to go about preventing the cost of campaigns from rising.

Mr. Marcel Lauzière: Imagine Canada feels that it is up to donors to decide who they want to give their donations to, within the regulatory framework in which they operate. We are not going to assume a correctional role as to the destination of these donations. It is really up to Canadians to make this sort of decision.

The Chair: All right, thank you.

[*English*]

We'll go to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

And thank you for attending today.

I have a couple of questions. First of all, I noted, Mr. Johnson, that your submission to the committee estimated that the cost to the proposal would be somewhere around $50 million to $65 million and result in an annual increase in charity given in the form of private company shares and real estate of between $170 million and $225 million.

I'm not really clear on the methodology you used to get to those figures, and I understand that you have some support for that, specifically the FCM and the independent business association of Canada, but I'm not clear on the methodology. I thought maybe you could explain that to me a little bit better.

Mr. Donald Johnson: First of all, the estimate of how much charitable giving would increase in the form of private company shares and real estate was based upon the U.S. experience. In the United States currently, gifts of appreciated capital property are exempt, which includes listed securities, private company shares, and real estate. Based upon the U.S. experience, roughly 20% of the total gifts of appreciated capital property come in the form of private company shares and real estate. The estimate of that range, which is around $200 million, comes from the fact that gifts of listed securities have been $1 billion a year. So the ballpark number is $200 million from these two asset classes.

Now, the tax revenue cost is based on a detailed analysis of the Department of Finance's annual tax expenditure report. That annual report provides the charitable donation tax credit for gifts of listed securities and the foregone capital gains tax. It covers the portion of those donations that comes from individuals and the portion that comes from corporations. A lot of individuals who have significant assets in the form of stock own them in a private holding company. They don't get a charitable donation tax credit for the holding company; they simply get a tax deduction from the taxable income.

I probably don't have authority to use his name, but he was a prominent individual who spent 30 years in the Department of Finance.

Mr. Brian Jean: I saw that.

Mr. Donald Johnson: He's now a senior adviser to a law firm.

Mr. Brian Jean: Okay.

Mr. Donald Johnson: He provided assistance in analyzing the tax expenditure report.

Mr. Brian Jean: I did see that, and I don't disagree with your assumptions in relation to that in particular. I'm just wondering, wouldn't the $1 billion U.S. experience equate to about $100 million in the Canadian experience, or is there some other anomaly that would suggest otherwise?

Mr. Donald Johnson: The $1 billion is what has been given to charities in Canada—

Mr. Brian Jean: I see.

Mr. Donald Johnson: —since 2006.

Mr. Brian Jean: Okay. I understand.

In relation to your argument that pre-existing tax liability should be taken into account, do you think that's fair? Obviously it's going to throw off the estimates of Revenue Canada and everybody else relating to the tax liabilities because it would extinguish those.

Mr. Donald Johnson: Well, the estimate that we give of the costs to the federal government being $50 million to $65 million per year includes the charitable donation tax credit for gifts from individuals. It includes the tax savings for corporations, but it also includes an estimate of the foregone capital gains tax, so it includes both the tax revenue cost and the foregone capital gains tax.

On Scott Brison's point, that estimate should really be lower because the government would not necessarily be getting the capital gains tax revenues if the individual didn't have the opportunity to donate the asset.

● (1650)

Mr. Brian Jean: Exactly.

I only have one minute left, and I'd like to put a plug in for my constituency.

I'm from Fort McMurray, and I understand the United Way...I see a thumbs up, but they don't see that on the camera, I don't think.

I've been in Fort McMurray for 47 years. I was the chairman of the Children's Health Foundation up there. I keep hearing all across the country about how kind and generous the people in northern Alberta are, in Fort McMurray, especially the oil sands companies and the employees who work for them. I'd really like you to plug that today and talk about how good they are.

Mr. Alan Hatton: Perfect. Thank you.

Mr. Brian Jean: So they can't be any better, is what you're telling me.

Mr. Alan Hatton: They're fabulous.

Mr. Brian Jean: Is it true that they donate more per capita in Fort McMurray than anywhere else in the country?

