

# Costing 2018 Fall Economic Statement and Off-Cycle Measures

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Short title:	Charity limits on non-partisan political activities
Description:	Remove limits on non-partisan political activities in the Income Tax Act to allow charities to engage fully in public policy dialogue and development in furtherance of their charitable purposes.
Operating line(s):	Personal Income Tax; donations and gifts, federal political contribution tax credit, (provincial) political contribution tax credit
Source Data:	SPSD/M v 26.0, PBO projections
Estimation and projection method:	<p>Bottom-up micro accounting model; PBO's calculations</p> <p>The PBO calculates two behavioural effects of this policy change. Federal and provincial political contributions above their respective threshold for maximum credit are assumed to be now donated to charitable organizations. The PBO uses this information with the donors' respective taxable income group to calculate the charitable donation tax credit with the additional funds.</p> <p>General behavioural effects are assumed to affect donors with taxable income greater than \$202,800 and all donors that donate more than \$200 after a 5 per cent increase in donations.</p> <p>The additional tax credits are projected forward using the PBO's projected Consumer Price Index.</p>
Uncertainty Assessment:	<p>The uncertainty of the cost estimate is moderate, as it has both low and high uncertainties. It uses an accounting model on personal income tax return data (universal administrative data), which is low in uncertainty. There is some degree of randomness on donation quantities throughout the year and overtime (leading up to an election), which is greater in uncertainty. The results are highly sensitive to the economy as donations are dependent on the level of disposable income; there is also little empirical literature on measuring anticipated behavioural changes, both contributing to high uncertainty of the cost estimate.</p> <p>PBO assumes that there will be no new donors, therefore, no first-time donor super credits. It is also assumed that donors will not stop donating, all donors will have the same carry-forward behaviour, and donations do not differ during election years.</p> <p>This analysis only considers monetary donations, excluding land/property donations. Due to the small impact, the PBO does not include retroactive payments for charities that may reclaim fines or re-register, or for individuals re-filing.</p> <p>Quebec is excluded from the provincial political tax contribution portion of this analysis because there is currently no database on their political</p>

contributions. From these assumptions and exclusions, it is possible that the PBO's cost is an underestimation.

Individuals may have contributed to more than one of the following: federal political contribution, provincial political contribution, and/or charitable donation. Identifying the individuals who made more than one type of contribution was not possible, leading to potential double counting. The PBO also acknowledges that charitable organizations are not a perfect substitution for political contributions, however, we assume that donors want to maximize their tax credit. These final caveats create the possibility of overestimation.

### Cost of proposed measure

\$ millions	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total cost	15	26	27	27	28	28

Note: The policy change was announced in September 2018, therefore, the 2018-19 estimate only accounts for seven months (September to March).

## Supplementary information

	Description	Operating line	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Costs	No change in activity		-	-	-	-	-	-
	Behavioural response	Political contributions	5	8	8	8	9	9
		General behaviour	10	18	18	19	19	20
<b>Total cost</b>			<b>15</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>28</b>

Notes: Numbers may not add up due to rounding.

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