THE GLOBE AND MAIL

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How a budget could lift a barrier to charity

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Contributed to The Globe and Mail
Published Monday, Mar. 31 2014, 6:00 AM EDT
Last updated Monday, Mar. 31 2014, 6:00 AM EDT

One of Finance Minister Joe Oliver's major challenges in next year's budget will be to strike the right balance between alternative proposals for allocating Canada's projected $6.4-billion surplus. The Globe and Mail recently published an excellent editorial *[http://www.theglobeandmail.com/globe-debate/editorials/advice-for-a-new-finance-minister/article17612092/]* providing Mr. Oliver with some good advice – unfortunately, it did not include a proposal for charitable donations.

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The elimination of the capital gains tax on charitable donations of private company shares and real estate would provide the same tax treatment as for gifts of listed securities. This proposal's fiscal cost to the federal government would be only $50-million to $65-million a year, just 1 per cent of the projected budget surplus. By removing this remaining barrier to charitable giving, hospitals, universities, social service agencies and arts and cultural organizations would receive an additional $200-million a year in donations.

These measures are also good public policy for the following reasons:

- They would help the wealthy give to charities that provide services to low- and middle-income people, narrowing the gap between rich and poor.
- They are consistent with the principle of having the private sector do more and the government do less. Additional funding from the private sector is timely because demands for services provided by our not-for-profit sector continue to grow, particularly for health care as our population ages.
- They remove an inequity in the current Income Tax Act. An entrepreneur who starts a company, takes it public and subsequently donates shares to a registered charity is exempt from capital gains taxes. However, an entrepreneur who keeps a company private is denied this preferential tax treatment when they wish to give back to their communities.
- They would level the fundraising playing field for Canadian not-for-profit organizations

relative to their U.S. counterparts, with whom we compete to attract and retain the best and the brightest professors, students, doctors, research scientists and so on.

Concerns about valuation abuse can be addressed by having a condition that the charity cannot issue a tax receipt to the donor until the charity receives the cash from the sale of the private company shares and real estate.

After the House finance committee conducted extensive hearings on tax incentives for charitable donations, the first of its six recommendations was to remove the capital gains tax on gifts of private company shares and real estate “subject to the government’s stated intention to balance the budget in the medium term.” Since a budget surplus will be achieved next year, this condition will have been met.

Both the New Democrats and Liberals are on record as being supportive of these proposals. The charitable sector would be very grateful if these measures were included in next year’s budget. These include millions of Canadians who benefit from the services provided by our not-for-profit sector, the 2.1 million employees and management of these organizations, and the volunteer board members who are actively involved in fundraising as well as donating personally. They also include the generous philanthropists who have significant net worth in the form of private company shares and/or real estate.

This proposal is an opportunity for Mr. Oliver to leave a legacy to all charities for decades to come.

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