OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
CANADA
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

A Cost Estimate of Proposed Amendments to the *Income Tax Act* to Provide an Enhanced Tax Credit for Charitable Donations

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The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, the government's estimates and trends in the national economy.

Key Points:

- Consistent with its legislative mandate to estimate the financial cost of any proposal that relates to a matter over which Parliament has jurisdiction, the PBO was asked to prepare a cost estimate of proposed legislative amendments to the *Income Tax Act* (ITA) that would provide an enhanced tax credit for individual taxpayers who make charitable donations (*i.e.* T1 filers).

- Specifically, amendments would be introduced that would increase the federal charitable tax credit from 29% to 39% for all claims above $200 that also exceed all annual claims made prior to the introduction of the legislative amendments.

    - For example, if prior to introduction of the new tax credit the maximum claim made by a taxpayer was $250, then a 39% rate would apply to all claims above this amount, to a maximum lifetime limit of $10,000.

- Drawing on publicly available data, peer-reviewed publications and consultations with knowledgeable parties, it is estimated that the proposed legislative amendments are likely to result in forgone annual revenues to the federal government of between $10 million and $40 million following a three-year implementation period.

Summary of Net Fiscal Cost Estimates ($M, per annum)

Low	*High*
$10	**$40**

- The difference between the *low* and *high* estimates is closely linked to the range of existing elasticity estimates presented in the academic research regarding the sensitivity of charitable contributions by individuals to tax incentives. Overall, between 30% to 45% of the forgone revenues are expected to arise from new charitable donations that would not have otherwise occurred.

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I. Introduction

This note responds to the request of March 2010 by Mr. Thomas Mulcair, Member of Parliament for Outremont, Québec, regarding the potential costs arising from legislative amendments to the *Income Tax Act* (ITA) that would enhance the federal charitable tax credit. The framework of the amendments is based on a proposal by Imagine Canada, which was considered by the House of Commons Standing Committee on Finance in fall 2009[1].

The costing primarily relies on data, analysis and assumptions generated by government agencies and peer-reviewed publications. PBO staff have also undertaken consultations with several organizations and experts with knowledge of the influence of incentives on household charitable giving.

Several key assumptions have also been provided by the office of Mr. Thomas Mulcair, Member of Parliament for Outremont, which are identified in the assessment and may have a material impact on the cost estimate presented in this note.

Summary of Proposal

The ITA stipulates that individual taxpayers are eligible for a tax credit on all donations to federally registered charities[2]. The amount of the credit is 15% on the first $200 claimed and 29% on all amounts above that level. Importantly, the ITA also permits spouses to aggregate their donations into a single claim, allows the pooling of donations made over five years, and sets a 75% yearly income limit on claims of total gifts. This ensures that taxpayers generally receive the maximum potential federal tax credit regardless of when they donate or who in the household makes the donation[3,4].

Legislative amendments have not been drafted to enact this proposal. As such, the assumptions regarding potential legislative scope rely exclusively on advice provided by the office of Mr. Thomas Mulcair, Member of Parliament for Outremont.

[1] http://www.imaginecanada.ca/node/221. Accessed in June 2010.
[2] http://laws.justice.gc.ca/PDF/Statute/I/I-3.3.pdf. Accessed in June 2010.
[3] The note highlights only aspects of the current tax credit that are relevant to the proposed legislative amendments. Complete details regarding the existing federal charitable tax credit regime are provided at: http://www.cra-arc.gc.ca/chrts-gvng/dnrs/lrt/2-eng.html . Accessed June 2010.
[4] As noted in the data presented in Annex B, the annual estimated level of forgone federal revenues and the corresponding amount of federal donations claimed on T1 returns has risen over the past decade to close to 29%. This suggests that the Government of Canada also implicitly assumes that claim values are near the maximum bracket amount.

Based on advice provided by the Members' office, the potential legislative amendments to the ITA would be consistent with the existing legislative and regulatory framework for the existing federal charitable tax credit (e.g. pooling among partners). Specifically, amendments would be introduced that would increase the federal charitable tax credit from 29% to 39% for all claims above $200 that also exceed all annual claims made prior to the introduction of the legislative amendments. For example, if prior to introduction of the new tax credit the maximum claim made by a taxpayer was $250, then a 39% rate would apply to all claims above this amount, to a maximum lifetime limit of $10,000[5].

