



# ONTARIO NONPROFIT NETWORK

September 28, 2009

The Hon. James M. Flaherty, P.C., M.P.  
Minister of Finance  
Finance Canada  
140 O'Connor Street  
Ottawa, Ontario  
K1A 0G5

Dear Minister,

The Ontario Nonprofit Network (ONN) is supporting Imagine Canada's request to abandon the current disbursement quota for charities under the Income Tax Act. (Note that this request does not include the disbursement quota of 3.5% for Charitable Foundations that should remain in place.) ONN will be providing Ontario charities with the information they need to take an informed position on this issue.

We agree with Imagine Canada that the current disbursement quota for charities is ineffective in achieving its purposes. Moreover, it presents serious challenges for charities that have donations as their primary source of income. Many of these are the smaller charities that do important work in our communities. The current disbursement quotas are very complex and limit charities' ability to advance their charitable objectives by imposing unduly rigid requirements on these small organizations. In addition, the current disbursement quota is entirely ineffectual for larger charities with multiple sources of income. Indeed the current requirements serve nobody well, or effectively.

ONN agrees with Imagine that fundraising costs and administrative expenditures are best handled through other means such as the newly issued fundraising guidelines. Ensuring that charities provide public benefit with charitable donations remains an important objective. This objective is poorly served by current regulation.

The Ontario Nonprofit Network would be pleased to discuss with your officials a consultation process to develop new and better measures that would assure the government and Canadians that their charities are indeed providing value for the donations received and to ensure that accumulated funds are prudent reserves or endowments and not undue accumulations of funds. We believe that charities in Ontario

will be well served by transparent and effective accountability systems so that Canadians can have full confidence in the integrity of the charitable sector.

Imagine Canada sensibly suggests the following elements be reflected in a new regulatory regime:

1. The only appropriate objective for compelling disbursements should be to prevent inappropriate accumulation of funds by charities.
2. A new regime must be sensitive to the operational needs of charities as well as the government's need to effectively prevent and address abusive practices.
3. Any guidelines with respect to disbursement must be sensitive to prevailing market conditions and responsive to changes in investment return levels. This means adopting a total investment return approach or a variation with comparable outcomes.
4. A new regime must have transition rules to prevent inequities from arising as a result of the move from one regime to the next. No charity must suffer a penalty for having complied with the current regime.
5. Provision must be made for educating the charitable sector and its professional advisers on the new regime.

We thank you for your consideration of this important matter and hope the government will take action to revoke the current disbursement quota which is causing inordinate difficulties for small charities and engage in consultation with the sector to develop a modern and streamlined disbursement regulatory regime for charities.

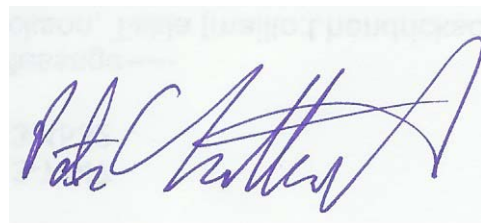
Respectfully,

ONN Co-Chair



Tonya Surman  
Centre for Social Innovation

ONN Co-Chair



Peter Clutterbuck  
Social Planning Council of Ontario