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Community Foundations of Canada Submission on the Budget 2023

Proposed Changes to the Alternative Minimum Tax

September 2023



Community Foundations of Canada Submission on the Budget 2023 Proposed Changes to the Alternative Minimum Tax

Recommendations:

1. Alongside other sector leaders, Community Foundations of Canada recommends the Budget 2023 proposed changes to the Alternative Minimum Tax (AMT) calculation that refer to charitable donations be removed from the suite of proposed changes. Specifically, we suggest the current AMT treatment of zero percent of capital gains on donations of publicly traded securities be maintained and that 100% of the charitable donation tax credit be credited against the AMT calculation.
2. Community Foundations of Canada recommends the creation of a “home” for the non-profit and charitable sector within the Government of Canada that can coordinate policy and engage strategically with the sector and across government.

Context:

Community Foundations of Canada (CFC) is the national leadership organization for over 200 local community foundations. Together with community foundations across the country and a network of partners, CFC helps drive local solutions for national change on the issues that matter most to communities.

Canada’s community foundations reach over 90% of Canadian communities and steward more than \$6 billion in collective assets. Our network activates local leadership, subject-matter expertise, community data, and financial capacity to strengthen community well-being in rural communities and urban centers alike, from coast to coast to coast.

As people in Canada have navigated concurrent health, economic, social and environmental crises, community foundations and partners from across sectors—including government—have leveraged opportunities to take actions that set the stage not only for recovery but for long-term, sustainable change. We have been able to innovate and fund organizations that have historically been excluded. We have placed equity at the heart of our efforts. We have responded to pressing issues and strengthened community resilience. We have championed a new philanthropy that shifts power, shares resources, invests for impact and mobilizes for good.



We are doing this in the midst of underinvestment in critical infrastructure, a decreasing donor base, and a lack of sector-specific leadership in government. This reality risks relegating historic cross-sector investments to bandaid solutions, undermining potential social and economic benefits and negatively impacting the millions of Canadians who rely on critical non-profit and charitable sector services. This sector contributes \$192 billion in economic activity annually, which represents 8.3% of Canada's GDP. It employs 2.5 million people annually—one in ten Canadians works for a charity or non-profit. Its workforce is 77% women, 47% newcomers and 35% Indigenous and racialized people. This is complemented by 13 million individuals contributing close to 2 billion volunteer hours each year.

Non-profit and charitable organizations are partners, innovators and community builders. They respond to a vast range of issues such as climate change, housing affordability, economic opportunity for youth and newcomers and Indigenous reconciliation. We have the responsibility to ensure the non-profit and charitable sector is supported to deliver the services that Canadian communities—and our future—depend on.

To ensure the non-profit and charitable sector is strong, resilient and prepared to support communities, it is critical that the Government of Canada:

1. Revisit the proposed changes to the AMT calculation that affect incentives for charitable donations and remove these from the suite of proposed changes. Specifically, we suggest the current AMT treatment of donations of publicly traded securities and the charitable donation tax credit be maintained.

We have significant concerns about how the two above-mentioned proposed changes to the AMT calculation may impact charities and non-profit organizations that provide essential community support and services. Currently, the impact that the proposed AMT calculation will have on charitable giving, and therefore on the sector's ability to deliver services to community, is difficult to quantify. We understand that the federal government has done modelling and built projections, and we encourage the federal government to publicly share these details.

The federal government has made regulatory changes to increase resources to communities and provide support to a wider range of organizations (i.e. the change to the disbursement quota, ability to fund non-qualified donees, etc.). These measures are meant to put new and more resources into the full system. However, the proposed AMT changes related to charitable donations would potentially significantly reduce donations,



working against the objectives of broader regulatory changes. These policies are incongruent with one another.

2. Create a “home” for the non-profit and charitable sector within the federal government that can coordinate policy and engage strategically with the sector.

To truly activate the experience, expertise and potential of the sector and deliver on key community priorities, we need a stronger working relationship with the federal government. We strongly support recommendations that we and others in our sector have raised previously to create a “home” for the non-profit and charitable sector within the Government of Canada. This would lead to a stronger sector and better economic and social outcomes for communities across Canada.

Conclusion:

Community foundations are on the ground in communities. They see firsthand how national policies play out at the grassroots level. With rising challenges across Canadian communities, such as housing, climate change, and inequality, charities and non-profits hold a critical role in supporting this work and finding solutions. The two proposed changes to the AMT calculation we have identified could result in a significant reduction of resources at a time when they are most needed.

Community Foundations of Canada is currently in a consultation process with its members on these and other regulatory considerations and is prepared to participate in follow-up discussions and consultations into these matters.