The technical aspects of the proposal are summarized in Table 1.

Table 1. Key Features of Proposed Tax Credit

ELIGIBILITY	▪ **ANY INDIVIDUAL THAT HAS MADE DONATIONS TO A FEDERALLY REGISTERED CHARITY AND FILES A T1 RETURN.**
MAXIMUM VALUE	▪ **AN ADDITIONAL 10% TAX CREDIT MAY BE CLAIMED ON ALL AMOUNTS ABOVE THE GREATER OF $200 OR THE HIGHEST CLAIM PRIOR TO INTRODUCTION OF THE NEW INCENTIVE.** ▪ **INDIVIDUAL LIFETIME CLAIM LIMIT OF $10,000.**

II. Cost Estimate

Relevant Costs

There are two types of relevant costs to the federal treasury:

1. *Pre-existing eligible individuals*. These costs pertain to all taxpayers that currently claim the federal charitable tax credit and plan to increase future donations based on the existing incentive regime.

2. *Induced individuals*. This is an estimate of the number of individuals that may be induced to increase their level of donations beyond planned amounts as a result of the legislative amendments. This includes individuals that currently do not donate, as well as those that already donate and would increase their charitable giving[6].

[5] For example, if the enhanced credit is put in place in 2011 and the highest annual federal tax claim the taxpayer had made prior to this year was $250, then the additional 10% would only apply to claims above this amount.

[6] This group of individuals that could begin donations or increase existing donations is distinct from individuals that currently donate, but fail to make charitable tax credit claims on their T1 returns. With respect to the latter, data collected by the Canada Revenue Agency indicates that there is a persistent differential between tax receipts issued by registered charities and the corresponding claims by individuals. According to consultations with Bill Schaper, Senior Manager of Public Policy with Imagine Canada, this primarily arises from donors failing to claim low value donations (*e.g.* under $50). This ratio has been stable over the past decade and given the marginal increase proposed to the overall value of the charitable tax credit, PBO staff assume that this ratio will remain unchanged.

In both situations, the relevant fiscal cost would be reflected in reduced inflows of personal income tax revenues[7]. The level of loss would be equal to any growth in pre-existing eligible individuals that increase their donations and attract an incremental 10% tax credit, as well as new donations that would be expected to attract the base amount of 29% plus the new 10% incentive.

The time period of analysis is the initial three years following promulgation of the legislative amendments.

Analysis

The theoretical motivations underlying charitable giving are well researched and generally follow two models: altruistic and economic. The former focuses on psychological benefits enjoyed by philanthropists. The latter places more emphasis on the expectation that individuals donate in the expectation of a potential direct or indirect benefit of the charity's services[8].

Empirically, most models differentiate between the propensity to make charitable contributions and the amount that is actually contributed[9]. In the case of the former, three key variables are generally identified:

1. *Age*. Older individuals are more likely to make financial contributions to charities.

2. *Education*. More educated individuals are more likely to make charitable contributions.

3. *Religion*. Individuals with greater attachment to religion, such as attending weekly services, also have a greater propensity to donate.

Among individuals that do donate to charity, the amount of financial contributions is typically explained by household income, with higher levels generally resulting in greater donations per dollar of income generated.

Compared with the aforementioned factors, tax incentives are observed to have a secondary influence, with limited evidence that they influence the propensity to donate and minor influence on the level of overall donations[10].

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[7] As noted earlier, the implicit estimate of the effective charitable tax credit rate used by the Government of Canada is close to 29%, which will be used for the purposes of calculating forgone revenues in this note. In addition, as discussed subsequently, this assumption is also consistent with existing data regarding mean and median level annual donation amounts by Canadians.

[8] Feldman, N. *Time is Money: Choosing Between Charitable Activities*. American Economic Journal: Economic Policy 2010, 2:1. Barnett, R. *Estimating Charitable Giving: A Focus on the Differences Among Donors to Different Charitable Organizations*. Unpublished Working Paper. 1999.

[9] The following discussion largely follows an overview provided in Joulfain, D. And Rider, M. *Errors in Variables and Estimates Income and Price Elasticities of Charitable Giving*. National Tax Journal. 57(1). 2004.

[10] North American tax incentives are typically linked to the amount of the donation, with the value of the marginal credit either constant or increasing with donation amounts, up to a maximum ceiling. As such, tax incentives tend to decrease the after-tax cost of giving, resulting in higher donations for a given level of income.

