



Association of Fundraising Professionals (AFP)

Pre-Budget Consultation Submission

**To the House of Commons
Standing Committee on Finance**

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Introduction

The Association of Fundraising Professionals (AFP) appreciates the opportunity to provide our recommendations to the Standing Committee on Finance. We are grateful for the federal government's support of the charitable sector, which in the past has included the elimination of the capital gains tax on charitable gifts of listed securities, as well as the permanent recognition of National Philanthropy Day.

This year, the Committee has asked Canadians for their ideas about economic growth and ensuring Canada's competitiveness. Specifically, the Committee has asked for "what steps the federal government can take to support and/or encourage Canadians and their businesses to grow the economy in the face of a changing economic landscape."

With that goal in mind, AFP submits the following recommendations to the Committee:

- 1. Designate a federal department—the Ministry of Innovation, Science and Economic Development—to have economic policy responsibility for charities and nonprofits.**
- 2. Allocate \$1 million to Statistics Canada annually for the purpose of collecting, analyzing and disseminating comprehensive data about the nonprofit sector.**
- 3. Permanently eliminate the capital gains tax on charitable gifts of private company shares and real estate.**

AFP believes these three recommendations will help significantly to grow Canada's economy both short- and long-term while strengthening the foundation of Canadian society and ensuring a competitive workforce in the face of a changing economic landscape.

Recommendation 1: Designate a federal department—the Ministry of Innovation, Science and Economic Development—to have economic policy responsibility for the nonprofit sector.

AFP's proposal is to have the nonprofit sector fall under the purview of the Ministry of Innovation, Science and Economic Development, preferably under a designated nonprofit secretariat. The mandate of the secretariat could be to support initiatives intended to encourage charitable giving and developing data-driven policies that will foster a stronger nonprofit sector. While not made up of for-profit organizations, the sector clearly has a significant impact upon the economy and will benefit from the leadership of an organization whose mandate it is to foster a growing, competitive and knowledge-based Canadian economy.

The nonprofit sector is not the first sector thought of when talking about supporting and encouraging economic growth. However, the impact of Canada's nonprofit sector can no longer be denied. The sector is one of the five largest industries in our country, representing more than 160,000 charities and other types of nonprofit organizations. It accounts for more than 8 percent of Canada's Gross Domestic Product and more than 10 percent of the labour force, or approximately 2 million workers. (*Imagine Canada, Key Facts About Canada's Charities*)

Canada's nonprofit sector is the 2nd largest in the world. Registered charities alone, which number 86,000 organizations from coast to coast, generated annual revenue of \$251 billion and total expenditures of \$240 billion in 2015. (*Blumbergs, Snapshot of the Canadian Charity Sector 2018*)

In addition, the impact of Canada's nonprofit sector is even greater when you consider many of its services indirectly support the economy and countless other industries across the country. The sector's work in keeping people healthy, finding new cures for diseases, helping workers who are between jobs, providing workplace training and education—these are just a few of the additional ways the sector sustains and strengthens our country's overall economy.

The typical Canadian also appreciates the nonprofit sector. According to AFP's latest *What Canadian Donors Want* survey, confidence in the sector is higher than ever. Nearly eight in ten Canadians (78%) say they are confident in the organizations that make up the nonprofit sector, marking a 5-point increase since 2015. The sector continues to elicit significantly more confidence from Canadians than either the private sector (67%, up four points) or the public sector (60%).

In addition, three in four Canadians (75%) continue to agree that the nonprofit sector plays an important role in society to address the needs not being met by the government or the private sector.

Despite this impact and success, the growth of Canada's nonprofit sector has not been planned or coordinated in any significant way. Apart from a few legislative leaders and public advocates, there has been no major agency or body that has worked consistently to champion the sector. Government campaigns like the Voluntary Sector Initiative have created some momentum in the past and have effected change here and there (and AFP is appreciative of these), but these pushes are often start and stop, slowing and virtually disappearing as governments and leaders change.

This haphazard approach may have worked in the past, but an increasing amount of research points to a more difficult future for Canada's nonprofit sector. Imagine Canada, among other organizations, finds that a slowing economy, along with increased demand for charitable services, will lead to a deficit of \$25 billion in funding by 2026. (*Imagine Canada, Beyond Synergy*)

A more intentional, directed plan is needed to support the nonprofit sector if it is to have the resources necessary to address this deficit, grow to meet the continued needs of Canadians into the future, and continue to support our economy and economic competitiveness.

AFP believes a critical part of the nonprofit sector's future success depends on finding the right government "home" and advocate. Currently, the Canada Revenue Agency is solely responsible for administering the Income Tax Act and develops policy guidance for nonprofits on how to meet the requirements of the Act. It does not foster philanthropy. Similarly, the Department of Finance Canada is responsible for the legislative framework pertaining to nonprofits as set out in the Income Tax Act. But again, it does not work to encourage giving and volunteerism or help nonprofits fulfill their missions more effectively and efficiently.

