



# **Federal Cost Estimate of Bill C-399: Volunteer Tax Credit**

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The *Parliament of Canada Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to Parliament on the state of the nation's finances, the government's estimates, trends in the Canadian economy, and upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

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## **Summary**

This note responds to a request by the House of Commons Standing Committee on Finance for the PBO to estimate the cost of Bill C-399, which proposes tax incentives for volunteers. PBO estimates that the federal cost of this Bill, in terms of foregone tax revenue, would average roughly \$150 to \$430 million annually over the first five years of implementation. The range provided is from ‘low-cost’ and ‘high-cost’ scenarios that alter key assumptions and is intended to convey the uncertain nature of these estimates. In the low-cost scenario an average of 1.7 million volunteers claim the tax credit each year, versus 2.9 million in the high-cost scenario. The analysis highlights that the most important issue impacting the potential cost of this Bill — and which has not yet been precisely defined — is the interpretation of which volunteer organizations would be eligible because they “primarily aid vulnerable populations.”

## 1 Introduction

This note responds to a request by the House of Commons Standing Committee on Finance for the PBO to estimate the cost of Bill C-399, which proposes tax incentives for volunteers.

## 2 Proposed Tax Change

### Current Tax Treatment

Canada's *Income Tax Act* currently offers tax benefits for individuals' charitable donations. For instance, monetary donations to federally-registered charities are eligible for a non-refundable tax credit.<sup>1</sup> While donating money is tax deductible, donating time — i.e., *volunteering* — is not tax deductible. Despite the lack of tax incentives, volunteering represents a significant part of Canadians' charitable giving. For example, survey data for 2010 finds that roughly half of all Canadian adults volunteered and total volunteer hours were equal to roughly 1.1 million full-time jobs. See Annex A for more on volunteering in Canada.

### Proposed Tax Change

Bill C-399 proposes a non-refundable tax credit for individuals who: 1) volunteer a minimum of 130 hours in a year at a charity, non-profit or municipality; and 2) make at least 12 trips in the year to perform these services.<sup>2</sup> Under the Bill, an individual who met these two criteria and had no travel expenses (or was fully reimbursed by the organization) could claim the minimum tax credit that would be worth up to \$75 (based on the \$500 amount claimable multiplied by the federal tax rate of 15%). In addition, up to \$1,500 of non-reimbursed travel expenses could be claimed,

<sup>1</sup> A non-refundable tax credit can reduce an individual's taxes payable to \$0, but any additional credit is not paid out to the tax filer. The federal tax credit for charitable donations is two-tiered, with a rate of 15% on the first \$200 of donations claimed and 29% on additional donations. Donations may be pooled between spouses and used over a five-year period, subject to a limit of 75% of net income. Provincial and territorial rates vary, but use the same two-tiered structure. In addition, charitable donations of some assets are eligible for further tax benefits through reduced capital gains taxes, such as publicly traded shares and cultural and ecological property (see Tapp, 2012).

<sup>2</sup> Each eligible trip would require a minimum of one kilometre travelled from the person's home to the volunteer activity.

which would reduce an individual's taxes owing by up to \$225 more (\$1,500 amount claimed \* 15%). Therefore, the maximum annual value to an individual of the proposed volunteer tax credit would be \$300 (\$2,000 amount claimed \* 15%).

## 3 Costing Methodology and Assumptions

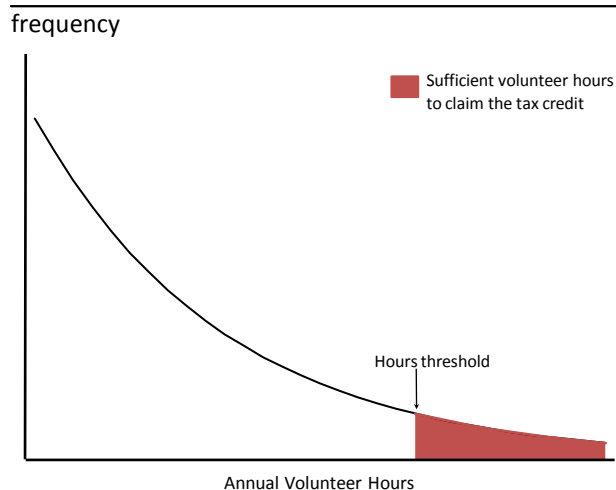
### Estimating the Number of Beneficiaries

In estimating the cost of this Bill, PBO follows the usual tax expenditure approach that assumes the underlying tax base — or in this case, volunteer hours — is unaffected by the policy change.<sup>3</sup>

Figure 3-1 provides a graphical example of the proposal. The figure shows a hypothetical distribution of volunteer hours and highlights the subset of volunteers who satisfy the minimum hours threshold and who would therefore be eligible for the tax credit (shaded in red).

