
Policy Forum: Charities and Politics— A Dubious Mix?

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PRÉCIS

Les limites imposées au Canada sur l'activité politique des organismes de bienfaisance étaient fondées sur la distinction en common law entre l'activité de bienfaisance et la défense d'intérêts politiques partisans. Dans cet article, on évalue les propositions qui ont été faites dans le but d'étendre les avantages fiscaux aux activités politiques exercées par des organismes de bienfaisance et des organismes à but non lucratif. On y examine la structure du secteur des organismes de bienfaisance et des organismes à but non lucratif ainsi que les tendances dans les dons de bienfaisance, et la relation entre les activités plus vastes du secteur et les autres grandes sources de financement, y compris les dépenses gouvernementales directes. Y sont présentés les raisons historiques de l'intégration des dons de bienfaisance dans le régime fiscal, et l'érosion progressive et la concentration de la population de donateurs au cours des dernières années. L'article laisse entendre que d'étendre les avantages fiscaux aux activités de défense d'intérêts politiques menées par des organismes de bienfaisance et des organismes à but non lucratif fera augmenter les pressions exercées sur les bases de financement existantes de nombreux organismes et pourrait nuire à la confiance du public dans le secteur, dans le contexte où la concurrence accrue sur le plan politique pour obtenir du soutien financier et politique réduit les distinctions entre les activités d'intérêt public et les activités menées pour maximiser les profits. Toutes les modifications apportées aux lois actuelles devraient être intégrées dans les régimes de financement existants des partis politiques et des campagnes électorales.

ABSTRACT

Canadian constraints on political activity by charitable organizations have been based on traditional common-law distinctions between charitable activity and partisan political advocacy. This article evaluates proposals to expand tax preferences for political activities by charities and non-profit organizations. It examines both the structure of the charitable/non-profit sector and the patterns of charitable giving, and the relation of both to the sector's broader activities and other major funding sources, including direct government expenditures. It notes the historical reasons for accommodating charitable giving within the tax system, and the progressive erosion and concentration of the donor population in recent years. It suggests that expanding tax preferences for political

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advocacy by charities and non-profits will increase pressures on the existing funding bases for many organizations and will potentially undermine public trust in the sector, as increased political competition for financial and policy support reduces distinctions between the public-interest and rent-seeking activities undertaken by members of the sector. Any changes to existing laws should be integrated with existing regimes for the funding of political parties and election campaigns.

KEYWORDS: ADVOCACY ■ CANADA ■ CHARITIES ■ CHARITABLE DONATIONS ■ INTEREST GROUPS ■ POLITICAL CAMPAIGNS

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Tax policies play a significant role in the shaping of civil society—the community of voluntary, private institutions and organizations through which individuals cooperate to pursue common goals, as distinct from the commercial, profit-driven institutions of the marketplace and from state institutions financed and controlled by governments.¹ Canada’s regulatory and fiscal regimes governing the activities of and contributions to registered charities predate and have remained largely distinct from the regimes governing political activities by individuals, businesses, and other organizations.

The legal definition of “charitable purposes” in Canada follows common-law precedent. *Special Commissioners of Income Tax v. Pemsel* defined the phrase to include “the alleviation of poverty; advancement of religion; advancement of education; and other purposes beneficial to the community.”² Policy research institutes (or think-tanks) qualify for charitable status as long as their objectives and activities are primarily educational. The line between “education” and “advocacy” is usually drawn to exclude from the former active support of or opposition to particular legislation, political parties, or candidates. Non-profit organizations without charitable status are free to engage in lobbying and other advocacy activity, but not to benefit from the generous tax subsidies extended to individuals’ charitable contributions and donations to political parties. Canada also promotes civic participation by allowing deductions for union dues and contributions to professional associations (and related business associations). However, these provisions do not extend to independent political or advocacy activities other than contributions to political parties.³

1 Geoffrey E. Hale, *The Politics of Taxation in Canada* (Peterborough, ON: Broadview Press, 2002), at 341.

2 [1891] UKHL 1.