A significant part of our country's economy, the nonprofit sector is governed by rules from across several different departments and agencies depending on the issue. There is often lack of clarity or overlap in the responsibility and role of different bodies regarding the sector. Canada would benefit from having a federal department tasked with overall responsibility for creating an enabling environment for the sector.

Numerous benefits will flow from being housed in one agency that has the mandate to promote the sector. Issues such as modernization and data collection, which have hampered the sector's progress in the past, can occur in a collaborative environment with consistency in actors and process. AFP can foresee the development of a "nonprofit lens," similar to the "small business lens" currently used, that would ensure that regulators are sensitive to the needs, realities and impact of the nonprofit sector when they design regulations. In addition, with just one agency to interact with, AFP and other nonprofit sector leaders can have a greater impact in implementing and promulgating best practices to our members and other organizations in the sector.

We do not see any proposal that would have a greater impact on the long-term sustainability and growth of the nonprofit sector than this, and we respectfully submit that the sector take its logical place with the Ministry of Innovation, Science and Economic Development.

Recommendation 2: Allocate \$1 million to Statistics Canada annually for the purpose of collecting, analyzing and disseminating comprehensive data about charities and nonprofits.

AFP notes above in Recommendation 1 that enhanced data collection, analysis and dissemination flows smoothly from placing the nonprofit sector under the Ministry of Innovation, Science and Economic Development. We, therefore, support the federal government funding Statistics Canada with \$1 million annually to re-engage in its critical work to gather data about the nonprofit sector, a proposal endorsed by others in the sector, including Imagine Canada.

However, we are sensitive to the current lack of data that has been collected by Statistics Canada over the past decade. For the government to have such limited information about one of the most important economic industries in the country means our work to improve the economy and competitiveness is limited right from the beginning.

The government and the nonprofit sector cannot make good decisions, or even engage in healthy debate, without accurate, updated information about the sector's operations and current status. To that end, we support the federal government funding Statistics Canada with \$1 million annually to re-engage in its critical work to gather data about the nonprofit sector.

3. Permanently eliminate the capital gains tax on charitable gifts of private company shares and real estate.

Our third recommendation to enhance our economy is more immediate: the elimination of the capital gains tax on gifts of private company shares and real estates.

We would remind the Committee that the 2015 Budget included this provision with an effective date of Jan. 1, 2017. However, this provision has not moved forward again, meaning an important and powerful incentive for giving that had garnered significant support has still not been enacted into law.

The federal government removed the capital gains tax on donations of securities to most charities in 2006, making these donations more attractive to potential donors than they had been previously. AFP encourages the federal government to now turn its attention to private company shares, appreciated land and real estate. This provision had widespread support throughout the nonprofit sector and had received strong backing from all parties three years ago.

Eliminating the capital gains tax would remove a huge barrier to these types of gifts and make it far more likely and appealing for donors to give private company shares, land and real estate to charities. In fact, there is significant potential and interest from Canadian donors for these gifts.

It has been estimated that this proposal would enable the charitable sector to access an estimated \$170 to \$225 million of incremental funding from the private sector with a tax revenue cost to the government of only \$50 to \$65 million. This recommendation would exponentially leverage the programs and services provided by Canada's charities.

Conclusion

The recommended policy changes in AFP's brief will help not only to encourage additional charitable giving, but also to create the foundation for an even stronger sector moving into the future and strengthen the Canadian economy as well. By working to enact long-needed systemic changes and reforms within the sector, we will ensure that the nonprofit sector will have the capacity to provide more critically needed programs for all Canadians for many years to come, which will, in turn, further increase our workforce competitiveness.

AFP appreciates this opportunity to submit recommendations for the Standing Committee on Finance. Should members of the committee have questions about these proposals, please contact AFP at (416) 941-9212 or jlee@afpnet.org.

Background

The Association of Fundraising Professionals (AFP) represents 32,000 individual fundraisers and charities that raise more than \$115 billion annually for charities around the world—equivalent to nearly one-third of all charitable giving in North America. In Canada, AFP’s 3,500 members in 20 chapters work for more than 1,800 charities across the country and raise billions of dollars every year.

These dollars are not raised in a vacuum but in accordance with AFP’s *Code of Ethical Standards*—first developed in 1964 and one of the few ethical codes that is enforced. Our code, which sets the highest standards for ethics in fundraising, has been used as the foundation for subsequent codes of conduct in many different countries around the world. AFP also has convened more than 30 national fundraising associations from across the globe to draft the International Statement of Ethical Principles, an additional series of values and standards for the international fundraising community.

AFP helped institute a credentialing process in 1981, which was designed to identify fundraisers who possess the demonstrated knowledge and skills necessary to perform their duties in an effective, conscientious, ethical and professional manner. More than 6,000 fundraisers around the world have earned the CFRE (Certified Fund Raising Executive) and ACFRE (Advanced Certified Fundraising Executive) credentials.