These findings are generally consistent with the Canadian context, with researchers corroborating the US experience[11]. As outlined in the summary data presented in Table 2, Statistics Canada reported that there were approximately 5.8 million individual tax filers that reported donations to charity of $8.2 billion in 2008 (*i.e.* roughly 24% of all filers)[12].

Table 2. Selected Characteristics of Charitable Donations by Canadian Individuals (2008)

TOTAL FILERS OF T1 RETURNS	24.0 million
TAX FILERS THAT CLAIM CHARITABLE DONATIONS	5.8 million
TOTAL GROSS AMOUNT OF DONATIONS CLAIMED	$8.2 billion
MEAN CLAIM	$1,413
MEDIAN CLAIM	$250

The average (mean) claim for individuals in 2008 was over $1,400, with the median claim of $250, indicating that there is a small group of donors responsible for particularly large donations. This is corroborated by the data presented in Tables 3 and 4, which indicate that while individuals reporting annual incomes between $20,000 and $60,000 are responsible for 54% of the total *number* of donations, individuals with annual incomes over $80,000 are responsible for 51% of total *value* of donations.

Table 3. Donors by Total Income (%)[13]

< $20K	$20K to $40K	$40K to $60K	$60K to $80K	> $80K
7	29	25	16	23

Table 4. Donations by Total Income (%)

< $20K	$20K to $40K	$40K to $60K	$60K to $80K	> $80K
3	15	17	14	51

[11] Statistics Canada Catalogue 71-542-XIE. *Caring and Involved Canadians*. 2009.

[12] While the data are presented for the 2008 calendar year, they are generally consistent with the trends observed over the past decade and are representative of the overall context.

[13] Data presented in Tables 3 to 6 are part of Statistics Canada's dataset entitled *Charitable Donors*, 13C0014.

Similarly, while the age of contributors is fairly evenly distributed across the four age groups from 35-44 to 65+ in Table 5, Table 6 indicates that the value of donations is correlated with age, with older Canadians donating greater amounts.

Table 5. Donors Segmented by Age (%)

< 24	25 to 34	35 to 44	45 to 54	55 to 64	> 65
3	12	18	24	20	24

Table 6. Mean Donation by Age ($)

< 24	25 to 34	35 to 44	45 to 54	55 to 64	> 65
480	760	1,150	1,520	1,580	1,810

Recent Canadian Experiences

In Canada, there have been several material changes to tax incentives for charitable donations over the past 20 years that are instructive in analyzing the impact of potential changes. These include:

1. *Decrease to the bracket threshold*. In 1995, the federal government decreased the threshold for charitable donations to receive the higher tax credit rate from $250 to $200[14]. Research indicates that the median and mean donation amounts were largely unchanged, as was the composition of donors[15].

2. *Reduction in the lower tax credit rate*. From 2000 to 2007, the federal government reduced the lowest personal income tax rate from 17% to 15%, resulting in commensurate reductions in the tax credit available for the first $200 of charitable contributions. Overall, based on visual observation of the data, there appears to be no discernable impact on the composition or levels of charitable donations arising from this change.

3. *Increase in the upper tax credit rate*. In 2007, the Province of Alberta increased the tax credit rate for contributions above $200 from 12.75% to 21%. Preliminary data suggest that this change may have resulted in increases to the median level of donations, as well as minor changes in the composition of donors related to increased contribution amounts by younger donors[16].

Overall, these data are consistent with the U.S. research that most charitable donors are relatively insensitive to tax incentives when determining the amount of their contribution[17].

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[14] S.C. 1995, c. 3, s. 34(1).

[15] Gelardi, A. Charitable Giving and the Super Deduction. *An Investigation of Taxpayer Philanthropic Behaviour Following the Move from a Tax Deduction to a Tax Credit System*. In: Advances in Taxation, Vol. 16. Emerald Group Publishing. 2004.

[16] Tables summarizing the trends in Albertan charitable giving from 2005 to 2008 are presented in Annex D. The analytical observations by PBO staff regarding preliminary results of the augmented upper-bound credit were corroborated by consultations with Ministry of Finance staff with the Province of Alberta, June 2010.