3 As noted below, corporations may deduct expenses for advocacy activities, other than political contributions, as expenses incurred to earn income.

Canadian limitations on political activity by charitable organizations have historically been based on legal distinctions between charitable activity, which follows the relatively narrow definition of public benefit given above, and policy advocacy or lobbying.⁴ Historically, the federal courts and the Canada Revenue Agency (CRA) have adopted a fairly restrictive interpretation of advocacy or lobbying, leading those who support the modernizing of charities law to pursue the extension of the “beneficial community purposes” clause,⁵ in accordance with similar developments in the United Kingdom, Australia, and other countries.

A distinct element of this debate involves political activities and related advocacy activities by charities. “Political activity” is typically defined under two headings: (1) support for or opposition to particular political parties or candidates, whether or not related to the charitable purposes for which an organization has been formed; and (2) activities to influence public institutions or public opinion to support or oppose particular legislation or public policies.⁶ Since 2000, legislative trends governing the financing of federal and provincial political parties and election campaigns have tightened restrictions on these types of political contributions, increasingly limiting them to individual Canadian residents. These rules generally restrict or preclude campaign contributions by businesses, unions, and other organizations, and they often regulate related expenditures by third-party organizations during the course of an election campaign.⁷ For this reason, a broadening of the legislative provisions governing charities’ partisan political contributions or other election-related expenditures would be at cross-purposes with evolving views of what is in the public interest—views that have become increasingly critical of corporate, lobbyist, and interest group engagement in party finance and electoral politics.

A charitable organization may engage in political advocacy related to the charitable purposes for which it was formed, but only to the extent that such activity is “connected and subordinate to the charity’s purposes.”⁸ For greater clarity, federal regulations limit a registered charity’s expenditures on political activity to a maximum of “ten percent of its total resources a year,” with greater flexibility for small charities whose annual income varies from \$50,000 (or less) to \$200,000.

4 *Action by Christians for the Abolition of Torture v. Canada*, 2002 FCA 499.

5 Peter Broder, *The Legal Definition of Charity and Canada Customs and Revenue Agency’s Charitable Registration Process* (Toronto: Canadian Centre for Philanthropy, August 2001) (www.imaginecanada.ca/sites/default/files/www/en/publicaffairs/definition.pdf); and Peter Broder, “Pensel Case Foundation Launched To Foster Canadian Charity Law” (2014) 25:4 *Philanthropist* 207-14 (<http://thephilanthropist.ca/2014/02/pensel-case-foundation-launched-to-foster-canadian-charity-law/>).

6 Canada Revenue Agency, *Charities Policy Statement*, CPS-022, “Political Activities,” September 2, 2003.

7 Peter M. Brock and Harold J. Jansen, “Raising, Spending and Regulating Party Finances in the Provinces” (2015) 9:1 *Canadian Political Science Review* 55-74; and Adrian Morrow, “Ontario Passes Bill To Curb Big Money in Politics,” *Globe and Mail*, December 2, 2016.

8 *Supra* note 6.

Recent developments in British and Australian charities law and practice have somewhat blurred traditional distinctions between various forms of political advocacy (“campaigning” in British parlance) and charitable activities. However, the Charities Commission for England and Wales has sought to reassert this distinction on the basis of the traditional British common-law doctrine that “‘political purposes’ cannot be charitable purposes.”⁹ Although political “campaigning” associated with an organization’s charitable purposes may be allowed, it is subject to requirements for partisan neutrality and separation from party politics.¹⁰

Like its 2011 British counterpart,¹¹ Australia’s Charities Act, 2013 lists 12 explicit charitable purposes:

- advancing health;
- advancing education;
- advancing social or public welfare;
- advancing religion;
- advancing culture;
- promoting reconciliation, mutual respect, and tolerance between groups of individuals that are in Australia;
- promoting or protecting human rights;
- advancing the security and safety of Australia and the Australian public;
- preventing or relieving the suffering of animals;
- advancing the natural environment;
- analogous purposes beneficial to the general public; and
- advancing public debate relative to one of the other 11 purposes of the Act, as long as such activities do “not oppose or hinder one or more of the purposes listed in the Charities Act.”¹²