Mr. Alan Hatton: Yes, actually. Right now, in the last couple of campaigns—

Mr. Len Lifchus: We're very jealous of Fort McMurray.

Mr. Brian Jean: Well, you should be, and you should move up there. It's a great place to live, a great place to raise your families.

Do I have more time to plug Fort McMurray?

The Chair: No, you're out of time.

Does that include the shadow population as well?

Okay, we're going to go to Ms. Glover now, please.

[*Translation*]

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you again, everyone. Our witnesses today are really exceptional. I would like to begin with Mr. Lauzière.

You began your presentation by saying that the government has taken measures that have helped you as a charitable organization. We made changes in 2006, 2007, 2008 and 2010. I would like to know which measures you thought were good so that we know what to keep, in addition to what we are going to do. What did you find helpful?

Mr. Marcel Lauzière: What helped us was the changes pertaining to capital gains. There is the work done by Don Johnson and others with the support of Imagine Canada and several other groups. The Liberals had started and the Conservative government continued, and this was very important. We are talking about $1 billion given to charitable organizations. It is essential and very important.

A second measure was put forward by the current government two years ago, namely eliminating the disbursement quota for charitable organizations. That was the 80:20 rule, which, to some extent, often put organizations in situations where they had little flexibility. This was especially true for small organizations, rural organizations and those surviving solely on philanthropy without any funding from government or large corporations. This 80:20 rule was really quite a major obstacle. We certainly applauded the government's measure in the budget two years ago removing this provision. That was very important.

[*English*]

Mrs. Shelly Glover: I'd like to open it up to other witnesses.

If there are helpful measures that you believe ought to be retained, speak now or forever hold your peace.

Ms. Karen Cooper: Certainly with regard to the ecological gifts program, it should go without saying that if you extend the capital gains exemption to all gifts of real property, you've pretty much cut the legs out from under that program.

It serves as an important incentive. It has a tax policy based on the government's overall protection of the environment policy. It is somewhat related to the policy with respect to charitable giving, but it has a very independent policy basis.

If you extend the capital gains exemption to all gifts of real property, you put donors in a situation where they get the same tax benefit if they give sensitive land to a hospital, a university, their church, as they have if they gave it to an environmental charity.

There is no protection that goes along with the tax benefit. The Canadian Land Trust Alliance certainly takes that view with respect to that measure.

Mrs. Shelly Glover: Anyone else want to comment?

Mr. Alan Hatton: I think a really important one is the disability tax credit that Mr. Flaherty brought in about two years ago to allow families to make a long-term investment in their children. Disabled people are living longer and those mechanisms didn't exist.

I think that has been a tremendous boost for organizations across the country. It's actually a model for other charities to look at whether they can do something else in areas where people are going to be dependent long term on other systems that can't actually sustain them.

● (1655)

The Chair: Mr. Lauzière.

Mr. Marcel Lauzière: To add very briefly to that, that registered savings plan, which has really been applauded, was actually an idea that was put forward by the charitable sector.

Mrs. Shelly Glover: Very good.

Mr. Marcel Lauzière: It worked with government. It was an example of great policy ideas and options coming forward from the charitable sector. We often give that as an example.

Mrs. Shelly Glover: Thank you.

Mr. Kleinman, I think, was—

Mr. Robert Kleinman: Just when you're asking about a potpourri of ideas, I saw in one of the papers that someone put in a proposal that you allow 1% of total revenue for foreign donations.

Foreign donations are very difficult today. There used to be a time, going back historically in Canada, that you could do up to 10% of your dollars.... It would be part of the 20% of administration, not the 80% before...and charities could make donations to foreign charities. Now we're down to zero.

The Income Tax Act was changed and we're down to zero on that basis. Those who are in the business have to do an agency relationship, and if that's their basic business they should do that. But in terms of smaller amounts, it makes it very difficult for charities that are involved in some international research, other things, to make that $25,000 gift to a hospital doing research when it has to set up an agency relationship. It's too costly.