[17] As noted by Burrows M. In *Charitable Tax Incentives in Canada* (Vol. 22 of the Philanthropist), an important distinction should be made regarding "high value" donors for whom recent changes to asset donation tax rules have been particularly influential in increasing the frequency of these specific types of contributions. Based on consultations with representatives from Imagine

Finally, a further assumption regarding the ability of the Canadian Revenue Agency to appropriately administer the proposed tax exemption without undue cost is required[18].

Based on consultations with the office of Mr. Mulcair, Member of Parliament for Outremont, it is assumed that the Canada Revenue Agency (CRA) will incur no additional administrative cost as a result of the proposed legislative amendments.

Results

Detailed results using the PBO model are presented in Annex E.

Baseline

To estimate the current baseline trend activity that would attract the proposed incremental tax credit, PBO staff obtained federal tax data from the Canada Revenue Agency (CRA) and Statistics Canada regarding the characteristics of charitable donations claimed on T1 returns for 2000 to 2008.

The median donation amount in Canada grew at a cumulative average growth rate of approximately 2.5% during the five-year period from 2004 to 2008[19]. The range of annual growth rates for the median donation was 0% to 5%, which is assumed to persist over the medium-term. As such, the model uses *low* and *high* growth rates of 1 percentage point below and above the five-year historical average. Given the actual median donation amount of $250 in 2008, this suggests that the median donation amount in the third year following implementation (*i.e.* 2012) of between $255 and $276.

All incremental contributions by existing taxpayers would be eligible for the new 10% tax credit, which would result in between $3 million and $16 million in forgone personal income tax revenues per annum.

In addition to existing taxpayers that plan to increase their median donations, there will also be an increase in the total number of taxpayers and the corresponding charitable donors that take advantage of the federal charitable tax credit. The cumulative average growth rate in T1 filings is approximately 2% over the past five years and the model assumes that the annual *low* and *high* growth rates will be 1% and 3%, respectively.

As noted earlier, the proportion of individual tax filers that claim charitable donations has been stable at approximately 25% of total filers over the past five years and is assumed to persist.

Canada, Cardus and the U.S. Congressional Joint Committee on Taxation, PBO staff assume that the legislative changes assessed in this note would not have a material differential impact across income groups of claimants.

[18] This is expected to be reasonable given the CRA's experience in administering the existing charitable tax credit.

[19] The median rather than the mean donation amount is used owing to its link to actual donation activity. The mean figures represent an average of many low value donations and a few high value donations, while the preponderance of giving occurs at or close to, the median level. Regardless, the model has been estimated with the mean data as well and produced similar results.

Overall, this suggests that there could be an additional 350,000 to 600,000 taxpayers that donate to charity and claim the federal tax credit by the third year following implementation owing to trend growth. Assuming that these individuals donate at the median level, the incremental 10% tax credit would result in forgone federal personal income tax revenues of between $2 million and $5 million per annum.

As summarized in Table 7, the total baseline forgone tax revenues by the third year following implementation are estimated to be $4 million and $20 million per annum (excluding potential induced activity).

Table 7. Summary of Baseline Estimates of Forgone Federal Revenues ($M, per annum)[20]

	LOW	HIGH
TOTAL	**4**	**20**
GROWTH IN MEDIAN DONATIONS	*3*	*16*
GROWTH IN TAX FILERS	*2*	*5*

Inducement

To estimate the potential induced activity that would result from introduction of the proposed tax credit, PBO staff rely on a range of elasticity estimates published in the peer reviewed literature regarding the impact of permanent tax changes on charitable giving by individuals[21]. Over the past 20 years, North American (primarily U.S.) elasticity estimates have ranged from -0.2 to -1.26, suggesting that for each one percent decrease in the after-tax cost of charitable donations, there is a corresponding increase in donations between 0.2 percent to 1.26 percent[22].

Table 8. Inducement Estimates

RELEVANT RANGE	-0.20 TO -1.26

Based on the *low* and *high* elasticity estimates, the proposed 10% tax credit would result in an increase in the median donation of between 3% and 26%[23].

[20] Individual components do not sum to totals owing to rounding.

[21] The tertiary reference for these estimates is Peloza, J. And Steel, P. *The Price Elasticity of Charitable Contributions: A Meta Analysis*. Journal of Public Policy and Marketing. Vol. 24(2), Fall 2005. Primary studies have also been reviewed for the 8 studies that are used to provide the composite range.

