

Cost estimate

Publication date: 2019-04-30

Short title: Tax-exempt Qualified Donee for Registered Journalism Organizations

Description: Expanding the definition of a tax-exempt qualified donee status to include registered journalism organizations as of January 1, 2020.

Operating line(s): Personal Income Tax, Corporate Income Tax

Data sources:

Variable

Source

Percentage of donations to registered and not registered charities

Statistics Canada, National Survey of Nonprofit and Voluntary Organizations

Number of businesses, percentage of non-profitable businesses, average revenues, average assets

Statistics Canada, Small Business profiles

Propensity to claim tax credit

Survey on Giving, Volunteering and Participating

Tax rates

Government of Canada

Estimation and projection method:

The number of new eligible businesses was approximated by using the percentage of non-profitable newspaper publisher businesses. This was held constant over time.

A 10.1 percent increase in individual donations and a 1.5 percent increase in corporate donations was applied as behavioural effects. These figures were kept constant over time.

The total individual tax credit was equal to the increase in donations multiplied by the 29 percent marginal tax credit rate (average donations were already over the \$200 threshold for the 15 percent tax credit rate). This was then multiplied by the propensity to claim the tax credit (77 percent). Statutory corporate income tax rates were used for corporations based on their average revenue and applied to the additional amount of corporate donations estimated.

The cost estimate also accounted for asset donations that would occur once businesses become qualified donees. This was assumed to take place only during the first year. The deduction based on the asset value was also calculated using statutory corporate income tax rates.

The total deductions/tax credits were the sum of individual tax credits and corporate tax deductions (donations and asset transfers).

Uncertainty assessment:

The estimate has moderate uncertainty. The universe of administration data and survey-based sample data is available to determine donor statistics and the model is a top-down approach. There is no volatility in the model, but the program cost is sensitive to tax rates and donation amounts. A behavioural response is expected and modeled with a moderate level of uncertainty.

Cost of proposed measure

\$ millions	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	7	21	5	5	5

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.
Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
“-” = PBO does not expect a financial cost