The United States has a substantially different legal framework, rooted in a different historical and constitutional context, for political activity and advocacy by

9 United Kingdom, Charities Commission of England and Wales, *What Makes a “Charity” (CC-4)* (London: Charities Commission, September 1, 2013) (www.gov.uk/government/publications/what-makes-a-charity-cc4/what-makes-a-charity-cc4#annex-b-about-political-purposes); David Ainsworth, “New Charities Commission Ruling ‘More Restrictive than Before on Campaigning,’” *Third Sector*, September 18, 2013 (www.thirdsector.co.uk/new-charity-commission-guidance-more-restrictive-campaigning/governance/article/1212119).

10 United Kingdom, Electoral Commission, *Charities and Campaigning* (London: September 19, 2014) (www.electoralcommission.org.uk%2f_data%2fassets%2fpdf_file%2f0010%2f165961%2fintro-campaigning-charities-npc.pdf/RK=0/RS=3d8PliU0Kv_2dpzLiR5_2gi6Qtw-).

11 United Kingdom Charities Act 2011, 2011, c. 25.

12 Australian Charities and Not-for-Profits Commission, “Charity Subtypes and Charitable Purpose,” at paragraph 12 (www.acnc.gov.au/ACNC/Register_my_charity/Who_can_register/Typ_char/ACNC/Reg/TypesCharPurp.aspx?hkey=2bb8e414-8396-4278-953c-8cb080a70c0a).

non-profits. The United States provides tax deductibility for charitable organizations, labelled 501(c)(3) organizations after the relevant section of the Internal Revenue Code (IRC),¹³ but it places significant restrictions on charities' engagement in lobbying and partisan political advocacy. Social welfare and employee benefit organizations organized under IRC section 501(c)(4) are tax-exempt and have greater latitude in seeking to influence legislative and policy decisions. However, contributions to such organizations are generally not tax-deductible.¹⁴

Any measures intended to revise rules governing political activities by charities in Canada should address three basic sets of questions. First, what is the current structure and distribution of charitable giving in Canada, and how does it relate to the broader activities of the non-profit sector, including broader public sector organizations? Second, to the extent that government policies directly subsidize, through the tax system, contributions to charitable activities, is there a fundamental distinction between such activities and the ostensible pursuit of public benefits through various forms of political activity carried on by other non-profit organizations? Third, what are the fiscal and social implications of expanding tax subsidies for political activities by charities and other non-profit organizations?

CHARITABLE GIVING AND PUBLIC BENEFITS

The concept of charitable activity has become increasingly detached from its religious origins in Western societies, although religious organizations remain the largest single recipients of charitable donations in Canada—about 40 percent, in 2014.¹⁵ Some scholars distinguish between (1) charitable activity that is intended to relieve individual disadvantage or suffering and particular social problems and (2) philanthropic activity that is intended to address underlying social conditions.¹⁶ Studies of the voluntary sector recognize the relationship, at the level of the individual, between volunteering and charitable activities.¹⁷ Strong religious commitment remains the single strongest predictive factor in the extent and levels of an individual's volunteering and charitable giving to religious and non-religious charities

13 Internal Revenue Code of 1986, as amended (herein referred to as "IRC").

14 John Francis Reilly, Carter C. Hull, and Barbara A. Braig Allen, *501(c)(4) Organizations* (Washington, DC: Internal Revenue Service, 2003).

15 Canada, Department of Finance, "An Evaluation of the Response of Individuals to Changes in the Price of Charitable Donations," in *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2016* (Ottawa: Department of Finance, 2016) (www.fin.gc.ca/taxexp-depfisc/2016/taxexp1609-eng.asp#_Toc442180666).

