



## United Way Centraide Canada

Submission on Budget 2023 measures to grow the clean economy, close tax loopholes,  
and deliver tax relief for Canadians

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United Way Centraide Canada appreciates the opportunity to share our analysis of Budget 2023's changes to the Alternative Minimum Tax with Finance Canada.

## **About United Way Centraide Canada**

United Way Centraide (UWC) is Canada's leading national network of local social experts empowering people to make lasting social change in their community. Our federated network of 67 United Ways and Centraides tackle poverty and social exclusion in 5,000 communities across the country. Every year, we engage one million people – individual donors, volunteers, labour and business partners – to raise over half a billion dollars annually and inject it into Canada's vital human and community service infrastructure. With our national footprint, UWC is Canada's largest non-government funder of human and community services. In 2022, our annual campaign raised \$574 million.

By harnessing the generosity of our communities, we support 5,800 programs that serve 10 million people annually. These programs support our vision for everyone in every community to have the opportunity to reach their full potential. United Way Centraide Canada (UWCC) is the national office that proudly represents and supports the UWC network across Canada.

## **The charitable and nonprofit sector**

UWCs are active leaders in Canada's charitable and nonprofit sector, which is under-recognized as an economic powerhouse. According to Imagine Canada, the sector contributes \$192 billion in economic activity annually which represents 8.3% of Canada's GDP. It employs 2.5 million people annually, with one in ten Canadians working for a charity or nonprofit. The workforce is 77% women, 47% newcomers and 35% Indigenous and racialized people. It also has a vibrant volunteer community with 13 million individuals contributing close to 2 billion hours each year.

## **The pursuit of tax fairness should not disincentivize charitable giving**

United Way Centraide Canada supports the goals of tax fairness and transparency being pursued in Budget 2023. At the same time, we caution government about the unintended consequences of Budget 2023's changes to the Alternative Minimum Tax rules (AMT) on fundraising that enables the work of the charitable and nonprofit sector.

Currently, most non-refundable tax credits can be credited against the AMT. Budget 2023 proposed that only 50 per cent of non-refundable tax credits would be allowed to reduce the AMT, including the charitable donation tax credit. In addition, government will include 30 per cent of capital gains on donations of publicly listed securities in the AMT base, up from zero per cent.<sup>1</sup> UWCC is concerned that these changes could disincentivize charitable giving through gifts of securities that help enable vital services and programs that serve vulnerable communities.

## **A change in public policy direction**

The changes to the AMT and the charitable donation tax credit are inconsistent with the government's public policy directions in several ways. As stated by the Canadian Association of Gift Planners in their submission to Finance Canada, any claw back of the charitable donation tax credit, in the regular income tax system or under the AMT regime, undermines the federal government's long-standing policy to support the work of the charitable sector through its tax

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<sup>1</sup> [Budget 2023: Tax Measures, Supplementary Information](#)

policy and disrupts private wealth transfer to charity in Canada. We note that over the last two decades, successive Liberal and Conservative governments have made changes to encourage the transfer of wealth to charities that has bolstered the sector's important work. Most recently, the federal government has increased the disbursement quota to encourage greater investment from private foundations into the charitable sector to meet ongoing need in communities. Budget 2023's proposed changes walk back these important policy directions, to the detriment of communities.

These changes are also out of step with the government's recognition of the value of charities and nonprofits in Budget 2021 as "key partners" to government that hold "invaluable on-the-ground knowledge of their communities' needs" and "provide much-needed community and social support."<sup>2</sup> On an ongoing basis, local, community services complement and fill gaps in government services and income support programs by offering food, shelter, mental health support and pathways to safety, education, employment and, ultimately, better lives for service users. Today, the cost of food remains high, affordable housing is often inaccessible, and wages and income assistance fail to keep up with the cost of living. Indigenous, Black and racialized people; women; 2SLGBTQI+ communities; immigrants and refugees; people with disabilities, and many others are vulnerable to longstanding social inequities that compel them to turn to local community services.

