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Tax Incentives for Charities in Canada
Do Major Government Policies Foster Healthy Nonprofits?

Ottawa – In Canada, almost 75,000 registered charities compete for every donor's dollar, and there is still not enough. With public sector grants to nonprofit organizations on the decline, governments' hands are tied. In the end, federal tax incentives may be the key that turns a dismal outlook for the nonprofit sector into a win-win situation.

Tax Incentives for Charities in Canada (Scharf et al.), a research paper released today by the Canadian Policy Research Networks (CPRN), examines the inner workings of tax law as it affects the livelihoods of charities and other nonprofit organizations.

In general, studies suggest that allowing individuals a tax break on income given to charities is an effective way to increase charitable donations. However, the report stresses that particular attention must be paid to designing a tax system that incorporates appropriate incentives for charitable giving.

Judith Maxwell, President of CPRN, says that the nonprofit sector is going through a critical transition: "Without the consideration that is due this emerging sector, government and citizens alike risk losing the potential that nonprofit activity in Canada can contribute to our nation's social and economic well-being. Tax law is just one area in which CPRN is addressing questions of reform."

This study compares Canadian tax incentives with various features of the American tax system, and finds that our nation's approach is in line with many best practices in other developed countries. The report also reviews arguments for giving charities special tax treatment, assesses the state of knowledge on the impact of tax incentives, and examines the design of appropriate tax rules.

Tax Incentives for Charities in Canada is the third of three recently published research papers commissioned by CPRN. Also available are papers on organizational and supervisory law in the nonprofit sector, and on the size and scope of the nonprofit sector. Results of a CRPN

Roundtable on these three studies and an overview paper can be found in *The Emerging Sector: In Search of a Framework*.

This working paper is a first step in the Nonprofit Sector Research Initiative of The Kahanoff Foundation. The Foundation has undertaken to fund research and public education activities that will improve the formal knowledge base about Canada's nonprofit sector and will broaden the understanding of the role it plays in our civil society.

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CPRN is a national not-for-profit research institute whose mission is to create knowledge and lead public debate on social and economic issues important to the well-being of Canadians, in order to help build a more just, prosperous and caring society.

For more information on the publication, please contact:

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