

# PRIMER

---

## TOPIC: CHARITABLE DONATIONS

### DEFINITIONS & SITUATION

---

- Donations are tax-receipted gifts of funds (or assets) from individuals and businesses to charities.
- Registered charities (qualified donees) are the only organizations (along with certain other organizations as prescribed by the federal government) that can issue tax receipts for gifts.
- Other "donated" funds can be provided to both charities and nonprofits in the form of a sponsorship or goods in kind.
- Data on charitable donations in Canada comes from three sources: the tax filings of individuals and businesses, the annual reporting forms ([T3010](#)) of charities and the federal [Satellite Account of Non-profit Institutions and Volunteering](#).
- Data from these three sources can differ, so what follows is an estimate.
- In 2008, the total amount of tax-receipted revenue to charities (according to T3010 data) was claimed to be \$13.7 billion. This represented 7.5% of all charity revenues.
- In 2008, the Satellite Account reported that charities and nonprofits received \$10.1 billion in transfers from households and \$2.4 billion in transfers from businesses. Transfers from households represented 5.8% of total revenues for charities and nonprofits, and transfers from businesses represented 1.4 %.
- These proportions have remained more or less stable over the last 10 years although dollar amounts given have increased.
- It is likely that the 2008-2009 recession and ongoing financial uncertainty will result in lower \$ amounts given.
- Foundation grants to charities amounted to about \$3 billion in 2008. Because they are driven by endowments in many cases, these amounts may also be lower or not increasing in future if market instability continues.

### SOME KEY CHALLENGES & ISSUES

---

- Donations have been relatively flat as a proportion of charitable sector income over the last decade.
- A large number of Canadians give but in relatively small per capital amounts. The pool of major donors is aging and not being replenished (demographics suggest a smaller population moving into the middle and senior years of life after the baby boomers).
- Ongoing economic uncertainty and low growth will affect donations going forward and create more intense competition for dollars.

- Fundraising practices and costs are under close scrutiny by government and the media, and there is increasing pressure for transparency and accountability.
- The more funders and donors there are, the more onerous the burden on a charity of managing and reporting to donors. Philanthropic fundraising management costs can be heavy.

## **SOME RECOMMENDATIONS**

---

- **Enrich tax incentives for giving by average Canadians.** Tax incentives for charitable giving are provided by both federal and provincial governments. Over the last decade, incentives have been increased for donations of assets (such as shares/securities, land and art). Imagine Canada and other organizations in the sector are now advocating for a Stretch Tax Credit for Charitable Giving, aimed primarily at modest and middle income donors to encourage them to stretch their annual giving.
- **Do more to raise the standard of fundraising practice.** In the past year, the regulator (CRA) has clarified its guidance on good fundraising practice and the sector has reinforced its commitment to professional development of fundraising practice. After consulting with the sector, [CRA](#) has issued detailed guidance on fundraising costs and practices. Imagine Canada has expanded its [Ethical Code Program](#) and linked it to the new sector-wide nonprofit national [Standards Program](#). But more is needed to ensure good practice around transparency.
- **Engage in public education on charitable and administrative expenses.** There are many misconceptions in the media, among policy makers and in the general public about the acceptable costs of fundraising, and the financial profiles and expenses of charities, including the compensation and administrative costs associated with financing charities. While the philanthropic (tax-assisted) component of revenue for many charities is relatively small, public oversight of total charitable revenues and expenses is significant, and policy makers believe that charities must be accountable to the public. A public education campaign would help to dispel some of the widespread belief that charities should be run on a quasi-volunteer basis.

## **SOME LEADING QUESTIONS / POINTS FOR FURTHER DISCUSSION**

---

1. Should the sector place top priority on advocating for further enrichment of government tax incentives for giving? If so, should the incentives be across the board or targeted on specific types of donations (e.g. cash or other assets)
2. How can fundraising practices and costs be made more transparent?
3. Should charities have an obligation to report more information about fundraising costs and revenues? If so should this be mandatory (e.g. through the T3010) or voluntary (e.g. annual reports)
4. How can non-government funders (foundations and individual and corporate major donors) collaborate more effectively to reduce the reporting and accountability burden?

## **SOME ADDITIONAL RESOURCES**

---

- Imagine Canada, **Trends in Individual Donations, 1984-2005**, Research Bulletin Vol 14 No 1, <http://www.imaginecanada.ca/files/www/en/researchbulletins/rb1401.pdf>
- Imagine Canada, **An Overview of funding for charities and nonprofits in Canada** - [http://library.imaginecanada.ca/resource\\_guides/fundraising/overview](http://library.imaginecanada.ca/resource_guides/fundraising/overview)
- Imagine Canada, **A Great Data Source: The Satellite Account of Nonprofit Institutions and Volunteering** [http://blog.imaginecanada.ca/2011/01/18/satellite\\_accounts/#more-994](http://blog.imaginecanada.ca/2011/01/18/satellite_accounts/#more-994)
- Canada Revenue Agency, **Fundraising by Registered Charities**, Reference number CPS – 028, June 11, 2009 , <http://www.cra-arc.gc.ca/chrts-qvng/chrts/plcy/cps/cps-028-eng.html>