

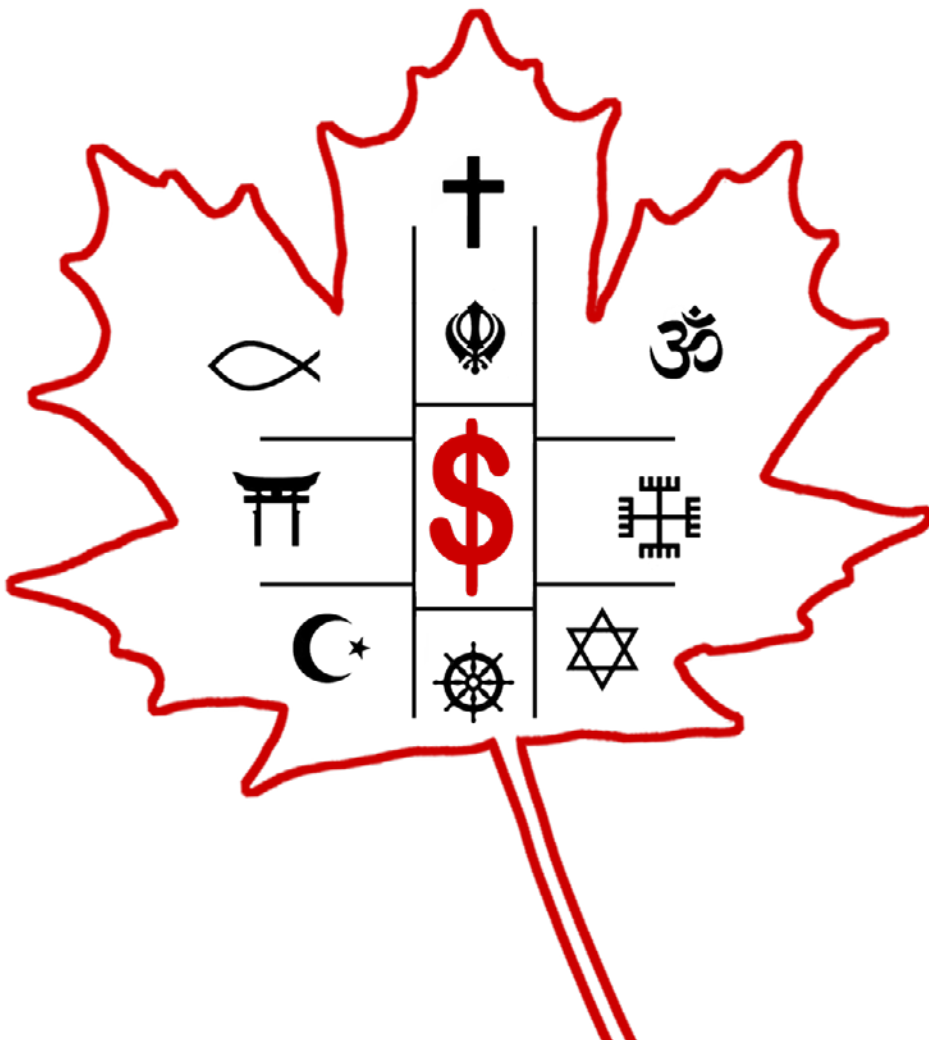


**CENTRE FOR
INQUIRY
CANADA**

The Cost of Religion in Canada

**Canadian Taxpayers
Funding the Advancement of Religion**

(Rev. 09/12/2019)



The Cost of Religion in Canada

Part 1: Canadian Taxpayers Funding the Advancement of Religion

A review of financial data submitted by Canada's Religious Charities in 2017

Centre for Inquiry Canada 2019

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The **Centre for Inquiry Canada** is a national, volunteer-led educational charity involved in promoting reason, science, and freedom of inquiry.

The **Cost of Religion in Canada** is a series of reports published by the CFIC in an effort to promote public discourse and the examination of the social, cultural and political role and cost of religion in our society.

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Part 1: Canadian Taxpayers Funding the Advancement of Religion

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Introduction:

Canada is a secular country yet Canadian taxpayers subsidize the advancement of religion by up to \$3 billion annually.