Figure 3-1

### Illustration of the Volunteers Eligible under the Bill



Source: Office of the Parliamentary Budget Officer.

<sup>3</sup> Finance Canada (2011) notes that this assumption "is unlikely to be true in practice in some cases, as the behaviour of beneficiaries of tax expenditures, overall economic activity and other government policies could change." In this particular case, assuming unchanged behaviour seems reasonable for two reasons. First, because people report making volunteer decisions based primarily on non-monetary factors (see Annex A) and second it can be argued that the potential tax benefits described above are relatively modest.

To estimate the number of potential beneficiaries under the proposal, PBO analyzed public use microdata files provided by Statistics Canada for the *Canada Survey of Giving, Volunteering and Participating* (CSGVP). In 2010, for example, PBO estimates that there were 13.2 million volunteers in Canada (Table 3-1). Of these volunteers, 4 million reported having volunteered enough hours in the year to be eligible under the Bill. Finally, among those with sufficient hours, 2.4 million volunteered in ‘eligible’ organizations — i.e., sectors interpreted as having a primary mission of “aiding vulnerable populations.”<sup>4</sup>

**Table 3-1**  
**Estimates of Number of Volunteers Who Could Have Been Eligible under the Bill in Previous Years**

	2010	2007	2004
Adult Population	28.2	27.0	26.0
Volunteers	13.2	12.4	11.8
Volunteers with sufficient hours	4.0	3.9	3.8
Volunteers with sufficient hours in eligible organizations	2.4	2.3	2.0

Source: Office of the Parliamentary Budget Officer calculations using Statistics Canada CSGVP public use microdata files.

Notes: Sufficient volunteer hours are 130 throughout the year. Eligible organizations are defined in Annex B.

### *Estimating the Share of Eligible Volunteers in a Taxable Situation*

Only the subset of eligible volunteers who are in a taxable position would benefit from the tax credit.<sup>5</sup> PBO estimates this share to be around 68 per cent, based on calculations that combine cross-tabulations from the CSGVP survey data with income tax statistics from the Canada Revenue Agency (CRA, Table 3-2). Stated differently, roughly one-third of volunteers with sufficient hours would not benefit from the Bill in practice. The reason is that individuals with the lowest

<sup>4</sup> The exact definition of what constitutes an eligible organization has not been established, but the key requirement is that the organization’s primary mission “involves aiding vulnerable populations”. Annex B provides further details.

<sup>5</sup> An individual who owes no federal tax would receive no tax benefit because the credit is non-refundable and not transferable to a spouse.

incomes are less likely to owe tax, and are therefore less likely to benefit from the tax credit (column B).

**Table 3-2**  
**Volunteer Hours by Personal Income Groups and Taxable Status**

	Volunteers with sufficient hours* (A)	Share of all tax returns that were taxable (B)	Eligible volunteers in a taxable position (= A*B)
Personal Income	(Millions)	(Percent)	(Millions)
Less than \$20,000	1.4	18.6	0.3
\$20,000 to \$39,999	1.0	88.2	0.9
\$40,000 to \$59,999	0.7	98.6	0.7
\$60,000 and over	0.8	99.5	0.8
Total	3.9		2.6
			68%

Sources: Office of the Parliamentary Budget Officer calculations using Statistics Canada CSGVP 2007 public use microdata files and CRA preliminary statistics Table 2 for the 2010 tax year.

Notes: \* Sufficient volunteer hours are 130 throughout the year. Volunteer estimates by personal income group are reported for 2007 because these data are not available in the 2010 CSGVP due to a technical error during data collection.

### *Estimating Travel Expenses*

The mode of transportation used to travel to and from the volunteer organization, the distance travelled, and whether travel expenses are reimbursed would all impact the individual’s potential tax benefit from the Bill.

