

From the Editor

In this issue, we continue to explore the debate concerning the impact of tax reform.

Blake Bromley discusses tax reform from a philosophical perspective and questions the proposed shift from tax deductions to tax credits for charitable contributions. On a practical level he asserts this shift will unnecessarily cost the Treasury lost revenue. On a philosophical level, he objects to the shift because it is based on what he regards as a false view that all charitable gifts are tax-driven. This view provides a counterpoint to that of the NVO which has been put forward in this journal in the years leading up to tax reform. The article also addresses another aspect of the role of tax policy in encouraging charitable donations by making a distinction between gifts from income and gifts from capital and suggests that a totally different approach is required for each. This interesting discussion takes place in the context of tithing and stewardship.

Recognition of the distinction between giving from capital and giving from income can be extended to the giving of human capital, i.e., that obtaining gifts of capital (volunteer time) requires a different approach and different sources from those used to obtain funding.

John Hodgson also addresses the issue of income and capital in an article that discusses the impact of the freedom now available to foundations to obtain their revenue from income or capital sources. As he concludes, even if the tax rules no longer dictate directors' donation decisions, there may be other factors such as the terms on which gifts were given, that must be taken into account.

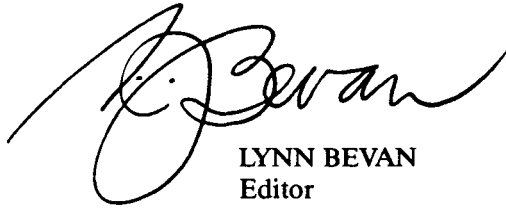
Continuing with our return to the "basics", this issue provides a review by Arthur Pearson of the statutory disbursement rules that are applicable to charities registered under the *Income Tax Act*. He also addresses the particular challenges posed by the 20-per-cent disbursement rule and proposes methods that a charity may wish to use to ensure compliance with this rule.

Walter Pitman in *Viewpoint* urges that greater recognition be given to the contributions of taxpayers to the creation of important institutions in society such as theatres and hospitals. He notes that many corporate donations are now tied to public relations efforts on behalf of those donors and that a failure to recognize adequately the (usually) greater contribution of taxpayers may discourage ordinary donors from making second gifts. Mr. Pitman also urges foundations to have the courage to support less or unpopular causes. As he notes, most politicians will shy away from worthy but risky or unpopular causes so that it may be up to the foundations to ensure their survival.

Recent Tax Developments summarizes the new rules under the "White Paper on Tax Reform" insofar as they apply to charitable deductions. There is also a discussion of a case that may provide comfort to those charities that carry on profit-making businesses. As our tax editors note, there are limitations on the scale of these related businesses but at least one court has held that charitable

organizations may carry on an unrelated business that is not staffed by volunteers as long as it spends the profits on charitable activities and the profits are not “too substantial”.

The differing tax treatment of donors to charities in various countries is outlined in a book published by INTERPHIL, reviewed by a new member of our Accounting Panel, John McClelland. Our Book Editor, John Gregory, also reviews two publications that address management and the arts. However, as a reading of these reviews will reveal, the discussion of the role of those involved with the administration of arts organizations is equally applicable to other organizations.



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The Agora Foundation

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Over the years Agora has been involved in assisting groups and organizations to establish a number of charitable projects. One of these was the planning and organization of The Canadian Centre for Philanthropy during its development phase from October of 1979 through to its incorporation as a separate entity in August of 1981.

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