This is the first of a series of reports looking at the cost of religion in Canada. In this report we examine and detail the financial cost of charitable tax credits issued to organizations to promote the “advancement of religion.”

Any organization which operates strictly for charitable purposes can apply to Canada Revenue Agency Charities Directorate to become a registered charity. There are several benefits to having charitable status including the ability to issue charitable tax receipts for donations made to the charity.

In 2017, Canadian charities issued \$18 billion in official donation receipts (Blumberg's Canadian Charity Law). Over 38 percent of those charitable tax receipts, totalling almost \$7 billion, were issued by Canadian religious charities. The lost tax revenue from these religious tax credits alone is conservatively estimated to cost Canadians between \$1.58 billion and \$3 billion each year.

The Government of Canada offers the same tax breaks to all denominations and all faiths. As Canadian taxpayers, we are paying for the promotion and growth of religion. Under this subsidy model, religious organizations end up competing with each other to attract more people to their faith.

Through this tax model Canada also funds religious “charities” in their international efforts to proselytize their faith and spread their religious doctrines in poorer parts of the world.

This is one of many tax benefits enjoyed by Canada's 31,000 religious charities. In future reports we will be looking at additional costly perks provided to religious organizations including government transfers, permissive tax exemptions (property tax), lost HST/GST and income tax revenues, and the cost of the clergy residence deduction.

In recent decades Canada has become both less religious and more religiously diverse. (World Population Review, 2019)

The right to be religious is a personal freedom we enjoy in Canada. However, Canadian taxpayers, as citizens of all faiths and citizens of no faith, should not be forced to subsidize the advancement of religion through tax exemptions. The right to be religious in Canada is important (freedom of religion). The need to retain Canada's strength as a secular nation based on personal freedom, social responsibility and the rule of law is equally important (freedom from religion).

CANADA'S FOUR HEADS OF CHARITY

The Canada Revenue Agency has long held that an organization must meet at least one of four criteria in order to be officially recognized as charitable:

- relief of poverty
- advancement of education
- advancement of religion
- certain other purposes beneficial to the community in a way the law regards as charitable

“The idea that the advancement and promotion of religion, in and of itself qualifies as “charitable” has long offended those who do not belong to a faith creed.”

*Leslie Rosenblood
CFIC Councillor / Director*

Charitable Status Qualification Requirements:

The Income Tax Act establishes the qualification requirements for charitable status in Canada. Charitable organizations must meet these requirements to retain their charitable status.

Charitable Purpose

All charities must fall under one of CRA's four "heads" (purposes) of charity which include:

- Relieving poverty
- Advancing education
- Advancing religion
- Other purposes beneficial to the community

According to CRA "To advance religion in the charitable sense means to promote the spiritual teachings of a religious body and to maintain doctrines and spiritual observances on which those teachings are based. There must be an element of theistic worship, which means the worship of a deity or deities in the spiritual sense. (Government of Canada, 2002)

Religious organizations providing services that fall under a different category do not register as a charity for the purpose of advancing religion. Instead they register under the category related to their primary purpose. For example, a Christian university would register under the advancement of education category. This report looks exclusively at religious charities operating primarily for the purpose of advancing religion.

Public Benefit

A charity must "provide a charitable benefit to the public or a sufficient section of the public." (CRA2019), must have "exclusively charitable purposes" and "its income cannot be used for the personal benefit of any of its members, shareholders or governing officials." (CRA2018)

To demonstrate public benefit a charity must:

- describe the activities through which it will provide a charitable benefit
- devote all of its resources to these activities
- provide a charitable benefit which is recognizable, socially useful and capable of being proven

The CRA (2019) provides the following description of activities in the Advancement of Religion category:

- Establishing and maintaining buildings for religious worship and other religious use
- Organizing and providing religious instruction
- Carrying out pastoral and missionary work

Eligible Beneficiary Group

Charities must define their eligible beneficiary group. They must ensure that the charitable benefit is “provided to the public or a sufficient section of the public.” (Canada, 2013) While organizations falling under the other three purposes (reduction of poverty, advancement of education or other charitable purposes) are prohibited from limiting eligible beneficiaries to members of a specific faith, religious charities are not. Religious charities are free to discriminate based on religious faith in their tax-funded “charitable” efforts.