[22] For example, for Canadian T1 filers, a donation of $100 would have an after-tax cost of $85, given the tax credit rate of 15%. Increasing the tax credit rate to 20% would result in a new after-tax cost of $80, which is a $5/$85 or 5.9% decrease in the after-tax cost of the same $100 charitable donation.

[23] The estimated increase is calculated from multiplying the percentage change in the after-tax cost of donations by the range of elasticity estimates. The percentage change in the after-tax cost of donations is calculated by dividing the new 10% credit by the existing amount of federal (29%) and of provincial tax credits (ranging from 14.7% to 24%). For example, in British Columbia, the federal credit and provincial credits would offer a combined 43.7% tax credit, resulting in an after-tax cost of donation of 56.3%. The further 10% credit would reduce the after-tax cost by 10/56.3 = 17%.

Using the same assumptions previously outlined in the baseline scenario, the inducement would result in a projected median donation amount of between $256 and $283 by the third year following implementation (*i.e.* an increase of between $1 and $7 over the baseline scenario).

In contrast to the baseline growth estimates that would occur in absence of the new tax credit, the induced contributions are contingent on the new tax credit. Therefore, in addition to the new 10% incremental credit, the forgone personal income tax revenues would also reflect the current 29% federal credit. The effect on provincial revenues is beyond the scope of this analysis[24].

As noted in Table 9, the new proposal would result in induced aggregate tax claims of between $6 million and $46 million in the third year following implementation, resulting in forgone revenues of between $2 million and $18 million per annum.

Table 9. Summary of Induced Estimates ($M, per annum)

	LOW	HIGH
TOTAL INDUCED CLAIMS	**6**	**46**
FORGONE TAX REVENUES	**2**	**18**
ATTRIBUTABLE TO 10% CREDIT	*1*	*5*
ATTRIBUTABLE TO 29% CREDIT	*2*	*13*

[24] Based on a review of the 2009 Federal and Provincial Personal Income Tax Returns, it is expected that the proposed changes would have no direct effect on provincial revenues, as all provinces except Quebec calculate provincial tax owing on taxable income (line 260 of the federal T1 return), which is calculated prior to application of the federal Charitable Tax Credit. For Quebec, there is a separate basis of calculation of taxable income eliminating any direct impact of this proposal on provincial revenues. To the extent that the proposed legislative amendments increase overall charitable giving, the forgone revenues from provincial charitable tax credits would be commensurately higher.

Summary

Overall, the proposed amendments to the ITA are estimated to result in forgone federal tax revenues of between $7 million and $38 million per annum. As outlined in Table 10, the majority of these costs relate to induced contributions (between 30% and 45% of the total cost).

Table 10. Summary of Total Cost Estimate ($M, per annum)[25]

	LOW	HIGH
TOTAL FORGONE REVENUES	**7**	**38**
BASELINE ESTIMATE	*4*	*20*
INDUCED ESTIMATE	*2*	*18*

[25] Individual components do not sum to totals owing to rounding.

Annex A: Terms of Reference

COST ESTIMATE FOR LEGISLATIVE AMENDMENTS TO THE *INCOME TAX ACT*: A STRETCH TAX CREDIT FOR CHARITABLE GIVING

Issue

A Member of Parliament has requested a cost estimate of introducing amendments to section 118.1 of the *Income Tax Act* that would increase the federal charitable tax credit from 29% to 39% for all new giving (*i.e.* incremental) above $200 per annum.

Relevant Costs

The proposed amendments to the *Income Tax Act* could result in impacts to Government of Canada's Fiscal Framework. There are two types of relevant costs that could arise:

1. *Pre-existing eligible individuals*. These costs pertain to all taxpayers that currently donate above $200 per annum to eligible charities and plan to increase their contributions, irrespective of the proposed legislative amendments.

2. *Induced individuals and firms*. This is an estimate of the number of taxpayers (*i.e.* individuals and institutions) that donate above the $200 limit and may be induced to increase charitable giving as a result of the legislative amendments.

Proposed Approach

There are two proposed phases.

- Phase I: Consultation with External Experts

  The staff of the PBO will engage in external consultations, which will include the Department of Finance Canada.

- Phase II: Preparation and Review of Existing Cost Estimates

  The staff of the PBO would prepare a cost estimate based on the Phase I consultation and literature review. This would include a review of the costing model used to prepare the estimates, as well as the related assumptions, with selected external experts.

