



## THE COST OF RELIGION IN CANADA

Religious Charities Issuing Tax Receipts

The Second in a Series of Reports:

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## CHARITIES ISSUE TAX CREDIT RECEIPTS FOR DONATIONS

This is the second in a series of reports from the Centre for Inquiry Canada (CFIC) looking at the cost of religion in Canada. This report will examine the financial cost of charitable receipts issued by charities founded for the purpose of “advancement of religion” in 2018. Data for this report has been gathered from the 2018 T-3010 reports filed annually by charities in Canada and provided to CFIC by Canada Revenue Agency (CRA). Canadian taxpayers subsidize the advancement of religion by as much as \$3.2 billion annually as a result of income tax relief available to Canadians who donate to religious charities.

CFIC’s [An Introductory Report Exploring the Advancement of Religion as a Charitable Purpose](#) explains the four “heads” (types) of charities in Canada and discusses both social programming and religious activities carried out by charities with “advancement of religion” as their registered primary purpose. It describes the number, nature, and wealth of religious charities in Canada, while acknowledging the limitations of relying on data from the T-3010.

Among the several benefits granted to Canada’s 32,400 registered religious charities is the ability to issue charitable tax receipts for donations. Future reports in this series will look at additional costly preferential treatment provided to religious charities including government transfers and tax savings.

In 1985, the [Supreme Court of Canada ruled that freedom of religion includes the right to freedom from religion](#). In the decades since, [Canada has become both less religious and more religiously diverse](#). The right to express one’s faith in Canada is important (freedom *of* religion). The need to continue Canada’s progress toward becoming a secular nation based on personal freedom, social responsibility and the rule of law is equally important (freedom *from* religion).

A secular nation should neither support nor suppress religious expression. The time has come for Canadian taxpayers, as citizens of all faiths and citizens of no faith, to stop granting tax exemptions to religious organizations which have incorporated as charities.

## THE FINANCIAL COST OF RELIGIOUS CHARITY TAX RECEIPTS

[In 2018, Canadian charities issued \\$18 billion in official donation receipts](#). Over 41 percent of those charitable tax receipts, totaling almost \$7.5 billion, were issued by religious charities (see Table 1). Based on data from the T-3010, lost tax revenue from these religious tax credits alone is conservatively estimated to cost Canadian governments between \$1.7 billion (Table 2) and \$3.2 billion (Table 3).

## UNDERSTANDING CHARITABLE TAX CREDITS

Personal tax filers claiming charitable donations 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

For tax filers earning less than \$205,842 in 2018, the federal government provided 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 2018 this applied to people earning more than \$205,842). Donors were eligible for a 33 percent tax credit for donations greater than \$200 up to the amount by which their income exceeded \$205,842.

Financially savvy donors can receive still more tax benefits from donations. Donors who make a [gift of stock](#) realize a tax credit for the full sale price of the stock, without paying capital gains tax on the appreciation. If a donor paid \$40,000 for stock currently worth \$100,000 and donates the shares to charity, the donor receives a charitable tax receipt for the full \$100,000 and avoids paying taxes on \$60,000 of capital gains.

## METHODOLOGY

CFIC requested and obtained financial data from the CRA for all charities falling under the “advancement of religion” purpose. This analysis is based on the T-3010s filed by religious charities in Canada for the fiscal year ending in 2018, the most recent data set available.

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:

- Donations made through a third party such as Canada Helps or United Way
- 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

Religious charities in Canada issued almost \$6.2 billion in charitable tax receipts. Additionally, they received \$1.26 billion from other charitable organizations, which issued tax receipts on their behalf. In total, Canadians received charitable tax receipts for over \$7.4 billion of donations to religious charities.

Ontario was, by a significant margin, the largest issuer of charitable tax receipts, with 12,931 religious charities receiving almost \$3.5 billion in donations. Nunavut had the fewest religious charities (8), which received more than \$650,000.

| <b>Table 1: Charitable Tax Receipts Issued by Charities with the Purpose of Advancement of Religion</b> |                                      |                                     |
|---|--------------------------------------|-------------------------------------|
| <b>Province / Territory</b>   | <b>Number of Religious Charities</b> | <b>Value of Tax Receipts Issued</b> |
| Alberta   | 3,830                                | \$1,123,764,017                     |
| British Columbia  | 4,255                                | \$1,137,237,816                     |
| Manitoba  | 1,784                                | \$380,956,339                       |
| New Brunswick   | 1,129                                | \$140,916,692                       |
| Newfoundland and Labrador   | 614                                  | \$91,226,144                        |
| Nova Scotia   | 1,277                                | \$149,687,633                       |
| Northwest Territories   | 44                                   | \$6,167,034                         |
| Nunavut   | 8                                    | \$659,396                           |
| Ontario   | 12,931                               | \$3,475,429,685                     |
| Prince Edward Island  | 229                                  | \$28,236,619                        |
| Quebec  | 4,281                                | \$646,589,897                       |
| Saskatchewan  | 1,974                                | \$237,559,402                       |
| Yukon   | 44                                   | \$34,773,823                        |
| USA   | 9                                    | \$3,368,272                         |
| <b>Totals</b>   | <b>32,409</b>                        | <b>\$7,456,572,769</b>              |

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.