The Financial Cost to Canadians:

CFIC reviewed the data for all Canadian religious charities which filed a T-3010 for their fiscal year ending in 2017 (the latest year for which a complete information set is available). We discovered that more than 33,000 religious charities in Canada were responsible for issuing almost \$7 billion dollars in charitable tax receipts. Each of these donors received a charitable tax receipt which qualified for a non-refundable tax credit when filing income tax in Canada.

Understanding Charitable Tax Credits

Personal tax filers claiming charitable tax receipts on their income tax receive non-refundable tax credits from the federal government and their provincial government. The amount of the tax credit depends upon:

- The total amount of donations made by the filer to all charitable causes
- The income tax bracket of the filer
- The province or territory the filer lives in

Charitable donations result in a non-refundable tax credit to the donor. The tax credit directly reduces the amount of income tax payable by the donor. The tax credit is non-refundable, meaning that donors who do not pay any income tax, do not receive the tax credit. However, charitable tax receipts do not have to be used in the year that they are issued but may be accumulated for up to five years, so a filer whose income is low one year, may carry that credit forward until they are required to pay income tax.

Charitable donors enjoy non-refundable tax credits from both the federal and provincial levels of government. For tax filers earning less than \$202,800 (in 2017), the Federal Government provides a 15 percent tax credit on the first \$200 of charitable donations and 29 percent on all donations in excess of \$200. Starting in 2016, it also offered an increased tax credit to earners in the top tax bracket (in 2017 this applied to people earning more than \$202,800.) Donors were eligible for a 33 percent tax credit for donations greater than \$200 up to the amount by which their income exceeds \$202,800 (Government of Canada, 2017).

There are other ways in which financially savvy donors can receive greater tax benefit from their donations. For example, donors who make a gift of stock realize a tax credit for the full, selling price of the stock, without paying capital gains tax on the appreciation.

For example: A donor paid \$50,000 for a stock that is currently worth \$100,000 and donates that stock to charity. The donor receives a charitable tax receipt for the full \$100,000 and also avoids paying income tax on their \$50,000 of capital gains.

One final complicating factor that makes it difficult to quantify the cost of charitable donations is that 2017 was the final year for Canada's "Super Tax Credit." (Government of Canada, 2015) In 2017 (the tax year of this report) first-time donors received an extra 25 percent tax credit for up to \$1,000 of donations.

Since personal tax filers are not required to report the names of the charities that they donate to on their income tax return, we are unable to calculate the exact cost of the charitable tax credits issued by religious charities during the year. However, in order to provide a reasonable estimate of costs we have made several assumptions:

1. None of the donors fell into the highest tax bracket (earned more than \$202,800)
2. All tax receipts issued in 2017 were used for 2017 income tax, and only 2017 tax receipts were claimed in 2017
3. All donations were cash (no gifts of stock or real property)
4. All donors were required to pay enough income tax to enable them to claim their charitable tax credits
5. None of the donors were eligible for the super tax credit

We then offer two scenarios:

- Scenario A: All donations to religious charities were made by individuals whose total annual donation to all charities in 2017 was less than \$200.
- Scenario B: All donations to religious charities during the year were from donors who gave more than \$200 to other charities before donating to the religious charity.

Methodology

All charities must complete a charity return (T-3010) annually to Canada Revenue Agency. CFIC requested and obtained the financial portion of this information from the CRA for all charities falling under the "advancement of religion" purpose. The review of data focused on the T-3010's filed by religious charities in Canada for the fiscal year ending in 2017, the most recent data set available at the time of our request.

The value of charitable tax receipting has been calculated by adding:

- Line 4500: total eligible amount of all gifts for which the charity issued tax receipts. The charity directly issued tax receipts for donations made to them.
- Line 4510: total amount received from other registered charities. These amounts would be receipted by another registered charity and passed directly to the religious charity. Some (non-exhaustive) examples of this are:
 - o Donations made through a third party such as Canada Helps or United Way
 - o Donations made to a foundation including a foundation established for the sole purpose of funding a specific charity or a foundation that responds to grant applications

In total, Canadians received charitable tax receipts for almost \$7 billion of donations to religious charities. Religious charities in Canada issued \$5.7 billion in charitable tax receipts. Additionally, they received \$1.26 billion from other charitable organizations, which issued tax receipts on their behalf.