16 Jeremy Beer, *The Philanthropic Revolution: An Alternative History of American Charity* (Philadelphia: University of Pennsylvania Press, 2015).

17 Mireille Vézina and Susan Crompton. "Volunteering in Canada," *Canadian Social Trends*, catalogue no. 11-008-X (Ottawa: Statistics Canada, April 16, 2012); and Martin Turcotte, "Volunteering and Charitable Giving in Canada," *Spotlight on Canadians: Results from the General Social Survey*, catalogue no. 89-652-X2015001 (Ottawa: Statistics Canada, January 30, 2015).

alike, whether or not such donations are claimed for tax purposes.¹⁸ However, the more extensive the direct or indirect public funding for community activities, the greater the likelihood that the pursuit of such benefits will become deeply intermingled with the pursuit of personal or institutional self-interest, whatever its ostensible purposes.

Among non-religious charities, the most numerous recipients of voluntary public donations include various health-related organizations, including hospitals; social services; and international organizations, notably those specializing in some combination of development and disaster relief. However, the 100 largest charitable organizations in Canada in 2015 were broader public sector organizations, largely funded by governments, that provide health services (32 hospitals, 17 health organizations) and post-secondary (23 schools) and K-12 (22 schools) education. Only two social welfare or disaster relief organizations—the private Azrieli Foundation and World Vision—cracked the top 100.¹⁹ As shown in table 1, these mega-charities accounted for 45 percent of sector revenue. However, they effectively represent only 2 of the 13 functional subsectors of charitable activity identified by Imagine Canada, a leading sectoral advocacy group.²⁰

In most such organizations, charitable fundraising provides a secondary means of raising revenues to address operating and capital costs, although levels of dependence on budgetary funding rather than on business or individual contributions vary widely by sector and organizational size. In varying degrees, other non-profit organizations, including but not limited to registered charities, sell goods and services to fund their operations. Statistics Canada estimates that in 2008, the last year for which detailed data are available, 51 percent of sector revenue came from (primarily provincial) governments, 32 percent from the sale of goods and services, 5.8 percent from individual donations, and 1.4 percent from businesses. However, for the core charitable sector (excluding hospitals and universities), sales of goods

18 Martin Turcotte, “Charitable Giving by Canadians,” *Canadian Social Trends*, catalogue no. 11-008-X (Ottawa: Statistics Canada, April 16, 2012); Turcotte, *supra* note 17; and Department of Finance, *supra* note 15.

19 “Canada’s Top 100 Non-Profit Organizations (Registered Charities),” *Globe and Mail Report on Business Magazine*, February 5, 2015 (www.theglobeandmail.com/report-on-business/rob-magazine/top-100-non-profit-organizations-registered-charities/article17298702/); Mark Holmgren, “Mega-Charities: The 100 Largest Charities in Canada,” April 13, 2015 (<https://markholmgren.com/2015/04/13/mega-charities-the-100-largest-charities-in-canada/>).

20 In addition to the categories of charitable activity noted above (alleviation of poverty, advancement of religion, and advancement of education; see *supra* note 2), subsectors whose non-political activities are generally included in the category of charitable activity that is “beneficial to the community” are arts and culture, sports and recreation, health, social services, environment, development and housing, “grantmaking fundraising and voluntarism promotion,” and international activities related to these functions. Non-profit organizations engaged in public policy research and education are categorized as “law, advocacy and policy,” some of which may have charitable status (Turcotte, *supra* note 18, at 18-19).

