



RESEARCH BULLETIN

Trends in Individual Donations: 1984–2010

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Introduction

According to preliminary estimates released by Statistics Canada, Canadian taxfilers claimed charitable donations totaling just under \$8.3 billion in 2010. This is up approximately \$500 million from preliminary estimates for 2009. Accounting for the effects of inflation, the year over year increase in preliminary estimates is approximately 4.6%. Nearly one quarter (23.4%) of taxfilers claimed a donation in 2010, up from preliminary figures of 23.1% for last year. These taxfilers claimed average donations of \$1,437 each, up 4.2% (2.3% when adjusted for inflation) from the average of \$1,380 in 2009. While this is extremely welcome news for charities, it remains to be seen whether this reversal marks the resumption of long-term trends.

HIGHLIGHTS

- Preliminary estimates indicate that Canadians claimed \$8.3 billion in charitable donations in 2010, an increase of \$500 million over preliminary estimates from 2009.
- Preliminary estimates also indicate that just under one in four taxfilers (23.4%) claimed a donation in 2010, a modest increase from preliminary estimates of 23.1% in 2009.
- Starting in 1996, changes around capital gains for charitable donations of certain types of capital goods have coincided with rapid increases in the total amounts of donations claimed.
- Since 1996, increases in total donations claimed have generally significantly outpaced increases in GDP and in the median incomes of Canadians.
- These large increases in total donations do not appear to be primarily driven by the contributions of typical Canadians.

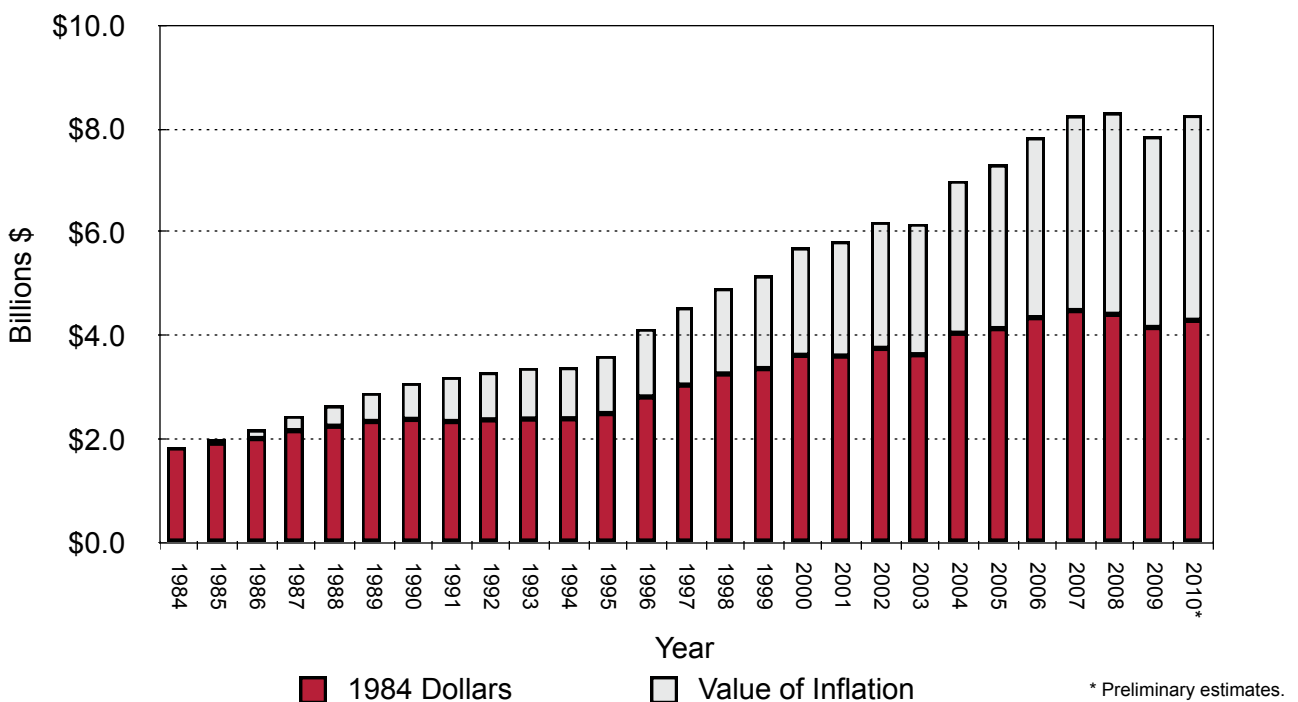
This *Research Bulletin* presents an overview of trends in charitable donations from 1984 to 2010, drawing on a number of data sources derived from Canadian personal income tax returns.¹ Income tax data are used because they are readily available and because the data cover a long time period. This *Bulletin* builds on findings from previous *Research Bulletins* released through the 1990s and early 2000s and focuses on describing long term trends in donations as well as the impact of the recent global economic downturn. The past 15 years have seen many significant changes to tax policy aimed at encouraging charitable donations, while the past three to four years have been marked by a period of global economic turmoil almost without precedent in living memory. Needless to say, this has had considerable effects on charitable donations in Canada.