Given a lack of publicly-available data on volunteer travel expenses or commuting distances, PBO simply assumes that travel expenses would be negligible for those who walk, cycle or use public transit (Table 3-3, column A).

The 2006 Census provides median commuting distances from home *to work*.<sup>6</sup> Here PBO assumes equal distances travelled from home *to the volunteer organization*, as to work (column B).<sup>7</sup> These data are combined with CRA’s eligible travel expense rates (column C) to calculate mileage per

<sup>6</sup> See the 2006 Census highlight tables 13: place of work.

<sup>7</sup> This assumption would over-estimate travel distances for those who commute to a larger city but volunteer in their local community.

Table 3-3

## Estimating Eligible Travel Expenses

Province or territory	Travel expenses per non-car trip	Round trip commute	Mileage	Mileage per car trip	Parking	Travel expenses per car trip	Car trips as a share of total trips	Total annual travel expenses per eligible volunteer assuming monthly trips	Total annual travel expenses per eligible volunteer assuming weekly trips	Population share
	(A)	(B)	(C)	(D= B*C)	(E)	(F = D+E)	(G)	(H =G*F*12)	(I =G*F*52)	(J)
		(km)	(c/km)	(\$/trip)	(\$/trip)	(\$/trip)	(percent)	(\$)	(\$)	(percent)
Alberta	0	15.0	51.5	7.73	5.00	12.73	82%	125.53	543.97	10.9%
British Columbia	0	13.0	52.0	6.76	5.00	11.76	79%	111.97	485.20	13.3%
Manitoba	0	12.4	47.5	5.89	5.00	10.89	81%	105.79	458.43	3.6%
New Brunswick	0	13.6	49.5	6.73	5.00	11.73	89%	125.38	543.31	2.2%
Newfoundland	0	12.2	53.0	6.47	5.00	11.47	86%	118.75	514.58	1.5%
Northwest Territories	0	5.8	58.0	3.36	0.00	3.36	63%	25.53	110.61	0.1%
Nova Scotia	0	16.8	51.0	8.57	5.00	13.57	84%	136.14	589.93	2.8%
Nunavut	0	4.2	58.0	2.44	0.00	2.44	37%	10.81	46.86	0.1%
Ontario	0	17.4	55.0	9.57	5.00	14.57	79%	138.51	600.21	38.8%
Prince Edward Island	0	12.2	50.0	6.10	5.00	11.10	91%	120.86	523.72	0.4%
Quebec	0	15.6	56.5	8.81	5.00	13.81	78%	129.67	561.91	23.2%
Saskatchewan	0	9.0	46.0	4.14	5.00	9.14	87%	94.91	411.27	3.1%
Yukon	0	7.8	60.5	4.72	5.00	9.72	80%	92.82	402.21	0.1%
<b>Canada</b>	<b>0</b>	<b>15.5</b>	<b>53.75</b>	<b>8.35</b>	<b>4.99</b>	<b>13.34</b>	<b>80%</b>	<b>127.97</b>	<b>554.53</b>	<b>100%</b>

Sources: Statistics Canada 2006 Census commuting statistics; population estimates from CANSIM; Canada Revenue Agency mileage allowances for travel expenses for the 2010 tax year.

Note: The national values for Canada are population weighted averages for the all provinces and territories (using column J).

car trip (column D). PBO assumes a five dollar parking cost per car trip in all provinces and zero parking cost for the territories to arrive at travel expenses per car trip (column F). Total annual expenses per eligible volunteer, adjusted for driving propensities (column G, 2006 Census data), are calculated assuming both monthly and weekly volunteer trips at \$128 and \$555 (columns H and I). Ontario has the highest estimated travel cost due to the longest commuting distances, while Nunavut has the lowest travel cost due to the shortest commute, lowest driving propensity and cheapest assumed parking cost.

Finally, travel expenses reimbursed by the volunteer organization cannot be claimed under the tax credit. Of the volunteers who had sufficient annual hours in 2010, 18 per cent received a payment to cover out-of-pocket expenses in their primary volunteer organization.<sup>8</sup>

Because these expenses are not eligible, the above estimates are reduced by 18 per cent to arrive at final annual travel expense per eligible volunteer of \$105 for monthly travel (12 trips per year) and \$455 for weekly travel (52 trips per year).