TABLE 1 Charitable Sector: The Big and the Rest—2013

| Number of charities | Total revenues | Average annual revenues | Total assets | Total number of staff |
|---|-----------------|-------------------------|----------------|-----------------------|
| Top 100 | \$101.6 billion | \$1.016 billion | \$77.9 billion | 551,199 |
| All other charities (85,900) | \$121.4 billion | \$1.41 million | \$320 billion | 1.45 million |

Source: Mark Holmgren, “Mega-Charities: The 100 Largest Charities in Canada,” April 13, 2015.

and services accounted for 45 percent of revenues; governments accounted for 20 percent; individual and businesses accounted for 11 and 2 percent, respectively; and membership fees accounted for 17 percent.²¹

The overlap between traditional concepts of charitable activity and the broader non-profit sector suggests that tax preferences for charitable contributions remain significant to the activities of many organizations, particularly many locally based and religious charities, and to the motivations of larger donors. However, for the many organizations that are extensively reliant on public funding, charitable donations are complements to direct government funding rather than substitutes for it. This is particularly true for larger institutionalized charities that serve as direct or indirect instruments of government policies.²²

In these circumstances, removing or substantially reducing limits on political activities by charities could easily result in the use of tax-subsidized charitable contributions by broader public sector organizations and other organizations substantially dependent on government funding to lobby federal and provincial governments and run expensive advertising campaigns to maintain or increase their funding. Although the federal Lobbying Act and its regulations attempt to prohibit the use of government funding to subsidize lobbying activities, such restrictions effectively limit only the use of project-based funding, as opposed to the use of funding (and contributions) that supports an organization’s general operations. Of course, greater dependence on public funding also creates the potential for political and regulatory chill, especially in the case of smaller, less politically influential organizations. Given the degree of organizational self-interest involved in either case, it seems preferable to maintain a substantial degree of separation between (1) activities of public benefit funded by charitable *or* direct governmental revenues, and (2) lobbying and advocacy activities carried out by other non-profit organizations.

21 Statistics Canada, CANSIM table 388-0001, “Production, Income and Outlay Accounts of Nonprofit Institutions and Volunteering” (Ottawa: Statistics Canada, December 16, 2010).

22 James Andreoni and A. Abigail Payne, *Crowding-Out Charitable Contributions in Canada: New Knowledge from the North*, NBER Working Paper no. 17635 (Cambridge, MA: National Bureau of Economic Research, December, 2011).

TAX PREFERENCES FOR CHARITIES: CONTEXT AND TRENDS

Contribution to organizations with charitable status brings distinct fiscal benefits. Federal tax expenditures resulting from the charitable donation tax credit in 2014 totalled \$2.4 billion.²³ Before 1987, such donations were deductible from personal income according to the general principle that people should not pay tax on money that they give away.²⁴ Federal income tax reforms introduced in 1987 substituted a non-refundable tax credit based on the top federal-provincial marginal tax rate for cumulative donations above \$250 rather than on the lowest personal income tax (PIT) rate as for most other non-refundable credits. Doing otherwise would have effectively imposed tax penalties on most donors claiming the credit. Variations in provincial tax credits introduced since 2000 have provided additional tax assistance in several provinces, as noted in figure 1. As a result, federal and provincial tax systems provide a substantial tax subsidy to charitable donations made by the 96 percent (or more) of taxpayers whose incomes are below the top tax rate threshold.

The available evidence suggests that donations claimed on individual tax returns accounted for 73 percent of charitable contributions in 2013, although such donations are weighted more heavily to larger (or more systematic patterns of) charitable giving.²⁵ There are limited data on charitable contributions by corporations, which are generally deductible as a business expense.

Research suggests that although tax incentives provide some impetus to increased charitable donations, such effects are difficult to measure owing to wide variations in levels of participation across various social networks and to variations in different communities' moral-cultural inducements to systematic charitable giving.²⁶ At the same time, tax preferences may create incentives to use ostensible charities as tax shelters or as channels through which the income of charities can be siphoned to non-charitable purposes—abusive practices that require periodic audits and enforcement. The CRA also seeks to limit unfair competition between tax-exempt non-profits and charities on one hand, and private taxpaying businesses on the other.

