



**Written Submission for the Pre-Budget Consultations 2024**  
**By:**  
**The Association of Fundraising Professionals (AFP) Canada**

**February 2024**

**Association of Fundraising Professionals Canada  
675 King Street West  
Suite 203  
Toronto, ON M5V 1M9  
613-407-7169**

## **AFP Canada Recommendations:**

- 1. Remove the provisions that impact donations in the proposed changes to the Alternative Minimum Tax outlined in the 2023 Federal Budget.**
- 2. Create a permanent, adequately funded, dedicated federal secretariat for the charitable sector in Canada.**

The Association of Fundraising Professionals (AFP) Canada appreciates the opportunity to submit our recommendations for Budget 2024 to the Department of Finance.

**Recommendation 1: Remove the provisions that impact donations in the proposed changes to the Alternative Minimum Tax outlined in the 2023 Federal Budget.**

The 2023 Federal Budget announcement included a number of changes to the Alternative Minimum Tax (AMT)<sup>1</sup>. Among those are two that will have a significant impact on donations to charities: changes to the treatment of donations of publicly listed securities and the treatment of donation tax credits. If not amended, these changes will critically deter donations.

Despite the fact that there are many complexities in the AMT calculations and that the financial impact will vary for individual donors, the resulting impact of changes to the AMT will be less funding for charities to carry out their work. In fact, we are hearing from charities who are beginning to feel the effects of these changes as donors decide to reduce the amount of their 2024 donations.

While the number of donors impacted by this change may not be large because the AMT does not apply to most Canadians, the dollar value would be significant because many of these donors make very large donations, often referred to as transformational gifts. By donating in-kind gifts of securities these donors can increase the amount of funding they provide to charities. Since the elimination of capital gains tax on gifts of securities in 2006, charities have received donations of over \$1 billion nearly every year.<sup>2</sup>

The proposed changes to the AMT will result in less funding for charities, thus negatively impacting Canadians at a time when nearly one quarter of them expect to rely on charities to meet their basic needs<sup>3</sup>. Charities will be forced to reduce or eliminate programs that support those they serve. Charities are already having difficulties meeting the demands for their services with over 57% reporting that they simply cannot meet the current level of demand.<sup>4</sup> The proposed change to the AMT will further exacerbate this challenge, and hurt Canadians at a time of need.

Unlike when the government increased the minimum disbursement quota to unlock more philanthropic dollars for charities, these proposed changes to the AMT will result in less funding for charities. As services and supports are cut by charities, Canadians will turn to the government for additional support.

---

<sup>1</sup> Government of Canada (2023): Tax Measures: Supplementary Information; <https://www.budget.canada.ca/2023/report-rapport/tm-mf-en.html#a18>

<sup>2</sup> Donald K Johnson Pre-Budget Submission to the Committee on Finance 2016; <https://www.ourcommons.ca/Content/Committee/421/FINA/Brief/BR8126165/br-external/DonaldKJohnson-e.pdf>

<sup>3</sup> CanadaHelps.org (2023): Ipsos Poll: 24% of Canadians Expect to Need Access to Charitable Services to Meet Essential Needs Within the Next Six Months; 42% are Under the Age of 35; <https://www.globenewswire.com/en/news-release/2023/11/08/2775976/0/en/Ipsos-Poll-24-of-Canadians-Expect-to-Need-Access-to-Charitable-Services-to-Meet-Essential-Needs-Within-the-Next-Six-Months-42-are-Under-the-Age-of-35.html>

<sup>4</sup> CanadaHelps: The Giving Report 2023; <https://indd.adobe.com/view/1fdaa5b9-65af-4325-86e2-628a1f02d797>

We strongly encourage the government make the following amendments to these proposed changes to the AMT:

1. Remove the provision to include 30 percent of capital gains on donations of publicly listed securities in the AMT base; and
2. Include an exemption for charitable donations on the proposal that only 50 percent of non-refundable tax credits would be allowed to reduce the AMT.

While the government's proposed changes to the AMT are intended to impact high-income individuals, they will significantly impact some of the most vulnerable members of our communities across the country—those who rely on charities. **AFP Canada strongly encourages the government to make the two proposed changes outlined above.**

### **Recommendation 2: Create a permanent, adequately funded, dedicated federal secretariat for the charitable sector in Canada.**

Designating a secretariat in government for the charitable sector that is properly resourced (staff and budget) would be the most significant way for government to ensure the ability of charities to meet the wide-ranging needs of Canadians now and in the future.