#### Projecting historical data into future periods

Following Section 5.2 of the Bill, the proposal is assumed to apply beginning in the 2012 tax year. Therefore, PBO uses the projection horizon of 2012-2016 to analyze the potential impacts over the first five years of implementation. Because the previous sections use data for historical periods (typically 2010) additional assumptions are needed to inflate these estimates into future periods.

Nominal travel expenses are projected forward using the total Consumer Price Index and assuming two per cent annual inflation over the projection. The number of volunteers is calculated by applying

<sup>8</sup> PBO calculations using the 2010 CSGVP public use microdata file.

the average historical population *shares* (Table 3-4, right-most column) to Statistics Canada's future adult population *levels* (projection scenario M1).

**Table 3-4**

**Estimated Historical Population Shares of Eligible Volunteers**

per cent

	2010	2007	2004	Average
All Volunteers (% of adult population)	47.0	46.1	45.2	46.1
Volunteers with at least 130 hours (% of adult population)	14.3	14.4	14.7	14.4
(% of volunteers)	30.5	31.2	32.4	31.3
Volunteers with at least 130 hours in eligible organizations (% of adult population)	8.5	8.6	7.8	8.3
(% of volunteers)	18.1	18.6	17.2	18.0

Source: Office of the Parliamentary Budget Officer calculations using Statistics Canada CSGVP public use microdata files.

Note: Eligible organizations are defined in Annex B.

A final adjustment is made to the projected volunteer counts to avoid double-counting firefighters.<sup>9</sup> PBO assumes that eligible firefighters would claim the Volunteer Firefighters Tax Credit because it is larger, but that they would not also be eligible to claim the volunteer tax credit — unless they volunteered at least 130 hours in another eligible volunteer organization.

## 4 Estimated Federal Cost Range of the Proposed Volunteer Tax Credit

### PBO Results

Given the range of possible future outcomes and the significant uncertainties involved, PBO reports an estimated cost range based on the results from representative 'low-cost' and a 'high-cost' scenarios.

Two assumptions are particularly important for the results. The first issue is the interpretation of exactly which volunteers would be eligible to claim the tax credit. The high-cost scenario models a broad interpretation, allowing all volunteers to claim the credit if they have volunteered at least 130 hours in the year and are in a taxable situation. Alternatively, the low-cost scenario uses a stricter interpretation of the eligible organizations that "primarily aid vulnerable populations" (see Annex B). Because the stricter eligibility interpretation reduces the number of potential claimants, it also reduces the estimated cost of the Bill.

Travel expenses are the second issue, specifically whether volunteers are assumed to travel on a monthly basis on average (as in the low-cost scenario) or on a weekly basis (as in the high-cost scenario). Clearly, the Bill would be more costly if volunteers make 52 annual trips on average rather than 12.

Table 4-1 on the next page reports the costing details of each scenario. Overall, PBO estimates the federal cost of the volunteer tax credit to average between \$152 and \$434 million per year, for a total cost of \$0.8 to \$2.2 billion over the first five years of implementation. In the low-cost scenario there is an average of 1.7 million claimants per year versus 2.9 million in the high-cost scenario.

<sup>9</sup> Budget 2011 introduced a Volunteer Firefighters Tax Credit which allows eligible claimants a 15% non-refundable tax credit based on an amount of \$3,000, for those performing at least 200 hours of service in the tax year. Finance Canada (2011) estimates that this tax credit reduced federal tax revenue by \$15 million in 2011.

**Table 4-1**

**PBO High-cost Scenario**

	2012	2013	2014	2015	2016	5-year total	5-year average
Estimated federal tax expenditure (million of dollars)	416	425	434	443	452	2,171	434
Volunteers with sufficient hours in a taxable position (millions of people)	2.8	2.9	2.9	2.9	3.0	14.5	2.9

**PBO Low-cost Scenario**

	2012	2013	2014	2015	2016	5-year total	5-year average
Estimated federal tax expenditure (millions of dollars)	148	150	152	154	157	761	152
Volunteers with sufficient hours in eligible organizations in a taxable position (millions of people)	1.6	1.6	1.7	1.7	1.7	8.3	1.7

Source: Office of the Parliamentary Budget Officer.

Notes: In the high-cost scenario potential claimants include all volunteers with at least 130 hours and weekly travel is assumed. In the low-cost scenario potential claimants include all volunteers with at least 130 hours in 'eligible organizations' (see Annex B) and monthly travel is assumed.