Individual Donations

Preliminary estimates indicate that total donations claimed by taxfilers increased to at least \$8.3 billion in 2010. This is an increase of approximately \$500 million over the preliminary estimate of \$7.8 billion claimed in 2009. This is the first year over year increase in preliminary estimates of total donations claimed since 2007. Adjusting for inflation, we estimate that total donations have increased by approximately 4.6% in real terms from 2009 to 2010. Over the same period, the percentage of taxfilers claiming donations has climbed from 23.1% in 2009 to 23.4% in 2010, partially reversing the sharp drop seen in 2009.

¹ For a discussion of the data sources used in this *Bulletin*, please refer to the textbox entitled *Data Sources* on page 7.

Figure 1: Value of Donations Claimed by Taxfilers, 1984 to 2010.



LONG-TERM TRENDS IN DONATIONS

As discussed in previous *Research Bulletins*, the long-term trend in charitable donations between 1984 and the onset of the global financial crisis can be divided into three main phases (see Figure 1):

1. **1984 to 1990:** This period is characterized by steady growth in total donations, both in nominal and real terms. Adjusting for inflation, total growth was approximately 30% (or an average of 5.0% per year).
2. **1991 to 1994:** A period of stagnation in the growth of total donations. Total donations increased just 2% in real terms (i.e., adjusting for inflation), with average annual growth of roughly 0.7%.
3. **1995 to 2007:** With few exceptions, this period also appears to be one of growth, with total donations increasing by almost 80% in real terms, with average annual growth of 6.7%.

² Note that figures for the years 2003 to 2009 in Table 1 have been adjusted to account for the effects of tax shelter arrangements. For a discussion of the effects of tax shelter arrangements on measures of charitable giving, see the textbox entitled *Effects of Tax Shelter Arrangements* on page 6. All figures presented in this *Research Bulletin*, except for those identified as "Preliminary Estimates", adjust for the known effects of tax shelter arrangements.