Turcotte notes that the top 25 percent of donors to most organizations contributed an average of 84 percent of these organizations' respective revenues in 2013, and that the top 10 percent of donors contributed 66 percent of the organizations' overall revenues.²⁷ The socioeconomic composition of donor bases varies widely across organizations. Overall levels of contributions, whether or not claimed in tax returns, tend to vary with overall levels of income and economic activity. This is

23 Department of Finance, supra note 15.

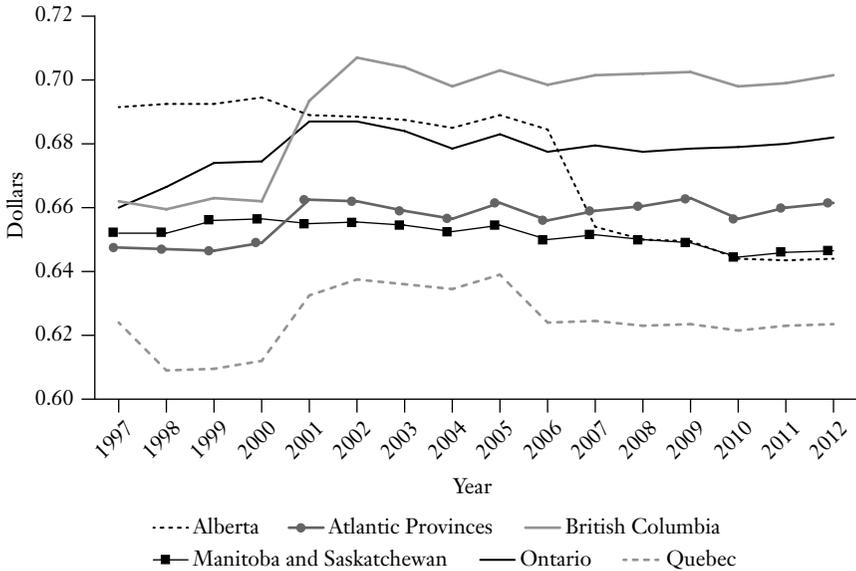
24 Arthur B.C. Drache, "Charities, Public Benefit, and the Canadian Income Tax System: A Proposal for Reform" (unpublished, 1999); Jack M. Mintz, "Too Generous with Charity," *Financial Post*, April 13, 2016.

25 Canada Revenue Agency, *Final Statistics 2015 Edition (for the 2013 Tax Year)* (Ottawa: CRA, 2015); and Turcotte, supra notes 17 and 18.

26 Turcotte, supra notes 17 and 18; and Department of Finance, supra note 15.

27 Turcotte, supra note 17.

FIGURE 1 Average Marginal After-Tax Price of a \$1 Donation, Average by Region, 1997-2012



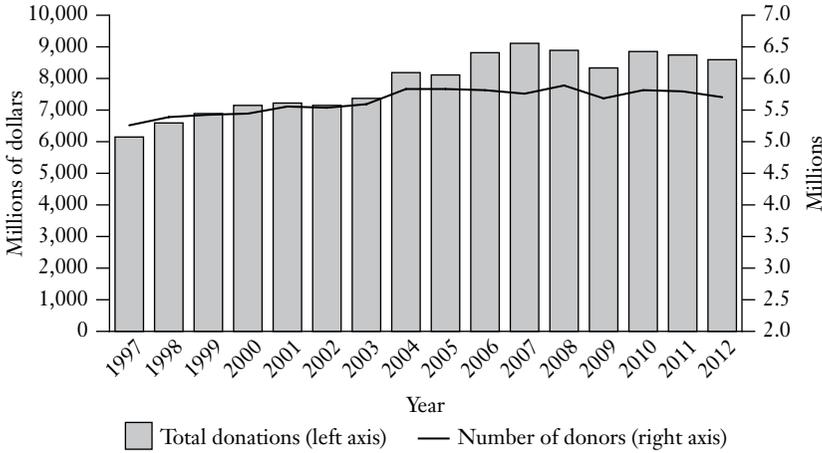
Source: Canada, Department of Finance, “An Evaluation of the Response of Individuals to Changes in the Price of Charitable Donations,” in *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2016* (Ottawa: Department of Finance, 2016).

reflected in figure 2, which shows rising numbers of donors and contributions in the decade before 2007 (a period of generally rising after-tax incomes), and, in subsequent years, comparative stagnation in donor and contribution levels.