*Comparing PBO Results to Other Estimates*

While preparing this report, PBO received cost estimates of Bill C-427 that were produced by Finance Canada and the Library of Parliament's Parliamentary Information and Research Service (PIRS).

Finance Canada's methodology and resulting cost estimate of roughly \$130 million per year (in 2010) are described in Annex C. PIRS' cost estimates ranged from \$41 to \$810 million per year (in 2007 — as that was the most recent volunteer survey at the time of their report), depending on assumptions for travel expenses and the share of eligible volunteers who claimed the credit.

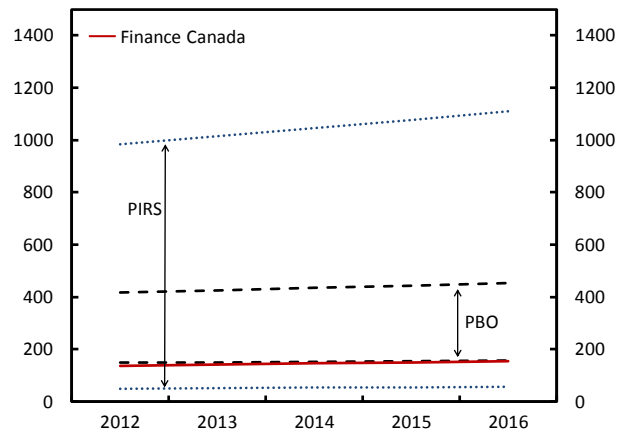
When put on a comparable basis over the projection period,<sup>10</sup> PBO's low-cost scenario is very close to Finance Canada's point estimate, while

PIRS' cost range is the broadest and encapsulates the other estimates (Figure 4-1).

**Figure 4-1**

**Comparing PBO and Finance Canada's Cost Estimates for the Volunteer Tax Credit**

millions of current dollars



Source: Office of the Parliamentary Budget Officer.

<sup>10</sup> PBO projected the PIRS and Finance Canada estimates forward using inflation plus the growth rate of the adult population.



To better understand why these estimates differ, Table 4-2 compares the key assumptions that underlie each costing approach.

**Table 4-2**

**Comparing Costing Assumptions**

	PBO	Finance Canada	PIRS
Share of volunteers with sufficient hours in eligible organizations (%)	57-100	30	20-100
Share of eligible volunteers in a taxable situation (%)	68	76	64
Travel expenses (in 2010)	105-455	430	0-1,500
Behavioural response	No	No	No

Source: Office of the Parliamentary Budget Officer.

Given the similarities in the methodologies and data sources used, the main reason for the difference between the PBO and Finance Canada results appears to be Finance’s stricter interpretation of which volunteers would be covered by the Bill (the first row of Table 4-2) — as the other assumptions are close to PBO’s and generate similar results.

Likewise, an important reason why the PIRS range is wider than PBO’s is because PIRS’ approach allows a broader range of assumptions for the share of eligible volunteers who claim the credit (the first row of Table 4-2). On the low end, this reduces the number of claimants in the same way

as restricting eligible organization to only those that “primarily aid vulnerable groups”. In addition, the wider range produced by PIRS’ approach is also due to allowing the full range of possible travel expenses.

Since all cost estimates assume no change in hours as a result of the proposal, one final issue — which is not addressed in any approach — is the extent to which such a tax incentive might influence volunteer hours in practice, and the subsequent impact this might have on the realized costs of the proposal. Given the significant time commitment required (130 hours per year) and the relatively small potential tax benefit (a maximum of \$300, or less than \$2.30 per hour — which is well below the minimum wage), it seems unlikely that an individual not already volunteering would start volunteering because of the proposed tax credit. However, for those already volunteering significant hours in the year, but slightly below the 130 hour threshold, one could imagine a modest increase in their hours — or at least the reporting of their hours for tax purposes — in order to reach the minimum hours required by the tax credit. Alternatively, some volunteer advocates have suggested that a volunteer tax credit could actually reduce volunteer motivation by attaching a tax benefit and economic value to an otherwise altruistic voluntary donation of time (Volunteer Alberta, 2009).<sup>11</sup>

<sup>11</sup> Other concerns raised about a volunteer tax credit in the Volunteer Alberta (2009) report include: increased administrative and compliance costs for volunteer organizations and tax authorities; and the possibility that, if charitable donations of time and money are gross complements, then even if the tax credit increased volunteer hours, it could reduce or “crowd-out” monetary donations to charities.