Resources & Timeline

This costing estimate would require the work of 1.0 full-time equivalent (FTE) over three months. A final product could be provided to the member by August 2010.

As work progresses, staff of the PBO may consult with the Member from time-to-time to confirm assumptions required to prepare the costing estimate.

The final report would be presented and reviewed with the Member, as well as subsequently be posted on the PBO website (*see below*).

Communications

All external consultations pertaining to this product would cease in the event of a federal election.

Publication of the final report on the PBO's web site would be performed with the concurrence of the Member.

Confidentiality Provisions

- It is understood that to complete the proposed terms of reference, the Member would be required to waive parts of their confidentiality rights. Specifically, staff of the PBO:
  - Would disclose that a request had been received from a parliamentarian to analyse this issue.
  - May share an estimated timeline for project completion with collaborators (*i.e.* Summer 2010).
- The name of the requestor would not be released, unless explicitly permitted.

Annex B: Total Federal Tax Claims and Estimated Forgone Revenues for Federal Charitable Tax Credit (1995 to present)[26]

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	$ millions													
CRA T1 Tax Data[1]	$3,516	$4,016	$4,252	$4,649	$4,791	$5,483	$5,508	$5,847	$6,513	$6,923	$7,880	$8,530	$8,649	$8,189
Finance Tax Expenditure[2]	$940	$1,090	$1,180	$1,300	$1,350	$1,495	$1,490	$1,515	$1,550	$2,000	$2,260	$2,480	$2,495	$2,380
Effective Tax Credit Rate[3]	**27%**	**27%**	**28%**	**28%**	**28%**	**27%**	**27%**	**26%**	**24%**	**29%**	**29%**	**29%**	**29%**	**29%**

Notes:

1. Data collected from public CRA reports regarding final (1995 to 2006) and interim (2007 to 2008) tax statistics.
2. Data collected from Finance Canada's public Tax Expenditure Reports; 1995 to 2005 (estimates) and 2006 to 2008 (forecast).
3. Effective Tax Rate is the ratio of the Finance Canada estimate/forecast of forgone revenues and T1 tax claims.

[26] Sources: Canada Revenue Agency Income Statistics: http://www.cra-arc.gc.ca/gncy/stts/menu-eng.html. Accessed July 2010.
Finance Canada Tax Expenditure Reports. http://www.fin.gc.ca/purl/taxexp-eng.asp. Accessed July 2010.

Annex C: Estimated Sources of Charitable Tax Claims in Canada (%)[27]

	$ billions	*%*
Individuals	**8.2**	**81%**
Corporations	**1.9**	**19%**
TOTAL	***10.1***	***100%***

[27] Sources: Canada Revenue Agency Tax Statistics for Individuals (2008) and Corporations (2005). http://www.cra-arc.gc.ca/gncy/stts/menu-eng.html. Accessed June 2010.

Annex D: Statistics Canada Summary Data for Alberta[28]

Table 1. Alberta: Donations by Age Group				
	2005	**2006**	**2007**	**2008**
under 24	4%	5%	5%	5%
25 to 34	15%	15%	15%	15%
35 to 44	21%	19%	19%	19%
45 to 54	25%	25%	25%	24%
55 to 64	16%	17%	17%	18%
65+	20%	19%	19%	19%
Table 2. Alberta: Average Donations by Age Profile				
	2005	**2006**	**2007**	**2008**
under 24	$630	$680	$710	$740
25 to 34	$980	$1,200	$1,260	$1,210
35 to 44	$1,500	$1,700	$1,800	$1,710
45 to 54	$2,100	$2,500	$2,540	$2,590
55 to 64	$2,300	$2,600	$3,170	$2,870
65+	$2,600	$2,900	$2,910	$2,780
Table 3. Alberta: Charitable Donations by Total Income				
	2005	**2006**	**2007**	**2008**
under $20,000	3%	2%	2%	2%
$20,000 to $40,000	15%	13%	11%	11%
$40,000 to $60,000	16%	15%	14%	14%
$60,000 to $80,000	12%	13%	12%	12%
$80,000+	54%	57%	61%	61%