#### **The need for a secretariat**

The proposed changes to the AMT are another example of why our sector needs a permanent, dedicated secretariat in the federal government. In addition to providing guidance to inform policy decisions that help to increase the sector's impact, a secretariat would provide valuable input to government when changes to existing or new policies are considered. This has the potential to help the government save money and increase efficiency by making amendments before policies are changed. In addition to the proposed changes to the AMT, having a dedicated secretariat would have been helpful during the changes made to trust reporting, as after hearing from our sector, the government decided to exempt charities from the new requirements<sup>5</sup>.

The current transactional nature of our sector's relationship with the government does not encourage growth. There is no clear area in government focused on increasing the sector's sustainability, evolution, and its ability to serve those in need.

The nonprofit sector provides countless services and supports, making a significant difference in the lives of Canadians from coast to coast to coast. In fact, according to an October 2023 Ipsos poll

---

<sup>5</sup> Government of Canada (2023): Filing requirements for charities administering internal trusts; <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/t3010-charity-return-before-you-file.html>

conducted for CanadaHelps.org<sup>6</sup>, 24% of Canadians expected to access charitable services within six months—that represents over 9.6 million people based on latest population estimates<sup>7</sup>.

The sector often addresses needs that cannot be met by the government or by the market. Additionally, we are an important partner to the government in the delivery of key services, including health care, education and social services.

A dedicated secretariat would ensure a greater understanding of how government programs and regulations can increase effectiveness and innovation in the sector and it would ensure that the sector has the data, information and support it needs to continue to provide valuable services to Canadians. Numerous benefits would flow from being housed in one agency that has the mandate to promote the sector.

Notwithstanding the fact that the charitable sector contributes over 8% to Canada’s GDP, the sector does not have a dedicated secretariat in government tasked with ensuring the connection to, well-being of and long-term potential of the more than 170,000 charities and nonprofits in the country. By comparison, industries with similar contribution percentages to Canada’s GDP (construction, finance, and mining, oil and gas extraction) all have federal ministers, secretariats, or entire government departments dedicated to the sector or industry (Government of Canada, 2021).

After holding more than 25 meetings with organizations and officials in 2018 and 2019, the Special Senate Committee on the Charitable Sector issued a report entitled “Catalyst for Change: A Roadmap to a Stronger Charitable Sector”, which included a recommendation (Recommendation 22) for the government to create a secretariat on the charitable sector.<sup>8</sup>

Further to that, as identified by the January 2021 report of the Advisory Committee on the Charitable Sector<sup>9</sup>, federal policy frameworks for the sector are uncoordinated, and there is insufficient investment in data, IT, finance and labour market practices for the sector, which prevents the sector from reaching its full potential.

In March 2021, in its formal response to the report from the Special Senate Committee on the Charitable Sector, the government indicated it “supports the creation of a single window into government for the charitable sector”<sup>10</sup>.

---

<sup>6</sup> CanadaHelps.org (2023): Ipsos Poll: 24% of Canadians Expect to Need Access to Charitable Services to Meet Essential Needs Within the Next Six Months; 42% are Under the Age of 35; <https://www.globenewswire.com/en/news-release/2023/11/08/2775976/0/en/Ipsos-Poll-24-of-Canadians-Expect-to-Need-Access-to-Charitable-Services-to-Meet-Essential-Needs-Within-the-Next-Six-Months-42-are-Under-the-Age-of-35.html>

<sup>7</sup> Statistics Canada (2023): Canada’s population estimates, third quarter 2023; <https://www150.statcan.gc.ca/n1/daily-quotidien/231219/dq231219c-eng.htm>

<sup>8</sup> Senate of Canada (2019). Catalyst for Change: A Roadmap to a Stronger Charitable Sector; <https://sencanada.ca/en/info-page/parl-42-1/cssb-catalyst-for-change/>

<sup>9</sup> Report #1 of the Advisory Committee on the Charitable Sector (2021); <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/corporate-reports-information/advisory-committee-charitable-sector/report-advisory-committee-charitable-sector-february-2021.html>

<sup>10</sup>Minister of National Revenue (2021). Response to the Report of the Special Senate Committee on the Charitable Sector;

In 2023, the government reinforced its commitment to this priority indicating it would hold cross-country consultations with our sector that would inform the creation of a secretariat. We urge the government to move forward with and act on the recommendations from the consultations swiftly and to make a specific commitment of resources to create the secretariat.