Table 1: Statistics on Donations, 1984 to 2010.²

| Year | DONORS | | TOTAL DONATIONS | | AVERAGE DONATION | |
|-------|-----------|-------------|-----------------|---------------|------------------|-----------|
| | Number | % Taxfilers | (\$'000) | (1984 \$'000) | (\$) | (1984 \$) |
| 1984 | 3,984,548 | 25.7% | 1,826,887 | 1,826,887 | 458 | 458 |
| 1985 | 4,357,811 | 27.5% | 1,994,046 | 1,916,943 | 458 | 440 |
| 1986 | 4,671,150 | 28.2% | 2,172,933 | 2,005,998 | 465 | 429 |
| 1987 | 4,972,490 | 29.1% | 2,441,136 | 2,159,582 | 491 | 434 |
| 1988 | 4,989,380 | 28.4% | 2,638,348 | 2,243,218 | 529 | 450 |
| 1989 | 5,253,250 | 29.0% | 2,884,917 | 2,337,107 | 549 | 445 |
| 1990 | 5,538,220 | 29.5% | 3,076,369 | 2,377,344 | 555 | 429 |
| 1991 | 5,598,340 | 29.4% | 3,192,483 | 2,336,833 | 570 | 417 |
| 1992 | 5,596,760 | 28.8% | 3,283,558 | 2,367,445 | 587 | 423 |
| 1993 | 5,512,260 | 27.8% | 3,368,592 | 2,385,810 | 611 | 433 |
| 1994 | 5,397,680 | 26.8% | 3,379,400 | 2,388,772 | 626 | 443 |
| 1995 | 5,518,010 | 26.8% | 3,599,822 | 2,490,856 | 652 | 451 |
