

Executive Summary: The Potential Impact of Canadian Federal and/or Provincial Tax Credit Incentives for Volunteer Participation

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Executive Summary

Over the past decade there has been mounting discussion at both the federal and provincial levels around introducing a tax credit that would allow individuals a tax deductible (non-cash) expense for personal time volunteered to registered charities (RCs). How volunteer tax credits impact volunteerism has become an important and necessary debate in the nonprofit/voluntary sector as concerns rise over the rate of volunteerism.

Despite the volunteer tax credit issue's growing profile amongst leaders in the nonprofit/voluntary sector, volunteers, elected officials and policy makers, there remains a lack of reliable data and research on this topic. This report, commissioned by Volunteer Alberta, responds to the need for additional research to advance this debate in a timely and informed manner.

The scope of this exposure paper is primarily confined to a review of existing literature with the aim to highlight potential considerations of the implementation of a federal and/or provincial income tax credit for individual donations of time. It aims to ignite critical reflection on volunteer tax credits as a quick fix to improving volunteer rates in Canada. It is hoped that discussion of this report will stimulate further in-depth investigation and research on this important policy issue.

This report finds that the potential impact tax credits for donated time by volunteers to nonprofit organizations (NPOs) is staggering in scope. With over 1 billion hours estimated across Canada (Mook and Quarter 2006) even a conservative valuation would suggest over \$20 billion in economic value. Therefore, the implementation of a tax credit may translate into hundreds of millions of dollars in lost tax revenue at the federal/provincial levels, directly impacting governmental transfers.

Even without this concern, the wide-scale implementation of a tax credit for donations of volunteer time is potentially problematic for both NPOs and the federal and provincial governments. The critical concerns include:

a) Economic value of donated time – Although multiple models have been proposed, there is no consensus on the appropriate method for valuing the donations of time by volunteers on a wide scale.

b) Compliance issues of volunteer time donations – The potential compliance conflicts between regulators, donors and NPOs are, at this time, unresolved.

c) Impact upon volunteer motivations – The attachment of economic and specifically tax value to the “altruistic and egotistic donation” may in fact reduce the motivations of volunteers to participate.

d) Net economic effects of total donations – Although charitable donations are in general responsive to reductions in tax costs, donations of time and cash are “gross compliments.” Therefore, reductions in costs to volunteer donations may adversely affect other forms of donation (i.e., cash).

e) NPOs as consumer models – Tax credit programs may shape the attitudes of donors and the public at large to view NPOs as extensions of the consumer model. Moving volunteerism further toward a classic marketing “exchange” may have adverse long-term effects on Canadian rates of participation and attitudes toward volunteerism.

Please contact Volunteer Alberta for a full copy of this report. Volunteer Alberta invites comments and feedback on this report to communications@volunteeralberta.ab.ca.



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