In order to provide a reasonable estimate of costs, this report has made several conservative assumptions:

1. No donors fell into the highest tax bracket (those earning more than \$202,800 were eligible for a four percent tax credit increase).
2. All tax receipts issued in 2018 were used for 2018 income tax, and only 2018 tax receipts were claimed in 2018.
3. All donations were cash (no gifts of stock or real estate, and hence no donors reduced their capital gains taxes).
4. All donors were required to pay enough income tax to enable them to claim their charitable tax credits.
5. All donors claimed their tax credits in the province that is home to the head office of the charity.

Based on these assumptions, CFIC analyzed two scenarios:

- Scenario A: All donations to religious charities were made by individuals whose total annual donation to all charities in 2018 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.

For information on how charitable tax credits are calculated please see this [Government of Canada website](#).

SCENARIO A (LOW ESTIMATE)

Scenario A assumes that all personal tax filers making donations to religious charities donated less than \$200 in total to all charities in 2018. Scenario A provides a low estimate of the lost tax revenue for donations to religious charities in 2018.

**Table 2: Cost of Religion in Canada - Tax Benefit from Personal Receipted Donations - 2018**  
Low estimate of cost, assuming all contributions are under \$200

|                    | Total Receipts Issued |       | Provincial tax credit |       | Federal tax credit   |       | Total Credit         |
|--------------------|-----------------------|-------|-----------------------|-------|----------------------|-------|----------------------|
| AB                 | 1,123,764,017         | 10.0% | 112,376,402           | 15.0% | 168,564,603          | 25.0% | 280,941,005          |
| BC                 | 1,137,237,816         | 5.1%  | 57,544,233            | 15.0% | 170,585,672          | 20.1% | 228,129,905          |
| MB                 | 380,956,339           | 10.8% | 41,143,285            | 15.0% | 57,143,451           | 25.8% | 98,286,736           |
| NB                 | 140,916,692           | 9.7%  | 13,640,736            | 15.0% | 21,137,504           | 24.7% | 34,778,240           |
| NL                 | 91,226,144            | 8.7%  | 7,936,675             | 15.0% | 13,683,922           | 23.7% | 21,620,597           |
| NS                 | 149,687,633           | 8.8%  | 13,157,543            | 15.0% | 22,453,145           | 23.8% | 35,610,688           |
| NT                 | 6,167,034             | 5.9%  | 363,855               | 15.0% | 925,055              | 20.9% | 1,288,910            |
| NU                 | 659,396               | 4.0%  | 26,376                | 15.0% | 98,909               | 19.0% | 125,285              |
| ON                 | 3,475,429,685         | 5.1%  | 175,509,199           | 15.0% | 521,314,453          | 20.1% | 696,823,652          |
| PE                 | 28,236,619            | 9.8%  | 2,767,189             | 15.0% | 4,235,493            | 24.8% | 7,002,682            |
| QC                 | 646,589,897           | 20.0% | 129,317,979           | 15.0% | 96,988,485           | 35.0% | 226,306,464          |
| SK                 | 237,559,402           | 10.5% | 24,943,737            | 15.0% | 35,633,910           | 25.5% | 60,577,647           |
| YT                 | 4,773,823             | 6.4%  | 305,525               | 15.0% | 716,073              | 21.4% | 1,021,598            |
| <b>CANADA</b>      | <b>7,423,204,497</b>  |       | <b>579,032,734</b>    |       | <b>1,113,480,675</b> |       | <b>1,692,513,409</b> |
| USA *              | 3,368,272             | 7.8%  | 262,725               | 15.0% | 505,241              | 22.8% | 767,966              |
| <b>GRAND TOTAL</b> | <b>7,426,572,769</b>  |       | <b>579,295,459</b>    |       | <b>1,113,985,916</b> |       | <b>1,693,281,375</b> |

\* For charities with HQ in the US CFIC has used the weighted average tax rate of the provinces.

## SCENARIO B (HIGH ESTIMATE)

Scenario B assumes all donors to religious charities had already contributed at least \$200 to other charities, and thus were eligible to claim the larger tax credit.

**Table 3: Cost of Religion in Canada - Tax Benefit from Personal Receipted Donations - 2018**  
High estimate of cost, assuming all contributions are over \$200

