

**Recommendations of the Finance Committee
Of Direct Interest to Mood Disorders of Canada
February 2008**

Healthy Living:

“The Mood Disorders Society of Canada advocated an increase of five cents per drink in the excise duty on alcoholic beverages in order to finance federal investments in mental health, mental illness and addiction initiatives, while the Canadian Medical Association supported the removal of the GST from tobacco cessation aids. The Canadian Health Food Association suggested that an exemption from the GST for natural health products which have been approved by Health Canada should be given, while the Heart and Stroke Foundation of Canada urged the removal of the GST from products that promote physical activity and from healthy foods in restaurants and retail stores, and suggested that the federal government should ensure that the GST is applied uniformly to all unhealthy foods, including — for example — the purchase of more than six donuts.”

Recommendations made by the committee:

The Committee recommends that:

- 1. the federal government amend the Income Tax Act in order to increase the income thresholds in respect of personal income taxation.**
- 2. the federal government, in respect of the Lifelong Learning Plan, amend the Income Tax Act in order to enhance the ability of registered retirement savings plan holders to withdraw funds to support lifelong learning.**
- 3. the federal government amend the Income Tax Act in order to make the Disability Tax Credit refundable.**
- 4. the federal government develop and implement a non-refundable training tax credit for employers.**
- 5. the federal government amend the Income Tax Act in order to enhance the Working Income Tax Benefit.**
- 6. the federal government amend the Employment Insurance Act in order to:
a) enable the creation of an independent Employment Insurance fund; and
b) enhance the Employment Insurance program.**
- 7. the federal government amend the Income Tax Act in order to increase, to a proportion to be determined in relation to going concern liabilities, the maximum tax-deductible surplus in respect of defined benefit pension plans before plan sponsor contributions must be suspended.**

8. the federal government amend the Old Age Security Act in order to increase the income thresholds at which the amount of Guaranteed Income Supplement (GIS) benefits begins to be reduced or “clawed back.”

“Charities and Volunteers

Charities play an important role in Canadian society, contributing to our sense of community and providing goods and services that Canadians may otherwise expect from their governments. Witnesses provided the Committee with suggestions about how charitable giving by individuals and corporations could be enhanced, and the activities of volunteers recognized.

1. The Donations and Gifts Tax Credit

A number of the Committee’s witnesses supported changes that would make the federal donations and gifts tax credit more generous.

While Oxfam Canada advocated a larger and more flexible credit in order to encourage Canadians to give more generously, other witnesses were relatively more specific in their proposals. For example, such witnesses as the Calgary Chamber of Voluntary Organizations, Imagine Canada and Orchestras Canada proposed an increase, to 29%, in the rate for eligible donations less than \$201, a change which would result in a single credit rate of 29% for all eligible donations up to the maximum allowable level.

The Multiple Sclerosis Society of Canada urged the federal government to eliminate the requirement to mail tax receipts by first-class mail, which would result in reduced mailing costs, and to allow donors to claim donations for income tax purposes without providing receipts issued by a registered charity when donations are less than \$250. **The Mood Disorders Society of Canada suggested that individual taxpayers should be able, for taxation purposes, to carry forward and to carry backward their charitable donations for up to three years.**

Witnesses also commented on donations to non-governmental organizations (NGOs). The City of Charlottetown suggested that tax measures related to donations to NGOs should be enhanced, **while the Mood Disorders Society of Canada advocated an increase in the value of modest donations made to NGOs by a factor of 1.5 for purposes of the donations and gifts tax credit.**

Another witness, Derwyn Davies, suggested that corporate donations to “think tank” institutions, such as the Fraser Institute, should not be allowed to be deducted from income for tax purposes since, according to him, such institutions have unfair access to deliberations by the federal government and have influence over its decisions.

2. Donations and the Capital Gains Exemption

A number of witnesses, including the Association of Fundraising Professionals, suggested to the Committee that capital gains resulting from the donation of appreciated land and real estate to charities should not be taxed. The Canadian Association of Gift

Planners made a similar proposal, and noted that real estate is one of the most widely held asset classes in Canada but is rarely donated to charities. Moreover, the New Brunswick Non-profit Housing Association and the Poverty Reduction Coalition urged the elimination of capital gains taxation on real estate donations for affordable housing developments. Orchestras Canada supported the elimination of, or a reduction in, capital gains taxation applied to donations of stock in privately held companies to charities.

3. Charitable Remainder Trusts

The Committee was told that, although discussions with the Department of Finance are continuing, Canadian law continues to be unclear with respect to the use of charitable remainder trusts. According to the Canadian Association of Gift Planners, the federal government should be urged to implement quickly any *Income Tax Act* changes that are needed to clarify the tax treatment of donations to such trusts.

4. Other Support for the Charitable Sector

Witnesses, including Imagine Canada and Philanthropic Foundations Canada, advocated targeted tax measures to improve access by the charitable and not-for-profit sectors to debt financing from private sources, an option that is currently available in the United Kingdom. Moreover, the Sport Matters Group and the Canadian Sport Centre Calgary urged the federal government to institute tax incentives for private debt financing for not-for-profit sport associations seeking to secure capital for infrastructure projects.

World Vision Canada suggested that, in order to increase the financial resources available to charities and not-for-profit organizations, the federal government should increase the Goods and Services Tax rebate for charitable organizations and qualifying not-for-profit organizations.

5. Volunteers

Witnesses also urged the federal government to implement tax measures related to volunteer activity. While the Independent Media Arts Alliance supported the creation of a tax credit to recognize and reward volunteer activity generally, the Canadian Association of Fire Chiefs commented specifically on volunteer firefighting activity. It suggested the creation of a volunteer firefighter tax credit equal to \$1,000 for 50 to 99 hours of volunteer firefighting activity, to \$2,000 for 100 to 199 hours, and to \$3,000 for 200 hours or more.

Furthermore, in order to encourage employers to permit their employees to become volunteer firefighters, it advocated a \$500 federal tax credit for employers for each employee actively serving as a volunteer firefighter or fire officer.

Moreover, the Heritage Trust of Nova Scotia spoke to the Committee about the expenses incurred by volunteers while performing non-paid activities, and suggested that since these expenses are similar to charitable donations, they should be recognized as such for purposes of taxation. Similarly, the Canadian Sport Centre Calgary and the Sport Matters Group advocated tax measures to support the training and development of community volunteers who coach, lead, officiate and govern sport in Canada.

WHAT WE RECOMMEND

The Committee recommends that:

16. the federal government make permanent the existing program for the sharing of a portion of the federal gasoline excise tax revenues with municipalities. Moreover, in the next budget, the portion to be shared should be 5 cents per litre.

17. the federal government, in respect of the Home Buyers' Plan, amend the Income Tax Act in order to increase the amount that can be withdrawn from a registered retirement savings plan to purchase or build a qualifying home for the holder of the plan or for a related person with a disability.

18. the federal government develop and implement tax incentives to encourage truck owners and operators to reduce greenhouse gas emissions. In particular, incentives should be developed to encourage the purchase of vehicles that are less harmful to the environment.

19. the federal government amend the Income Tax Act in order to enhance incentives for charitable giving.”