Table 2 compares the number and distribution of donors and charitable donations claimed on personal income tax returns in 2007 and 2014. It demonstrates (1) the progressive erosion in the charitable donor base, (2) declining contribution levels across all income levels, and (3) growing dependence on upper-income donors. The overall proportion of donors among tax filers declined across all income groups, from 23.8 percent to 21.5 percent—about 9.7 percent. Inflation-adjusted donations declined across all income groups by an average of 7.5 percent. Total charitable donations as a share of total income declined by 14.5 percent—except among high-income taxpayers earning over \$250,000, for whom this figure increased marginally. Aggregate data of this kind do not begin to address the distributive effects of declining donation levels across different types of charitable activity that already differ substantially across provinces (highest in the Prairie provinces, lowest in Quebec). However, extending charitable tax credits to encompass political activity by non-profits is most likely to favour those groups that have access to a relatively affluent, politically engaged pool of donors.

Reducing or eliminating barriers to lobbying and public advocacy activities by charities is likely to contribute to increased levels of organizational entrepreneurship:

FIGURE 2 Charitable Donations by Individuals Claimed for Purposes of the Federal Charitable Donation Tax Credit



Source: Canada, Department of Finance, “An Evaluation of the Response of Individuals to Changes in the Price of Charitable Donations,” in *Report on Federal Tax Expenditures—Concepts, Estimates and Evaluations 2016* (Ottawa: Department of Finance, 2016).

creative political activists will seek to use tax credits to leverage new fundraising opportunities. Such entrepreneurship is likely to create mutually reinforcing pressures on government; it will pressure the government to increase public spending even as it cuts into the revenues necessary to finance such spending. Imagine Canada reports that only about 3 percent of charities responding to its 2015 survey reported political activity on their annual T-3010 “Registered Charity Information Return,” with about 10 percent of these organizations reporting “significant” or “heavy” engagement in political activity. Even accounting for sampling bias, the organizations with a substantial engagement in political activity tend to be larger organizations and those in receipt of substantial government funding.²⁸

It is also possible that such ideological entrepreneurship may provoke countervailing efforts to limit the growth of government, as happened during the 1970s; this could increase public cynicism and erode public confidence in significant elements of the non-profit sector.²⁹ The example of the United States and of other advanced countries suggests that rather than fostering a broader public interest that contributes to the building of stronger communities, entrepreneurship of this kind

28 David Lasby and Emily Cordeaux, *Imagine Canada’s Sector Monitor* (Toronto: Imagine Canada, October 2016) (http://sectorsource.ca/sites/default/files/resources/files/sector_monitor_public_policy_activity_2016.pdf).

29 Mark Blumberg, “CRA Closes Consultation on Political Activities by Charities with a Press Release,” *Canadian Charity Law*, December 27, 2016 (www.canadiancharitylaw.ca/blog/cra_closes_consultation_on_political_activities_with_a_press_release).