| 1996 | 5,536,962 | 26.6% | 4,123,980 | 2,807,733 | 745 | 507 |
| 1997 | 5,359,870 | 25.4% | 4,536,140 | 3,039,551 | 846 | 567 |
| 1998 | 5,484,479 | 25.5% | 4,905,388 | 3,256,708 | 894 | 594 |
| 1999 | 5,504,800 | 25.2% | 5,150,272 | 3,360,494 | 936 | 610 |
| 2000 | 5,614,330 | 25.2% | 5,692,551 | 3,616,149 | 1,014 | 644 |
| 2001 | 5,623,180 | 24.9% | 5,813,120 | 3,600,738 | 1,034 | 640 |
| 2002 | 5,651,730 | 24.7% | 6,189,059 | 3,749,842 | 1,095 | 663 |
| 2003 | 5,681,750 | 24.6% | 6,154,225 | 3,627,880 | 1,083 | 639 |
| 2004 | 5,898,060 | 25.1% | 6,985,211 | 4,043,016 | 1,184 | 685 |
| 2005 | 5,917,240 | 24.8% | 7,296,032 | 4,132,145 | 1,233 | 698 |
| 2006 | 5,875,600 | 24.3% | 7,821,185 | 4,344,306 | 1,331 | 739 |
| 2007 | 5,824,220 | 23.7% | 8,244,629 | 4,480,937 | 1,416 | 769 |
| 2008 | 5,926,500 | 23.7% | 8,301,254 | 4,408,904 | 1,401 | 744 |
| 2009 | 5,736,050 | 22.7% | 7,841,852 | 4,153,988 | 1,367 | 724 |
| 2010* | 5,742,000 | 23.4% | 8,253,210 | 4,293,086 | 1,437 | 748 |

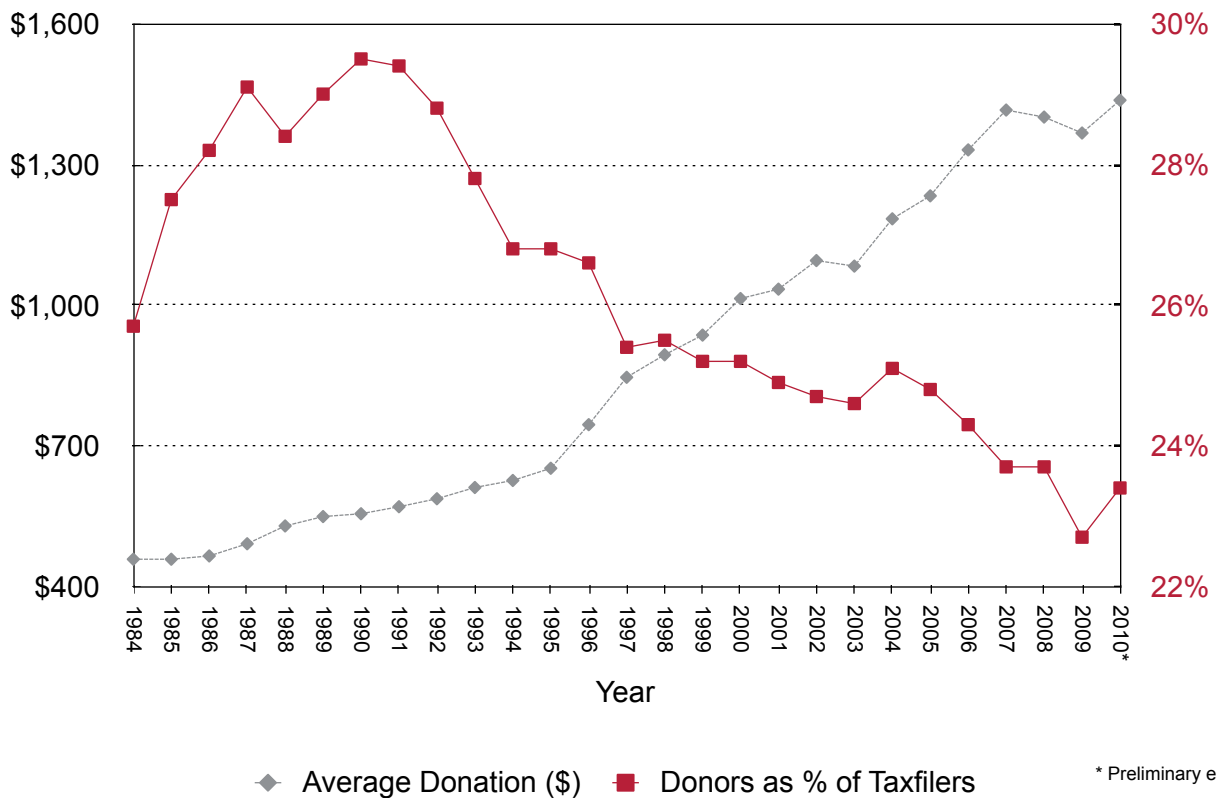
* Preliminary estimates.