Mrs. Shelly Glover: While I have your ear, Mr. Kleinman—I probably have only a few seconds—I want you to prioritize. I know you support the stretch credit and you support the exemption for private company shares. If you had to pick only one to happen, which one would you pick?

Mr. Robert Kleinman: Look, for Canada's future, I think it has to be the credit system. I like it. We're going backwards in terms of donors, so we have to do something.

But they are two different gifts. We talked before about replacing things. There are income gifts and there are capital gifts. When I speak to someone at a fundraiser, if I'm talking about your income it's what you earn and what you're going to give. Capital is something different.

Mrs. Shelly Glover: A stretch credit is your priority...?

Mr. Robert Kleinman: That's an income gift. If you're looking at capital, removing people's capital balance sheet gift—

Mrs. Shelly Glover: I'm asking you to prioritize.

Mr. Robert Kleinman: I said credit.

Mrs. Shelly Glover: Okay.

The Chair: Thank you.

Thank you, Ms. Glover.

Mr. Julian, please.

Mr. Peter Julian: Thank you very much, Mr. Chair.

I'd like to come back to you, Ms. Cooper, in talking about the ecological gifts program. You're recommending that it be set from five to 10 years in gifts of ecologically sensitive lands. I'm wondering if you have any sense of what proportion of the gifts is simply not accessible to the tax benefits because of this current five-year limitation.

Also, if you could come back to the issue of the capital gains extension, I'd be very interested as well, because you seem to feel that it would be a negative as far as preserving ecologically sensitive lands is concerned. I'd like it if you could go into a little bit more detail there.

Ms. Karen Cooper: Sure. With respect to the extension to 10 years, the only information we have is anecdotal. We took a hard look at the tax expenditure numbers; if they generally are unreliable for all gifts, there's not that much more data with respect to ecological gifts. So it's entirely anecdotal. We know that our members are structuring this way because the tax credit falls off the table at the end of six years, so really, as a percentage, it's difficult to say.

I think what we're saying is that we're entirely in favour of the existing ecological gifts program. It has been a good program. It has a good track record. It's structured very deliberately to avoid any abuse. You don't even get your credit until you have a certified value. We really believe in the program because it has demonstrated results in terms of the overall acreage of land that's protected.

The concern with extending the capital gains exemption to all gifts of real property is that you eliminate the built-in incentive for sensitive land to go to an organization that protects it. When it goes to an organization that isn't a lands trust, that organization has almost a charitable fiduciary duty to sell it to the highest bidder, which is a developer. So in many instances, that land is not going to be protected.

Mr. Peter Julian: Thank you for that.

I would like to broaden the question. Ms. Glover had a very relevant question: which is your priority? Is it the stretch tax credit? Is it the issue of capital gains?

One thing that struck me in the presentation done by the Ministry of Finance is the government assistance for capital gains donations as opposed to cash donations. It said that “46 per cent of the cost of cash donations” is paid for supported by government. When you take the exemption from the capital gains tax, “the rate of assistance” from government “on donations of listed securities is typically 60 per cent, and can be as high as 69 per cent”.

If we're talking about what your priorities are, certainly we all share the priority of increasing giving, presumably from as broad a population base as possible, but does it concern you as well that the capital gains contribution from government is so much higher than the cash benefit? Again, I'm going to get back to the stretch tax credit. A stretch tax credit would increase the support for cash donations, so it would help to rectify what seems to be an imbalance.

That's for anyone who chooses to answer.

● (1700)

Ms. Karen Cooper: On ecogifts, the expense is there, and it's an expense that's been borne since 1995, to varying degrees, because the exemption has been diminished over time. The perception is that the expense is there because it has an independent policy objective that relates to the national conservation program. So it's an expense, an acknowledged expense, but it has a different policy basis than general charitable giving.

The Chair: Mr. Johnson, you indicated you wanted to comment.

Mr. Donald Johnson: On the issue of the removal of the capital gains tax and all appreciated capital property, I think at the end of the day it really comes down to the donor: what is the donor's interest?

If the donor is interested in the ecologically sensitive land, that's where they'll make the donation. If they have an interest in health care or education, they'll make the donation there. I think that's really the donor's decision.