TABLE 2 Distribution of Charitable Donations, Taxation Data, 2007 and 2014

| | Percentage of donors | Donors as percentage of taxfilers | Percentage of gifts | Average donation in 2014 dollars ^a | Donations as percentage of total income ^b |
|-----------------------------|----------------------|-----------------------------------|---------------------|---|--|
| Modest income | | | | | |
| (2007: < \$35,000; | 27.3 | 11.5 | 11.3 | 754.22 | 4.0 |
| 2014: < \$40,000) | 25.7 | 9.7 | 10.9 | 712.19 | 3.8 |
| Middle income | | | | | |
| (2007: \$35k-59k; | 32.5 | 34.9 | 20.2 | 1,130.00 | 2.2 |
| 2014: \$40k-69k) | 33.4 | 30.6 | 20.4 | 1,030.87 | 1.9 |
| Upper-middle income | | | | | |
| (2007: \$60k-89k; | 22.3 | 47.1 | 18.3 | 1,495.06 | 1.8 |
| 2014: \$70k-99k) | 19.9 | 40.0 | 15.4 | 1,300.73 | 1.7 |
| Fairly high income | | | | | |
| (2007: \$90k-249k; | 14.3 | 59.6 | 22.9 | 2,672.17 | 1.9 |
| 2014: \$100k-249k) . . . | 17.8 | 49.9 | 22.5 | 2,127.43 | 1.5 |
| High income | | | | | |
| 2007: > \$250k | 3.1 | 73.6 | 27.4 | 20,920.04 | 3.0 |
| 2014: > \$250k | 2.4 | 66.7 | 30.8 | 16,563.94 | 3.1 |
| Average | | | | | |
| 2007: | na | 23.8 | na | 1,820.45 | 4.1 |
| 2014: | | 21.5 | | 1,684.80 | 3.5 |
| Percentage change | | -9.7 | | -7.5 | -14.5 |

a CPI adjustment: 2007-2014—12.29 percent.

b Donor incomes within each income group prorated to proportional share of total income.

Sources: Canada Revenue Agency, *Final Statistics 2009 Edition (for the 2007 Tax Year)* (Ottawa: CRA, 2009) and *Final Statistics 2016 Edition (for the 2014 Tax Year)* (Ottawa: CRA, 2016); author's calculations.

may contribute to the kinds of social and ideological polarization that have contributed so significantly to the undermining of social cohesion and trust in several Western countries in recent years. Recent history suggests that these outcomes—the fostering of public interest on one hand, and the undermining of public trust on the other hand—are not necessarily mutually exclusive, particularly in socially and geographically diverse countries such as Canada, where types and levels of economic activity vary widely across and within regions and provinces. In Canada, public trust in non-profit organizations remains slightly more robust than trust in governments, business, or the news media, but it is not so robust as to allow complacency.³⁰ Public perception of any increase in self-interested or partisan behaviour by charities or other non-profit organizations could erode public trust, and this would be detrimental to maintaining public support for the fulfillment of these organizations' broader objectives.

30 "Edelman Trust Barometer 2017—Canada," January 2017 (www.edelman.com/trust2017/trust-in-canada/).

To the extent that governments feel compelled to accommodate the demands from various activists that forms of political advocacy (other than direct contributions to political parties) be supported through the tax system, a less fiscally or socially disruptive approach might be the creation of a separate category of tax-exempt educational and advocacy organizations analogous to American 501(c)(3) groups. Donations to such groups might be supported by a tax credit at the basic personal income tax rate, whose cumulative annual value would be capped at the current ceiling, no higher than the federal political contribution tax credit—\$1,275. Such an initiative would reduce the likelihood of existing charitable contributions' being diverted to political advocacy and rent-seeking activities. Reasonable limits on third-party expenditures during election campaigns, comparable to the limits prevailing in federal elections, should accompany any such initiative by provincial governments. In order to provide greater accountability to members and donors, any organization registered under this provision should be required to provide a full annual accounting of revenues and expenditures, similar to the requirement now applicable to charitable organizations.

A rule that tax relief for charitable giving should be used for charitable purposes rather than personal benefit, the pursuit of institutional self-interest, or the diversion of funds to other purposes is not an undue burden on freedom of expression or public involvement. Such rules can and should be applied consistently without political or institutional bias in enforcement. Mark Blumberg, a Toronto charities lawyer, has noted that “in a real democracy we need to have one set of rules that apply to all charities—not one for those we agree with and a much tighter set of rules with those who we don't agree with.”³¹ The expansion of social media has created new avenues for political and social activity, networking, and mobilization, avenues that do not require extensive financial resources if used creatively. Canada has no shortage of opportunities for political speech or advocacy—although quantity does not necessarily correlate with quality or with the capacity to engage differing views with civility. These are social and cultural attributes that can and should be cultivated independently of the tax system as part of a broader culture of individual and communal social responsibility.

31 Blumberg, *supra* note 29.