[28] Source: Statistics Canada Dataset 13C0014: *Charitable Donors*

Annex E: Detailed Results from the PBO Model

Table 1. Baseline Calculations for Proposed Tax Credit Scenario Date 2012			
		low	*high*
(i)	**Total Federal Tax Filers (millions)**	24	24
(ii)	**Proportion that Claim Charitable Tax Credit**	24.0%	25.0%
(iii)	**Growth Rate in T1 Filings**	1.5%	2.5%
(iv) = (i)*(ii)*(iii)	**Annual Increase in Charitable Donors (thousands)**	87	150
(v) = (i)*(ii)*(iii)^4	**Total New Donors by Year 3 (thousands)**	354	624
(vi)	**Median Donation in Canada**	$250	$250
(vii)	**Growth Rate in Median Donation**	0.5%	2.5%
(viii) = (vi)*(1+(vii))^4	**Median Donation in Year 3**	$255	$276
IMPACT OF PROPOSED TAX CREDIT DUE TO GROWTH IN TAX FILERS			
ASSUMPTION: THE PROPENSITY TO DONATE IS UNCHANGED AS A SHARE OF TAX FILERS			
ASSUMPTION: ALL NEW DONORS CONTRIBUTE THE MEDIAN AMOUNT			
(ix) = (viii) - $200	**Amount of Median Donation Eligible for New Credit**	$55	$76
(x) = (v)	**Amount of Total New Donors (thousands)**	354	624
(xi) = (ix)*(x)	**Total Donations Eligible for New Tax Credit (millions)**	$19	$47
(xii) = (xi)*10%	**Forgone Federal Tax Revenues (millions)**	$2	$5
IMPACT OF PROPOSED TAX CREDIT DUE TO TREND GROWTH IN MEDIAN DONATIONS			
ASSUMPTION: THE PROPENSITY TO DONATE IS UNCHANGED AS A SHARE OF TAX FILERS			
ASSUMPTION: THE COMPOSITION OF THE POPULATION IS MATERIALLY UNCHANGED OVER THE NEXT 3 YEARS			
(xiii) = (viii) - (vi)	**Amount of Median Donation Eligible for Credit**	$5	$26
(xiv) = (i)*(ii)	**Number of Existing Donors (millions)**	5.8	6.0
(xv) = (xiii)*(xiv)	**Total Donations Eligible for Tax Credit (millions)**	$29	$156
(xvi) = (xv)*10%	**Forgone Federal Tax Revenues (millions)**	$3	$16
TOTAL BASELINE FORGONE REVENUES (millions)		**$5**	**$20**

Table 2. Inducement Calculations Based on Proposed Tax Credit
Scenario Date 2012

		low	*high*
(i)	**Personal Income Tax Elasticity Estimates (-ve)**	0.20	1.26
(ii) = Table 1: line (viii)	**Forecast Median Donation**	$255	$276
(iii)	**Percentage Decrease in After-Tax Cost of Donation**	17.0%	21.0%
(iv) = (i)*(iii)	**Estimated Percentage Increase in Donations**	3.4%	26.5%
(v) = (ii) - [Table 1: line 6]	**Increment Eligible for New Tax Credit**	$5	$26
(vi) = (v)*(1+(vi))	**Induced Donations**	$1	$7
(vii) = Table 1: line i*(1+line iii)^4	**Total Taxpayers by Year 3 (millions)**	26	27
(viii) = Table 1: line (ii)	**Proportion that Claim Charitable Tax Credit**	24.0%	25.0%
(ix) = (vi)*(vii)*(viii)	**Total Value of Induced Claims in Year 3 (millions)**	$6	$46
(x) = 10% *(ix)	**Forgone Revenues Attributable to New 10% Credit (millions)**	**$ 1**	**$ 5**
(xi) = 29% *(ix)	**Forgone Revenues Attributable to Existing 29% Credit (millions)**	**$ 2**	**$ 13**
(xii) = (x) + (xi)	**TOTAL FORGONE REVENUES IN YEAR 3 (millions)**	**$ 2**	**$ 18**

Table 3. Total Forgone Federal Revenues At Year 3 of Implementation

		low	*high*
(i)	**Total Forgone Baseline Revenues (millions)**	$ 5	$ 20
(ii)	**Total Forgone Incremental Revenues (millions)**	$ 2	$ 18
(iii) = (i) +(ii)	**TOTAL FORGONE REVENUES (millions)**	**$ 7**	**$ 38**