I wouldn't be particularly concerned if we had the same tax treatment for those gifts as for gifts to other charities.

Mr. Robert Kleinman: To answer the question about the cost of capital gains exemption, the numbers you're showing are not regular. If you're a 44% Ontario taxpayer and you donate marketable securities to a charity, the odds are it's not going to cost the government 69¢ for that gift.

If your cost base is 50%, then it might be a cost of 56¢ to the government. In today's market you don't have very many gifts that have a cost base of under 50%, so I don't see those numbers as being the actual. Yes, there could be an outlying situation where you have zero cost base, but I don't see those numbers as really being representative of capital gains.

For the gifts we're talking about for private company shares, they're not getting those capital gains taxes. You're not selling those private company shares to anybody. No one is buying them, so there's no capital gain except on death.

The Chair: Thank you.

I'm going to take the next round. I want to follow up with Imagine Canada on the stretch tax credit.

Following up on what I think Mr. Adler was getting at, do you have a concern that people will be structuring their donations such that they can maximize the stretch tax credit?

I'll give you an example. If someone has $500 or $1,000 to donate, instead of donating it this year, they'll stagger the donation level so they can maximize it by getting that 10% increase every year. They don't give as much as they can, say, in this calendar year, but they stagger it over a number of years in order to maximize the stretch tax credit.

Is that a concern at all for you?

Mr. Marcel Lauzière: I think in theory that's possible. You will have seen an economist who was writing about that in *The Globe and Mail* a little while ago. In theory, yes, I think that's an economic problem.

I don't think that's how Canadians behave generally. For most individuals who want to support a particular charity, for the extra tax credit they're going to put in their pockets I see very little benefit to want to stagger that, rather than help the charity when it needs to be helped.

Will some of that happen? Some may decide to do that. I think you can do that with a variety of different tax policy issues. But we certainly don't think that will be a major behaviour that we will generally see.

The Chair: I want to follow up on Monsieur Giguère's question.

With the stretch tax credit you'd go to a three-stage credit instead of a two-stage credit. If the Department of Finance said you could have one or the other—you could have a one-stage credit where you move the under $200 donation to the equivalent above the $200, or you could have the stretch tax credit—which one would be preferable?

● (1705)

Mr. Marcel Lauzière: I think we'd go for the stretch tax credit. Again, going back to the policy goals of the stretch tax credit, one is to broaden and challenge Canadians to constantly give more by stretching, and charities encouraging them to do that.

With regard to the second policy goal, which is about volunteering and community engagement, I think you'll get that through the stretch credit; you won't get it through one tax rate.

I think my answer to Monsieur Giguère was that I don't see 29% as a problem, but I don't see that it would meet the policy goals we've been talking about, certainly not, as we were saying, for the future of the country over the long term.

The Chair: I do want to return to this debate with respect to donation of property or land.

Ms. Cooper, you raised a valid point, and Mr. Johnson, you responded to it. But frankly, if I look at donation of land in south Edmonton, in my riding, if someone's going to donate, say, the large pond area, a developer is going to give an awful lot more for that land than you will make from a trust. I'll let you expand on your answer you gave to Mr. Julian.

It seems logical to me that if we do put in place what you're asking, it would make her job and the Land Trust's job a lot harder, especially in areas that are growing. Maybe there's some interest in preserving those ecological areas, but there are an awful lot of developers who want to take that land and develop it.

Mr. Donald Johnson: I think at the end of the day it really comes down to the donors. Where does the donors' interest lie, in which area of the charitable sector? Are they more interested in the environment and preserving the land they own for the future or are they more interested in making a donation to another area of the charitable sector?

If the developer were interested in acquiring the land, that's the fair market value, and presumably if the donor gave the land to a trust, she should get a tax receipt based upon what the land would be worth if it were sold to a developer.

The Chair: Ms. Cooper, do you want to comment?

