



Budget 2008 focuses on “Responsible Leadership for Uncertain Times” according to Federal Finance Minister

Imagine Canada outlines impact on charities

Ottawa: February 26 2008. Budget 2008 includes some modest measures of benefit to Canada's charities.

Amendments to the Capital Gains exemption on Gifts of Securities to Charities

Budget 2008 extended and clarified the Budget 2006 and 2007 measures that provided capital gains exemptions on gifts of publicly-traded securities to charities. The 2008 Budget includes two measures on point. The first measure extends the category of stocks that Canadians can now give to charities and qualify for the exemption. This new category of stock -- “exchangeable stock” -- is a narrow category of stock and will apply to a very limited number of stockholders. Nevertheless, the measure is what finance officials described as “a third and final step” to stimulate giving through the use of capital gains exemptions on gifts of securities.

A second measure related to the Budget 2007 capital gains measures exempts certain holdings of private equity from the “excess corporate holdings regime” which had been a concern for some private foundations that had significant private equities holding at the time of the Budget 2007 measures. This measure is the culmination of much work by Philanthropic Foundations Canada and other national umbrella organizations over the past year.

Charitable Tax Credit

Many of Canada's charities and national umbrella organizations had joined voices to call for improvements to the charitable tax credit. These measures were not included in Budget 2008. Finance officials indicated that the credit -- which allows individual Canadians to claim tax credits on their donations to charities -- was seen to be generous enough. “When combined with the provincial credit, the credit can be as high as 46%,” noted one official. Further, while some had asked that the charitable tax credit be increased to the level of the political donations tax credit, finance officials noted that “political donations are capped at approximately \$1000 whereas the charitable tax credit applies to much higher rates of giving”. Further, a Department of Finance representative expressed the view that the current two-tier approach -- which provides for a modest credit on the first \$200 of giving and a higher credit on donations above \$200 -- is intended to stimulate gifts over the \$200 threshold in order to qualify for the higher credit. However, others have argued that the threshold tends to “normalize” \$200 as the appropriate rate of giving and that the threshold should either be raised or eliminated.

Other Measures

Budget 2008 includes a number of other measures of particular interest to sub-sectors within the charitable and non-profit sector – from sport, to culture, to Aboriginal Canadians and people with disabilities. Reactions to these measures in the Budget Lock-Up were mixed. Re-allocation of \$4.5 million a year for two years from within the museum budget to fund the “renewing of National Museums” was seen as modest at best by many in the museums, culture and arts sector. By contrast, \$25 million for the Olympic Torch Relays, which “builds on current federal investments of over \$140 million per year for amateur sports” was greeted with enthusiasm by sports organizations.

For more information on the impact of Budget 2008 on Canada’s charities and nonprofits, please subscribe to our monthly e-mail publication, **OTTAWA REPORTS**, by contacting Jennifer Proulx at <mailto:jproulx@imaginecanada.ca>, or contact Imagine Canada at the coordinates below.

For more information:

Lisa Hartford, ABC
Manager, Communications and Media Relations
Imagine Canada
416.597.2293
1.800.268.1178