Variations in the total amount given are driven by fluctuations in two factors – the number of taxfilers claiming donations and the size of the donations claimed by individual taxfilers. From 1984 to 1990, the increase in total donations appears to have been driven by increases in the number of taxfilers claiming donations (see Table 1). From 1991 to 1994, the slight increases in total donations were driven by a combination of increases in the numbers of taxfilers claiming donations and the size of donations they claimed, though both trends are best characterized as anemic. From 1995 to 2007, the largest part of the increases in total donations has been due to increases in the average size of the donations claimed by individual donors. Although the number of taxfilers claiming donations has increased over the same period, this increase has not paced growth in the number of taxfilers. This is clearly indicated by the steadily decreasing percentage of taxfilers claiming donations (see Figure 2).

THE IMPACT OF THE GLOBAL FINANCIAL CRISIS

Although some aspects of the current global financial crisis began earlier in other countries, the 2008 tax year marked its onset in Canada. Between 2008 and 2009, total donations declined by just under 6% in real terms. This drop was driven by simultaneous declines in the number of taxfilers claiming donations and in the amounts they gave. Nearly two hundred

Figure 2: Donations and Donors, 1984 to 2010.



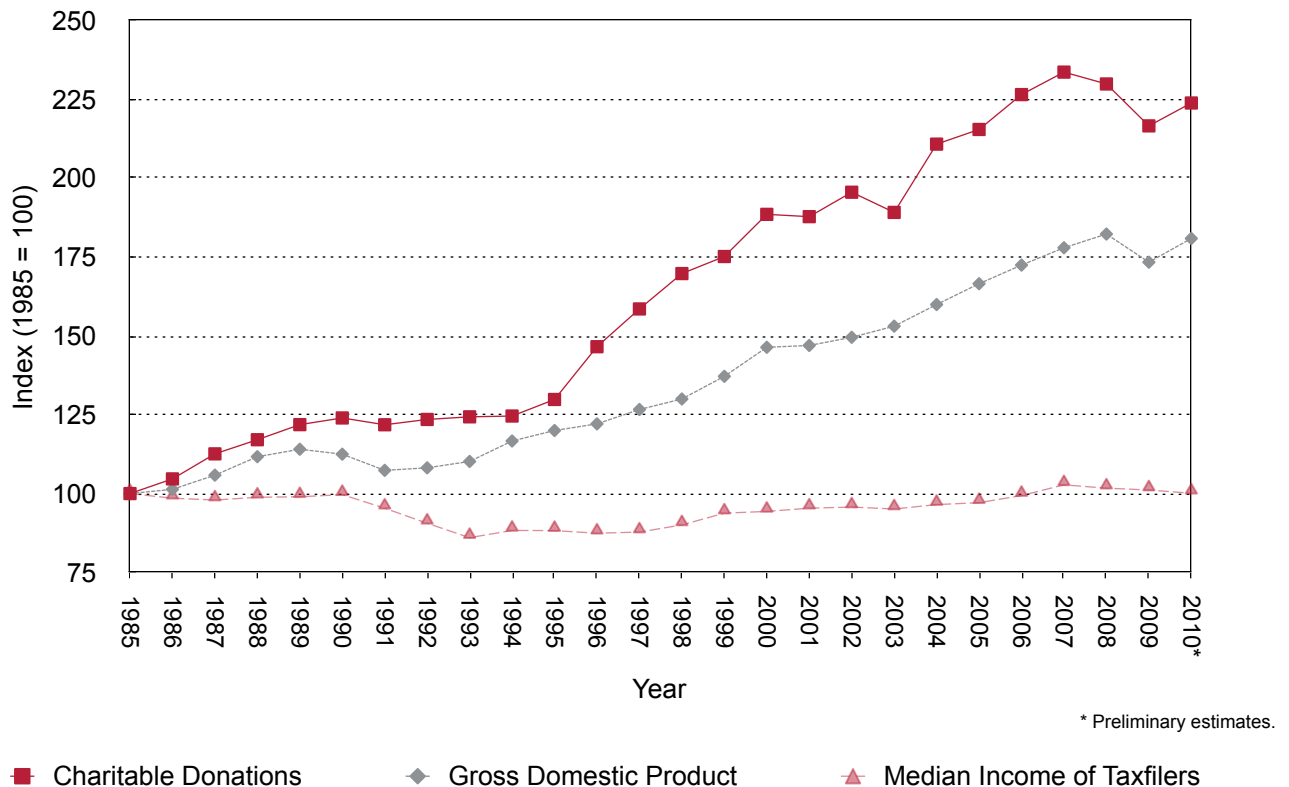
thousand fewer taxfilers claimed donations in 2009 than in 2008 and they contributed an average of over \$30 less in nominal terms. Simultaneous drops of this magnitude are without precedent in the record of charitable donation since 1984.

While the 2010 shift reflected in the preliminary figures is heartening, it is too early to say to what extent it reflects a potential reversion to the long-term trend of steadily increasing donations. Because preliminary estimates typically underestimate total donations claimed, it is likely that final figures for 2010 will show larger total donations than for 2007-2008. However, it is impossible to determine *how much* larger the final figures will be and whether the amounts donated will mark a reversion to the long established trend line or if 2009 will mark transition to a new phase in charitable giving. Although the preliminary figures show a partial recovery in the number of taxfilers claiming donations, this seems unlikely to mark more than a transitory deviation from the long-term decline.

Factors Affecting Donations

Charitable donations are affected by a number of factors including prevailing economic conditions, the regulatory framework and demographic changes in the structure of Canadian society. It is not possible to disentangle and quantify

Figure 3: Indices of Real Change in Donations Claimed, Gross Domestic Product and Median Income, 1985 to 2010.



the effects of each of these factors, but by examining each in turn we may obtain greater insight into the reasons behind the donation trends described here. Below, we discuss changes in economic conditions and the regulatory framework.

Demographic changes will be discussed in a subsequent *Research Bulletin*.