Ms. Karen Cooper: Certainly, the receipt to the donor is going to be the same in either case. The problem is the recipient organization. The motivation of that organization is going to vary, and if it's land in south Edmonton, heck, if you gave it to the United Way, their fiduciary obligation is to maximize the resources of the charity, so arguably as a charity law lawyer, I'd have to say you sell it to the developer, because that's how you maximize the charitable resources of the organization.

Unfortunately, that means that land isn't protected in perpetuity. There's no dancing around that one, unfortunately, and that is the concern my members have with respect to that.

The ecological gifts program originated out of Environment Canada as part of a multi-pronged approach to deal with the issues of species at risk and dwindling habitat. They have sticks in terms of enforcement provisions for offenders, but they also developed carrots, and this was the carrot that was developed out of Environment Canada to encourage the protection of this land. That program has developed very gradually over time into the one that it is because of the results it has demonstrated.

The Chair: Thank you.

Unfortunately, I'm out of time, but that is an issue I'm sure we'll have to follow up on.

We'll go to Mr. Brison now, please.

Hon. Scott Brison: I have a question on the role of flow-through shares as a catalyst to strengthen charitable giving, particularly from the extractive sectors, and what role you see for flow-through shares and the use of flow-through shares for the non-profit sector. I think it's important for us to understand that.

Mr. Robert Kleinman: I can try.

One year ago we changed the taxation of flow-through shares when they're donated to a charity as marketable securities. We eliminated the capital gains exemption, and the reasoning for it was it was too rich. I understand that.

At the end of the day, it's this question of policy and what you want to get out. If this means that in Ontario you don't have these kinds of incentives and financing for the mining company, then at the end of the day that's a cost to people of Ontario and to long-term viability to the people of Ontario, because mining is part of it.

In Quebec today, because the Quebec government still believes in these incentives and they have their own legislation, these flow-throughs are still happening. Therefore, a fair amount of investment is happening through these flow-through charity mechanisms for the north of Quebec. The Quebec government is happy about that because it's their future; it's the future of the people of Quebec, in their eyes.

So it's a question of looking at policy and what's there. Certainly, flow-throughs have been around for 40 years in Canada. It's helped us. Donations of marketable securities have not been around for 40 years, but that's helped us as well. Just combining these two efforts has maybe resulted in substantial tax effects.

I see one of the proposals of one of the organizations said you've eliminated the capital gains exemption, but why eliminate it completely? Why not take half the capital gain exemption, which it was originally for marketable security, and bring that back? This would still make it viable in a sense in provinces like Ontario, but there's still a cost to the donors. Instead of it being what it could have been last year, a 15% cost, it was a 30% cost of the donation and you still have that mining opportunity in Ontario.

● (1710)

Hon. Scott Brison: The change in policy, the more restrictive approach, has hurt charitable giving.

Mr. Robert Kleinman: It's hurt charitable giving, because it really had an effect on charitable donations. It wasn't that large. It wasn't all over the place. I think it affected mining more. It was where certain mining occurred, because these things continued to occur. And in other places where it occurred, it is no longer occurring.

Hon. Scott Brison: In terms of a broader policy issue, I'd appreciate your views on impact investing. Recently, the Royal Bank had, I think it was, a $25 million fund for impact investing. We're hearing more about impact investing and the potential to actually, through a structure and terms, have almost a traditional investment banking offering for high net worth individuals and foundations that want to participate in giving.

I'd appreciate your views, as people involved in traditional philanthropy, on the potential for impact investing and the role, in the future, of impact investing. When one of Canada's largest banks makes that kind of commitment—I think it was $25 million, and the announcement was in the last couple of weeks—it's a pretty significant step. We're hearing more about the potential.

At the committee we have not heard much about impact investing yet, but I think that's something we ought to consider as part of our deliberations. I'd be interested in your experience with it and your views on it and its potential.

The Chair: You have 30 seconds. We can have one person comment.

Mr. Marcel Lauzière: There are three sources of funding for charities, actually. One is philanthropy. We've been talking about that today. Another is government funding at different levels. The third is what we call earned income, social enterprise, and that's where impact investment comes in. How do we unlock the capital out there —and there is capital out there to be unlocked—to work with charities? It's something we are following very closely and are very interested in.