The impact of the lack of a clear “home” in government for the sector was made abundantly clear during the COVID-19 pandemic. The pandemic put Canada’s charitable sector in a difficult position—with nearly half of all charities reporting increased demand for services, more than half also experienced a dramatic drop in fundraising due to the cancellation of fundraising campaigns and a decline in individual donations<sup>11</sup>. At the same time, the sector, like many others, had to quickly respond to changing government restrictions while trying to support its workforce and beneficiaries.

The charitable sector is grateful for the \$400 million Community Services Recovery Fund (CSRF), which while announced in Budget 2021<sup>12</sup> was unfortunately only given out more than two years later. If the sector had a dedicated secretariat, it would have had more of an opportunity to contribute to the government’s recovery agenda and would have had a dedicated advocate within government that could have sought to expedite the rollout of the important CSRF program.

A dedicated secretariat would not only ensure a greater understanding of how government programs and regulations can increase effectiveness and innovation in the sector but would ensure that the sector has the support it needs to continue to provide valuable services to Canadians. Numerous benefits would flow from being housed in one agency that has the mandate to promote the sector.

A dedicated entity for the charitable sector in government would provide input that is representative of the breadth and depth of its work to the government, and it would be able to share expertise from within the sector with government. As service providers working directly in the community, the charitable sector’s professionals have a wealth of knowledge and expertise, much of which is currently not accessed by the government. A secretariat would serve as a navigator within government, be a provider of key information and data, and champion the sector to ensure that Canadians in need will always be able to count on us when we’re needed the most.

### **About Canada’s Nonprofit Sector**

Canada’s nonprofit sector, which includes the charitable sector, is instrumental to the country’s economic success and productivity. The sector is one of the five largest in our country, representing more than 170,000 charities and nonprofit organizations. It accounts for over 8% of Canada’s Gross Domestic Product and more than 10% of the labour force (Statistics Canada).

Fundraising professionals play the important role of ensuring that nonprofits have the resources they need to provide services and supports for Canadians. Charitable revenue provided by Canadian

---

<https://afpglobal.org/sites/default/files/attachments/generic/ResponseGovttoSenateReSenateReportonCharitableSectorMarch2021.pdf>

<sup>11</sup> Imagine Canada (2021). Sector Monitor Ongoing Effects of the COVID-19 Pandemic;

[www.imaginecanada.ca/sites/default/files/Sector-Monitor-Ongoing-Effects-COVID-19-Pandemic-EN.pdf](http://www.imaginecanada.ca/sites/default/files/Sector-Monitor-Ongoing-Effects-COVID-19-Pandemic-EN.pdf)

<sup>12</sup> Government of Canada: Budget 2021; <https://www.budget.gc.ca/2021/report-rapport/p2-en.html#chap6>

households and businesses makes an essential contribution to the sector's ability to facilitate social change.

The impact of Canada's nonprofit sector is even greater considering that it strengthens our country's economy in many ways, including keeping the population healthy, helping to tackle climate change, finding new cures for diseases, addressing racial inequalities, helping workers who are unemployed, ensuring settlement of newcomers, and providing workplace training and education.

Despite this, the sector faces significant challenges—issues such as lack of stable funding, modernization and data collection—that restrict its ability to meet the needs of communities across Canada. The potential of charities is hampered because there is no place in the government working alongside our administrators to grow the sector in multiple important ways. Strengthening the sector so that it can continue to deliver support and services that are needed and valued by Canadians is an urgent priority.

This is an opportunity to re-envision how we work together. The sector supported Canadians throughout the pandemic and continues to provide much needed services and supports to countless Canadians, but it needs support, in the form of a secretariat, in order to continue to do so.

AFP Canada appreciates this opportunity to submit recommendations for the Department of Finance. Should there be any questions please contact AFP Canada at 613-407-7169 or [Lisa.Davey@afpglobal.org](mailto:Lisa.Davey@afpglobal.org).

## **Background**

The Association of Fundraising Professionals (AFP) represents over 27,000 individual fundraisers and charities that raise more than \$100 billion annually for charities around the world—equivalent to nearly one-third of all charitable giving in North America. In Canada, AFP's over 3,000 members in over 21 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.