Ontario was, by a significant margin, the largest issuer of charitable tax receipts, with 12,600 religious charities responsible for donations totaling over \$3 billion. Nunavut had the fewest religious charities (13) which were responsible for slightly more than \$1 million of charitable receipting.

(Please note that the Province or Territory of a religious charity reflects the location of its “head office”. The charity may also have operations and physical locations in other areas of the country.)

Province / Territory	Number of Religious Charities	Value of Tax Receipts Issued
Alberta	3,526	\$ 1,056,584,840
British Columbia	4,110	\$ 1,058,487,552
Manitoba	1,647	\$ 334,634,948
New Brunswick	1,126	\$ 148,557,330
Newfoundland and Labrador	616	\$ 100,225,692
Nova Scotia	1,254	\$ 150,296,739
Northwest Territories	36	\$ 5,955,359
Nunavut	13	\$ 1,174,194
Ontario	12,600	\$ 3,302,911,483
Prince Edward Island	230	\$ 35,963,447
Quebec	4,188	\$ 537,979,025
Saskatchewan	1,909	\$ 226,617,576
Yukon	42	\$ 4,331,208
Out of Country ¹	11	\$ 5,473,273
Totals	31,353	\$ 6,969,192,666

Table 1: Charitable Tax Receipts issued by charities with the purpose of “Advancement of Religion” by province of headquarters.

Calculating Religious Charity Tax Receipt Values

For the purposes of this report, we have elected to make a conservative estimate that will stand up to scrutiny. We understand that there are costs that we are unable to calculate so have elected to use the following assumptions:

- none of the donors are in the top income tax bracket (donations in the top tax bracket were eligible for a four percent tax credit increase)
- all tax receipts issued in 2017 were claimed in the same year
- none of the donors earned the First Time Donor Supertax Credit (first time donors received an additional 25 percent tax credit in 2017)

¹Religious charities with head offices in the United States authorized to issue charitable tax receipts in Canada.

- none of donations were made from the sale of appreciated stocks or real property, therefore the donors did not enjoy a saving on Capital Gains tax
- all the donors claimed their tax credits in the province that is home to the head office of the charity²

We provide two scenarios to assist the reader in determining the revenue lost to the Government of Canada.

Scenario A (Low Estimate)

With this scenario we show the lower rate of tax credits for all donations. This assumes that all personal tax filers making donations to religious charities donated less than \$200 in total to all charities in 2017. Scenario A provides a low estimate of the lost tax revenue for donations to religious charities in 2017.

Province / Territory	Provincial Tax Credits		Federal Tax Credits		Total Tax Credits
	Tax Rate	Amount	Tax Rate	Amount	
AB	10%	\$ 105,658,484	15%	\$ 158,487,726	\$ 264,146,210
BC	5.06%	\$ 53,559,470	15%	\$ 158,773,133	\$ 212,332,603
MB	10.8%	\$ 36,140,574	15%	\$ 50,195,242	\$ 128,499,820
NB	9.68%	\$ 14,380,350	15%	\$ 22,283,600	\$ 36,663,949
NL	8.7%	\$ 8,719,635	15%	\$ 15,033,854	\$ 23,753,489
NS	8.79%	\$ 13,211,083	15%	\$ 22,544,510	\$ 35,755,594
NT	5.9%	\$ 351,366	15%	\$ 893,304	\$ 1,244,670
NU	4%	\$ 46,968	15%	\$ 176,129	\$ 223,097
ON	5.05%	\$ 166,797,030	15%	\$ 495,436,722	\$ 662,233,752
PE	9.8%	\$ 3,524,417	15%	\$ 5,394,517	\$ 8,918,935
QC	20%	\$107,595,805	15%	\$ 80,696,854	\$ 188,292,659
SK	10.75%	\$ 24,361,389	15%	\$ 33,992,636	\$ 58,354,026
YT	6.4%	\$227,197	15%	\$649,681	\$ 926,879
US	Not Calculated				
Total					\$ 1,597,181,679

Table 2: Value of charitable donation tax credit by province assuming all donors make less than \$200 total charitable donations in the year.