I think we need those three sources of funding to be healthy. This is a very new one, but there's lots of interest in it.

The Chair: Thank you.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback: Thank you, Chair.

Again, I have just a few questions to follow up on.

I'm kind of curious. Mr. Kleinman, you're probably the best one to answer this. Can you recall when the last major comprehensive review of tax incentives for charitable giving was? How important is this exercise to the charities section?

● (1715)

Mr. Robert Kleinman: This particular exercise you're doing now is very important. We've done it in fits and starts. We haven't had a comprehensive look. It's been a little bit of this and a little bit of that over years and years and years. We participated in these things many years ago. This is more comprehensive. It's looking at something that has to grow.

There was a great proposal a few years ago from CRA to put together an ongoing group from Finance, CRA, parliamentarians, and users of charities to look at these things. It was not a group that would meet two weeks in a year. It was to have an ongoing relationship to talk about things. I think that's really important.

We've done it in fits and starts. We have ideas that come out. It takes time for a lot of these ideas to really percolate and really get somewhere. It's very hard the way we've been doing business.

Mr. Randy Hoback: I would agree with you. It seems that when you come out with an idea, the domino effect or the unintended consequences can also be a factor you have to analyze and evaluate before you move forward with a proper policy. You definitely need the time to think through and flesh out stuff.

Moving forward, one of the comments was to create the culture of giving. We create a culture among our youth that giving something to charity is something they should be doing that just comes naturally. Do any of your organizations have any expertise in programs for creating that culture of giving among youth? Do you have any best practices you'd like to share?

Mr. Alan Hatton: I think it starts young. You start young, start in families, and start in school. There's the whole issue of starting with volunteerism. Now it's legislated in many provinces, but we're doing the same thing in philanthropy. In Quebec we have a comic book we've created, and we're spreading it all across the towns and cities in Quebec. It's really effective, because it's about education. It's about giving back to the community. It's about encouraging philanthropy. There are lots of techniques. It's a capacity issue as much as anything.

The Chair: Okay.

Oh, I'm sorry.

Mr. Len Lifchus: Also, in fact—

Mr. Marcel Lauzière: I was going to say that I imagine we'll soon be thinking a lot about that. We think the way to get at this is working with you directly. We're launching a national contest for university and college students called Students (Verb) Charities, which is going to challenge university and college students to think about what charitable organizations are all about, the contributions they make, and the role they play in society. They'll be able to do that through dance, through social media, however they decide they want to do it. This will be national; it will be over the next 18 months. It's all about creating excitement, getting youth to tell us what excites them about the charitable sector.

The Chair: Mr. Lifchus.

Mr. Len Lifchus: Our experience is right in the elementary schools, with the school boards assisting us in engaging the youth. We've also engaged in an initiative where we have set money aside for youth grants, where youth determine how this money is going to be spent.

The projects have to be youth-run, youth-led, and youth-administered. The only adult allowed in the project is one who receives the money and distributes it. It's engaging them right at the heart and having them see how the dollars are making a difference in their lives.

Mr. Randy Hoback: That's what I wanted to know.

The Chair: Thank you Mr. Hoback.

Mr. Chisholm.

Mr. Robert Chisholm: Ms. Glover asked you to identify what positive changes have been made in the charitable tax system over the past number of years. I thought that was a great exercise. I would note that this was under a minority government. I give the government its due for having done that.

I can imagine the discussion that would have happened in the finance committee in those days. Let's hope we see the same kind of energy and dynamism and positive results now that we have a majority.

It sounds as if there's a fair bit of support for this idea of the stretch tax credit. That's only one part. That's not going to solve all the problems, is it? What your organizations across this country are facing is a difficult economy, real competition for scarce dollars, and a declining sense of confidence and trust in charities. You're facing a lot of work out there, and not just trying to find vehicles like this to try to shoehorn some more money out of people's pockets.

Do you want to comment?

● (1720)

Mr. Marcel Lauzière: There are three sources of funding, and there are challenges on all those fronts. There's no doubt.