Tax measures that disincentivizes charitable contributions to community organizations will have repercussions on vulnerable community members facing systemic inequities. These are the same communities the federal government has prioritized in numerous policies in programs, such as the recent Grocery Rebate, National Housing Strategy, National Action Plan to End Gender-based Violence, and through the creation of the 2SLGBTQI+ secretariat and Federal Anti-Racism Secretariat, among other initiatives.

## **United Way Centraide Data on Gifts of Securities**

Data gathered from a sample of the UWC network in August 2023 shows the importance of gifts of securities to our fundraising. In 2020, 2021 and 2022, this sample of 30 United Way Centraides received 3,745 gifts of securities totaling \$102,025,260.

Gifts of securities are an area of growth in UWC fundraising, growing significantly by 34% from 2020 to 2022. This shows the material importance of gifts of securities in supporting the work of human and community services that UWC invests in. If donors are disincentivized, one of our important strategies of campaign growth is in jeopardy with resulting repercussions on our capacity to support rural, urban, northern and suburban communities.

## **Trends in Philanthropy and Service Demand**

Most community services organizations' revenue is generated through philanthropy, earned income (i.e., fee for service programs and social enterprise activities), as well as grants from all levels of government. United Ways and Centraides are public foundations that closely monitor philanthropic trends. According to Imagine Today, fewer high net worth individuals are giving more to charities while the overall donor base shrinks. These are precisely the individuals who could be impacted by the changes in the AMT, resulting in reduced charitable donations in support of community organizations. According to Imagine Canada:

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<sup>2</sup> [Budget 2021: A Recovery Plan for Jobs, Growth and Resilience](#)

- Preliminary T1 data indicate that Canadians claimed \$11.8 billion in charitable donations in 2021. Accounting for the effects of inflation, this is a 7.9% increase since 2020. While total donations increased, the number of taxfilers claiming donations decreased by 165,000, equivalent to an annual decline of 3.2%, the lowest ever recorded.
- Paralleling the decline in the number of taxfilers claiming donations, average donations increased to \$2,377 from \$2,063 in 2020.
- These figures from the 2021 T1 data are consistent with the long term-trend, where donations are coming from a declining donor base that is on average higher income. (Imagine Canada, to be released 2023; [Statistics Canada](#))

This threat to the revenues of community organizations comes at a time when service demand remains high, with many children and adults lingering on waiting lists for housing, mental health support and other resources. Many community organizations have not recovered from the pandemic's impact on their staff and operations. During the pandemic, demand for services skyrocketed and staff were addressing more complex needs and suffering burnout themselves. At the same time, fundraising was negatively affected by the closure of fee for service programs and the cancellation of in person fundraising events. Many found themselves turning to community services for the first time due to mental health strain and financial stress.<sup>3</sup>

Today, the high cost of living and ongoing inequities has translated to record food bank demand, homelessness encampments, strain on the healthcare system and long wait lists for mental health and substance use supports. At the same time, community organizations are increasingly on the front lines of climate change preparedness and disaster response while program costs have only increased due to inflation. With people across the country feeling the impact of floods, fires and storms on their homes, livelihoods and communities like never before, the sector's limited resources are further strained. Given the community services sector is an essential partner to governments in addressing the ongoing and urgent needs of communities across the country, we urge Finance Canada to avoid policy changes that could result in reductions in charitable giving.

## Recommendations

In alignment with Imagine Canada, UWCC recommends that the proposed changes to the AMT calculation affecting incentives for charitable donations be removed from the suite of changes. Specifically, we ask that the current AMT treatment of 0 percent of capital gains on donations of publicly listed securities be maintained, and that 100% of the Charitable donation tax credit be credited against the AMT calculation.

We thank Finance Canada for considering our submission and recommendations related to the AMT. UWCC welcomes further discussion of these changes and measures to support charitable donations at anytime.

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<sup>3</sup> [Covid-19 Pandemic Has Created A New Group Of Vulnerable Canadians: Survey](#)