|                    | Total Receipts Issued |  | Provincial tax credit |                      | Federal tax credit |       | Total Credit         |       |                      |
|--------------------|-----------------------|--|-----------------------|----------------------|--------------------|-------|----------------------|-------|----------------------|
| AB                 | 1,123,764,017         |  | 21.0%                 | 221,882,816          |                    | 29.0% | 325,891,565          | 50.0% | 547,774,381          |
| BC                 | 1,137,237,816         |  | 16.8%                 | 155,597,670          |                    | 29.0% | 329,798,967          | 45.8% | 485,396,637          |
| MB                 | 380,956,339           |  | 17.4%                 | 58,226,481           |                    | 29.0% | 110,477,338          | 46.4% | 168,703,819          |
| NB                 | 140,916,692           |  | 18.0%                 | 25,848,975           |                    | 29.0% | 40,865,841           | 47.0% | 66,714,816           |
| NL                 | 91,226,144            |  | 18.3%                 | 18,341,302           |                    | 29.0% | 26,455,582           | 47.3% | 44,796,884           |
| NS                 | 149,687,633           |  | 21.0%                 | 31,562,315           |                    | 29.0% | 43,409,414           | 50.0% | 74,971,729           |
| NT                 | 6,167,034             |  | 14.1%                 | 836,728              |                    | 29.0% | 1,788,440            | 43.1% | 2,625,168            |
| NU                 | 659,396               |  | 11.5%                 | 135,032              |                    | 29.0% | 191,225              | 40.5% | 326,257              |
| ON                 | 3,475,429,685         |  | 11.2%                 | 368,604,922          |                    | 29.0% | 1,007,874,609        | 40.2% | 1,376,479,531        |
| PE                 | 28,236,619            |  | 16.7%                 | 6,005,896            |                    | 29.0% | 8,188,620            | 45.7% | 14,194,516           |
| QC                 | 646,589,897           |  | 24.0%                 | 129,114,966          |                    | 29.0% | 187,511,070          | 53.0% | 316,626,036          |
| SK                 | 237,559,402           |  | 14.5%                 | 33,426,092           |                    | 29.0% | 68,892,227           | 43.5% | 102,318,319          |
| YT                 | 4,773,823             |  | 12.8%                 | 554,395              |                    | 29.0% | 1,384,409            | 41.8% | 1,938,804            |
| <b>CANADA</b>      | <b>7,423,204,497</b>  |  |                       | <b>1,050,137,590</b> |                    |       | <b>2,152,729,304</b> |       | <b>3,202,866,894</b> |
| USA *              | 3,368,272             |  | 14.2%                 | 476,610              |                    | 29.0% | 976,798.88           | 44.1% | 1,453,409            |
| <b>GRAND TOTAL</b> | <b>7,426,572,769</b>  |  |                       | <b>1,050,614,200</b> |                    |       | <b>2,153,706,103</b> |       | <b>3,204,320,303</b> |

\* For charities with HQ in the US CFIC has used the weighted average tax rate of the provinces.

## VALUE OF DONATIONS

CFIC has summary information for donation receipts issued by religious charities in Canada in 2018, but no data about who received those receipts nor how they were applied on personal income tax filings. Without that data, CFIC cannot calculate a precise figure for the amount of revenue lost by Canadian governments from tax credits for donations to religious charities. However, CFIC is confident that in 2018 Canadian taxpayers provided at least \$1.69 billion in income tax relief to people donating to religious charities. Other reasonable assumptions increase this amount to \$3.2 billion. Given the very conservative assumptions set out above, the actual number is likely considerably higher.

## LIMITATIONS OF INFORMATION

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

- 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

applied to a significant number of donors, it could result in CFIC's estimate being higher than the actual cost.

- Some donations are made by corporations, which are [also eligible to receive a tax rebate for charitable contributions](#). While this report uses personal tax credit rates to calculate the amounts in tables 2 and 3, using corporate rates would not produce materially different results.
- 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 \$205,842 (in 2018), four percent more than donors who earned less than this threshold. As discussed above, this report conservatively assumes no contributions from donors in the top tax bracket.
- Personal tax filers may [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 2018 as were carried forward from 2018). However, it is likely to increase the proportion of donations in Scenario B.
- [Provincial surtax savings](#) have not been included in this report. Similar to federal income tax, most provinces have a surtax amount for earners in the top income bracket. Since surtaxes are calculated after the donation tax credit has been applied, the value of the charitable tax receipt is even greater for top earners.

#### WHAT IF THE "ADVANCEMENT OF RELIGION" CATEGORY WERE NOT AVAILABLE?

If "advancement of religion" were not considered inherently charitable, religious organizations that focused on evangelizing (converting people to their faith), worship (including the cost of maintaining buildings and grounds), and other activities conducted to advance religion, would no longer be considered charities. While congregants could continue to donate money or pay membership dues, these contributions would no longer be eligible for a charitable tax receipt.

As noted in the introduction to this series, most charities currently registered under "advancement of religion" would be eligible to become non-profit organizations. Some could register their organization under another head of charity (Advancement of Education, Relief of Poverty, or Other purposes beneficial to the community).

Though some religious charities provide social services, CFIC believes that Canada's social safety net is better provided by organizations that do not require program participants to adhere to the tenets of a religion in order to participate.

Because it is impossible to predict what each religious charity would do if "advancement of religion" were removed as charitable purpose, the absolute savings cannot be calculated with precision.

## CONCLUSION

Charitable tax receipts issued by religious charities cost the Canadian federal government an estimated \$3.2 billion in tax revenue annually. The portion of this revenue which currently funds charities to provide worship services to their congregants and to proselytize could be used to reduce government debt or fund important public programs.

Future reports in CFIC's Cost of Religion series will describe the financial impact of government grants to, and tax relief for, Canada's religious charities.

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