The charitable and non-profit sector is increasingly being asked to take on a lot of work. There are issues with human resources—how do we attract the best and the brightest to come and work in our sector? Our sector is not just about volunteers. We have two million Canadians working in our sector. That's going to be a challenge.

The whole issue of transparency, governance, and impact is on the front burner of charitable organizations, not because charitable organizations are doing a bad job, but because there are questions being asked. There are new ways that we need to do things, and we are increasingly looking for impact and results rather than just looking at the inputs.

Those are big issues. That's why at Imagine we're launching these two initiatives. First, we have this new portal, which is going to allow Canadians to get easy access to information about all 85,000 charities. Second, we have the standards program, which is an accreditation. Increasingly, organizations are coming forward and we're saying we want to find ways to make sure we have the systems and the programs and the policies to be a well-governed organization, because we know the impact is going to be better, and also because we want to be able to respond to Canadians, donors, and volunteers.

Mr. Alan Hatton: We also wanted to be focused, because you're trying to find tax measures that would help the sector. There's a variety of other things. There's the point about having a better relationship with all departments, having a way in which we can talk about other issues. Whether it's with CRA, Finance, Health, Environment, or CIDA, those relationships are critical.

It's about changing the relationship and having mechanisms that allow us to strategize together and share. That's a whole other domain. That wasn't the purpose of this meeting, but I think it's crucial to strengthening the capacity. Tax measures are one way to do this. But there are many other ways. We have to be much more strategic and communicate better together. There are lots of other things that could be done.

Mr. Robert Kleinman: We've talked about the young people tonight, but we haven't even touched on the elderly. What is the percentage of elderly that have put willed gifts in? It's very small. Those are acculturation and leave-a-legacy programs, which the charity sector is trying to do. Think of the transfer of wealth that's going to happen, and charities should be a major part of that transfer of wealth. It is today—some of it—but it's not enough.

The Chair: Thank you.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you, Mr. Chair.

I'm going to split my time with Ms. Glover. We're trying to get a number of last-minute questions in as we draw to a close.

I guess my first question is for Mr. Johnson. You talked about two issues, and it looks like the numbers were lumped together, both in terms of private company shares and real estate. Is one seen as the opportunity to be a stronger benefit than the other in terms of benefit to charities?

Mr. Donald Johnson: Based upon my understanding, they're roughly the same. I think the private company shared exemption would probably result in a larger proportion of incremental giving than the real estate section. In the case of real estate, there is that capital cost allowance recapture when the individual either donates the property or sells the property and donates the cash. With the private company shares, I guess that would be a large proportion of the two.

Mrs. Cathy McLeod: I don't know if you've actually crunched the numbers on that issue, but if you have and you'd be able to table it with the committee, that would be great.

Mr. Donald Johnson: Yes.

Mrs. Cathy McLeod: Thank you.

Mrs. Shelly Glover: I want to thank two people very quickly. First and foremost, I want to thank you, Mr. Kleinman, for mentioning in your response the richness of flow-through shares, because in fact it was discovered that the stacking of the credits.... When we talk about 69% being borne by taxpayers, it was actually over and above 80% being borne by taxpayers. So I appreciate that you acknowledged that the stacking of credits was leading to some inequity there, and too rich for the purposes of the credit.

I want to thank Mr. Chisholm as well for acknowledging what our government has done through a minority situation. It is much appreciated. Unfortunately, Mr. Chisholm, I know it's your first meeting, but the NDP voted against every one of those measures. So I am hoping that Mr. Chisholm, through you, Mr. Chair, will encourage his members to vote for the changes that we decide to make and the recommendations that come out of this study, because it has been a challenge, both in a minority government and as a majority. We do still look for support on both sides of the House. I do appreciate your acknowledgement of that, Mr. Chisholm.

Thanks, Mr. Chair.

● (1725)

The Chair: On that note, I want to thank all of the witnesses for being here, for your presentations and for responding to our questions. If there's anything further you wish us to consider as a committee, please submit it to the clerk, who will ensure that all members get it. Thank you so much for being with us here today.

The meeting is adjourned.

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