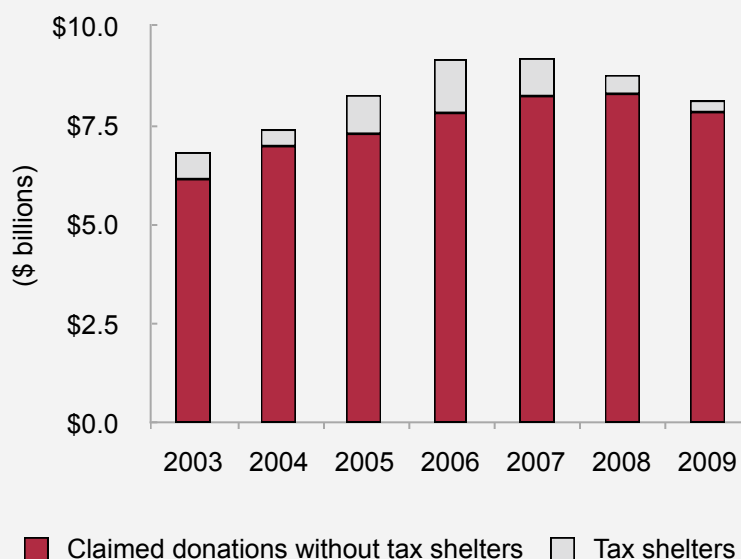
THE ECONOMIC CONTEXT

As has been noted in previous *Research Bulletins*, between 1985 and 1995 charitable donations claimed tended to loosely track Gross Domestic Product (GDP). When GDP increased, so did donations (see Figure 3). Conversely, when GDP declined, donations either held steady or decreased somewhat less than did GDP. From 1996 to 2007, with the exception of some year to year fluctuations, total amounts claimed increased much more rapidly than GDP. With the onset of the financial crisis in 2008,

EFFECTS OF TAX SHELTER ARRANGEMENTS

Obtaining a clear picture of how much Canadian taxfilers claim in the form of charitable donations has been significantly complicated over recent years by the existence of a number of abusive tax shelter arrangements. These tax shelter arrangements take a few different forms, but all contribute to artificially inflating the total amount of donations claimed by taxfilers beyond what is actually received by charities. This inflation has a significant impact on our picture of total donations. In 2006 (the peak year for these arrangements), charitable donations associated with tax shelter arrangements topped \$1.3 billion (see Figure 4). The total amount involved between 2003 and 2009 (the most recent year for which figures are available) is over \$5 billion. Were they not excluded from the analysis, tax shelter figures would result in overestimating the average amounts claimed by taxfilers, as well as the size of the decline in revenues since the onset of the economic downturn. In addition, they would lead one to view the major effects of the downturn as having started in 2007, rather than in 2008.

Figure 4: The effects of tax shelter arrangements on total donations claimed, 2003 to 2009.



DATA SOURCES

The charitable donations data used in this *Research Bulletin* come from three different sources:

- Statistics Canada's Charitable Donors Databank. This databank is updated annually by Income Statistics Division and is perhaps the most widely cited source of information on charitable donations. Data in the databank are derived from an early file of T1 Personal Income Tax Returns provided by Canada Revenue Agency. This early file accounts for roughly 97% of total returns filed. In this *Bulletin*, the term *preliminary estimates* is used to refer to data from this source. All 2010 and some 2009 data cited in this *Bulletin* come from this source.
- Canada Revenue Agency Final Statistics. These statistics are based on a stratified random sample of approximately 2% of T1 returns. The file this sample is drawn from is more complete than the early file used to produce Statistics Canada's Charitable Donors Databank and includes substantially all returns filed. Data from this source is used for the period 1984 to 1994.
- Canada Revenue Agency Custom Tabulations. For 1995 to 2009, a custom tabulation based on Mini-Universe files was used. These files include all returns filed and are the most complete source of information available.

donations claimed dropped sharply while GDP continued to rise (this disconnect may be due in large part to the fact that the economic downturn hit late in the year, prior to the busiest part of the donation cycle). In 2009, both total donations and GDP dropped. Interestingly, given the pattern seen in the economic reversal of the early 1990s, total donations dropped somewhat more sharply than did GDP.

While total donations claimed and GDP appear to be loosely linked, there seems to be little connection between donations claimed and the income of typical Canadians. Although median incomes climbed through the late 1990s and the first decade of the 21st century, total donations climbed much faster. Similarly, when median incomes dropped sharply in the early 1990s, total donations were not significantly affected. This suggests that the rapid increase in total donations claimed is not primarily driven by the income of typical Canadians.

CHANGES IN THE REGULATORY FRAMEWORK

Since the mid-1990s, many changes to federal tax policy have been enacted with the aim of encouraging increased charitable donations. The most important of these have been:

- In 1996, the annual deduction limit for charitable donations was raised from 20% of net income to 50% (100% in the case of bequests). When donations were of appreciated capital property, the donation limit was raised by a further 50% of the taxable portion of the capital gain arising on a donation (Domingue, 1996).