²For information on how charitable tax credits are calculated please see the Government of Canada website: www.canada.ca/en/revenue-agency/services/charities-giving/giving-charity-information-donors/claiming-charitable-tax-credits/calculate-charitable-tax-credits.html

Scenario B (Realistic Estimate)

With this scenario, we show a higher rate of tax credits for all donations. For this example, we assume that all donations made to religious charities were made by donors who had already exceeded the \$200 threshold (donated \$200 to a different charity first) to receive a greater tax credit.

Province / Territory	Provincial Tax Credits		Federal Tax Credits		Total Tax Credits
	Tax Rate	Amount	Tax Rate	Amount	
AB	21%	\$ 221,882,816	29%	\$ 306,409,604	\$ 528,292,420
BC	14.7%	\$ 155,597,670	29%	\$ 306,961,390	\$ 462,559,060
MB	17.4%	\$ 58,226,481	29%	\$ 97,044,135	\$ 155,270,616
NB	17.95%	\$ 26,666,041	29%	\$ 43,081,626	\$ 69,747,666
NL	18.3%	\$ 18,341,302	29%	\$ 29,065,451	\$ 47,406,752
NS	21%	\$31,562,315	29%	\$ 43,586,054	\$ 75,148,370
NT	14.05%	\$ 836,728	29%	\$ 1,727,054	\$ 2,563,782
NU	11.5%	\$ 135,032	29%	\$ 340,516	\$ 475,549
ON	11.16%	\$ 368,604,922	29%	\$ 957,844,330	\$ 1,326,449,252
PE	16.7%	\$6,005,896	29%	\$ 10,429,400	\$ 16,435,295
QC	24%	\$129,114,966	29%	\$ 156,013,917	\$ 285,128,883
SK	14.75%	\$ 33,426,092	29%	\$ 65,719,097	\$ 99,145,190
YT	12.8%	\$ 554,395	29%	\$ 1,256,050	\$ 1,810,445
US	Not Calculated				
Total³					\$ 3,070,433,280

Table 3: Value of charitable tax rebate if all donors have given other charities at least \$200.

Value of Donations:

Centre for Inquiry Canada prides itself in providing fact-based information. The accurate calculation of lost tax revenue related to tax rebates for donations to religious charities is difficult with the structure of and detail in the tax data provided through the CRA. However, working with this data we are confident that in 2017 Canadian tax payers provided more than \$1.597 billion in income tax relief to people donating to religious charities. Other variables indicate this amount could be \$3 billion or more.

Limitations of Information:

There may be additional factors in the Canadian tax law that could further influence the actual cost to Canadians of allowing “advancement of religion” as a charitable cause. We are aware of several limitations in the data which make it difficult to present a precise analysis, as follows:

- Charitable donations are eligible for non-refundable tax credits. This means that if a donor paid no income tax, they would not receive the charitable tax rebate. If this were true for a large number of donors, it could result in our estimate being higher than the actual cost.

³Revised 19/12/2019.

- Some donations are made by corporations. Corporations deduct donations from their corporate income rather than receiving a tax rebate. The impact of corporate donations on the final cost is unknown.
- Many donors contribute appreciated stocks or real property to charity. This allows them to realize the full value of the charitable tax rebate and avoid paying capital gains on the sale of the item being donated. Depending on the amount of taxable gains and the tax rate of the personal tax filer, this could result in a significant additional tax saving to the donor.
- A tax credit rate of 33 percent applies to donations above the first \$200 when an individual's taxable income exceeds the top personal tax bracket of \$202,800. This is four percent more than donors who earned less than this tax bracket threshold.
- First time donors in 2017 were eligible for a “super tax credit” for donations. These first time donors received an additional 25 percent rebate on their donations during the year.
- Personal tax filers can save their charitable tax receipts for up to five years and can combine their receipts with their spouse. This should have little impact on the total value of the charitable tax receipts issued (assuming there were approximately as many receipts from previous years used in 2017 as were carried forward from 2017) however, it is likely to increase the proportion of donations in our Scenario B.
- Provincial surtax amounts have not been included in these values.

Conclusion:

Eliminating the “Advancement of Religion” category for charitable status from Canada’s Income Tax Act would retain an estimated \$3 billion or more in tax revenue for Canadians annually. This revenue could be used to reduce debt or to fund important programs.

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