- In 1997, the annual deduction limit was raised further, to 75% of net income, and the capital gains inclusion rate on donations of publicly traded securities was halved (to 37.5%) for donations to operating charities and public foundations (Department of Finance Canada, 1997).
- In 2000, the capital gains inclusion rate on donations of publicly traded securities was further reduced to 25% and the measure was expanded to apply the rate to donations of ecologically sensitive lands (Department of Finance Canada, 2000).
- In 2006, donations of listed securities and ecologically sensitive land to operating charities and public foundations were entirely exempted from capital gains tax (Department of Finance Canada, 2006).
- In 2007, these measures were extended to include donations to private foundations (Department of Finance Canada, 2007).

The net effect of these measures has been to encourage increased charitable donations, particularly donations of appreciated capital property, publicly traded securities and ecologically sensitive land. Increases in these types of donations may help explain why it is that trends in total donations do not appear to be driven primarily by fluctuations in the income of typical Canadians.

Regional Variations

In keeping with the trend for many years, Manitoba taxfilers were most likely to claim charitable donations (26.3% did so), while Nunavut taxfilers were least likely to claim donations (9.5%; see Table 2). Taxfilers from Prince Edward Island, Ontario, Manitoba, Saskatchewan, and Alberta were more likely than Canadian taxfilers generally to claim charitable donations. In terms of the amounts claimed, taxfilers from Alberta claimed by far the largest average amounts (\$2,251) while Quebec taxfilers claimed the smallest (\$620). When measured by median donation amount, the level of variation between provinces is much smaller, with most provinces falling between \$340 and \$390. The gap between the median and average donations is largest in Alberta and Ontario, suggesting that a comparatively small number of high value contributions may play a larger role in driving total donations claimed in these provinces.

Table 2: Charitable Donations by Province and Territory, Preliminary Figures, 2010*.

| PROVINCE | DONORS | DONATIONS | |
|----------|-------------|-----------|---------|
| | % Taxfilers | Median | Average |
| NL | 21.2% | \$340 | \$977 |
| PE | 25.3% | \$390 | \$1,129 |
| NS | 22.6% | \$310 | \$1,097 |
| NB | 21.4% | \$300 | \$1,181 |
| PQ | 21.9% | \$130 | \$620 |
| ON | 24.6% | \$320 | \$1,611 |
| MB | 26.3% | \$360 | \$1,658 |
| SK | 25.3% | \$340 | \$1,515 |
| AB | 24.3% | \$390 | \$2,251 |
| BC | 22.1% | \$370 | \$1,798 |
| YT | 20.7% | \$300 | \$1,163 |
| NT | 16.5% | \$290 | \$1,328 |
| NU | 9.5% | \$470 | \$1,622 |
| CA | 23.4% | \$260 | \$1,437 |

* All figures in this table are preliminary estimates.

Conclusion

It is clear that the global economic downturn has had significant effects on charitable giving, at least as measured by claims made on personal income tax returns. It remains to be seen if the most recent 2009–2010 shifts represent a return to a long-established trend, or if the economic downturn and the lingering economic turmoil associated with it will result in a phase shift in giving. Above all, we should not allow the long-term trend of steadily increasing donation amounts to blind us to the potential dangers of a donor base that may be narrowing. We should be asking ourselves hard questions about the long-term implications of greater and greater donation amounts coming from decreasing percentages of taxfilers and whether this is sustainable in the long-term.

Methodological Note

For the years 2003 to 2009, most figures cited in this *Bulletin* have been adjusted to compensate for the effects of tax shelter arrangements. Only 2009 data specifically identified as “preliminary estimates” is not adjusted for the effects of tax shelter arrangements. Additionally, most tables and figures include adjustments for the effects of inflation. The only exceptions in this regard are Figures 2 and 4 which present nominal donation amounts. Adjustment for inflation was made using the annual Consumer Price Index.

As mentioned in the text box describing data sources, the discussion of long-term trends is based on Canada Revenue Agency Final Statistics and Custom Tabulations. Comparisons

between 2009 and 2010 are based on figures from Statistics Canada's Charitable Donors Databank. Typically, when compared with final figures from CRA, Charitable Donors Databank figures **overestimate** the percentage of taxfilers claiming donations and **underestimate** the total and average donation amounts claimed. In order to avoid misidentifying recent trends, we base our assessment of 2009–2010 trends on preliminary estimates only.

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