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## Annex A Volunteering in Canada

This annex provides some background information on volunteer activities in Canada. The results are based on the *Canada Survey of Giving, Volunteering and Participating (CSGVP)*, which is a household survey conducted by Statistics Canada every three years,<sup>12</sup> as well as related academic research. The annex is organized into eight observations on volunteer activities in Canada.

### 1. Volunteer activities in Canada are significant.

In 2010, over 13 million Canadians volunteered their time — representing nearly half of the adult population (Table A-1). Total hours volunteered were large, representing roughly 1.1 million full-time-equivalent jobs, or six per cent of the full-time work force. If these hours were valued at the average hourly wage, they would represent nearly four per cent of Canada's GDP.

**Table A-1**

#### Key Volunteer Statistics in Canada

	2010	2007	2004
Volunteers (millions)	13.3	12.5	11.8
Volunteers as a share of the population aged 15 and over (%)	47	46	45
Total annual volunteer hours (billions)	2.1	2.1	2.0
Full-time job equivalents* (millions of jobs)	1.1	1.1	1.0
Average annual volunteer hours	156	166	168
Median annual volunteer hours	55	56	61

Source: Statistics Canada 2012 CSGVP.

Note: \*Assumes 40 hours of work per week for 48 weeks.

### 2. A small subset of people supply the majority of total volunteer hours.

In 2010, half of all volunteers gave 55 hours or less in the year. Average volunteer hours, however, were much higher at 156 hours (Table A-1), as the top 10% of volunteers accounted for more than half of all hours supplied (53%).

<sup>12</sup> For more on the 2010 CSGVP results see Vézina and Crompton (2012) and Statistics Canada (2012).

### 3. Median and average hours volunteered seem relatively stable over time.

Comparing the 2010 survey to the previous two surveys from 2007 and 2004 suggests that median hours have been quite stable over this period, ranging between 55 and 61 hours. Average hours have declined modestly, falling from 168 to 156 hours per year from 2004 to 2010 (Table A-1).

### 4. Volunteering propensities relate to key demographic characteristics.

Understanding the demographic characteristics of the most active volunteers is helpful because these people are most likely to be eligible for the proposed volunteer tax credit. The CSGVP surveys as well as earlier academic research<sup>13</sup> find relatively stable patterns whereby certain segments of the population are more likely to volunteer. These groups include: females; higher-income; university-educated; the religiously-active; and those who live in rural areas.<sup>14</sup>

### 5. The relationship between volunteering and age changes over the lifecycle.

Teenagers are more likely to volunteer — partially related to school requirements — though their average hours volunteered are relatively low. Younger adults and those with pre-school aged children have the lowest volunteer rates. Parents with school-aged children, on the other hand, are more likely to volunteer due to school-related activities. Finally, volunteer rates for seniors are relatively low — partially related to poorer average health — but those who volunteer have high average hours.<sup>15</sup>

<sup>13</sup> Vaillancourt (1994) and Day and Devlin (1996) both used Canadian data from the 1987 Survey of Volunteer Activity.

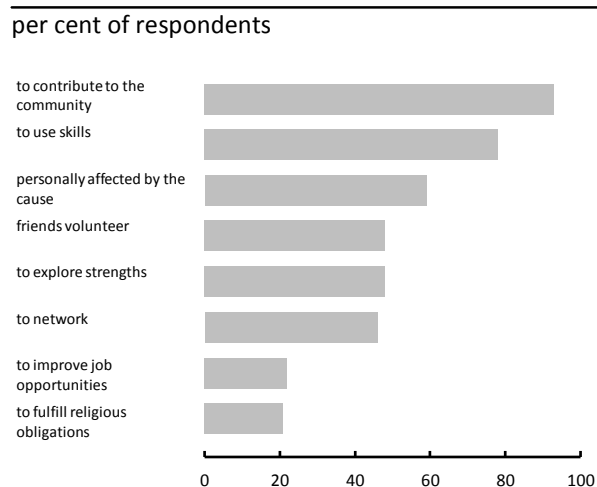
<sup>14</sup> These categories, of course, are not mutually-exclusive, as income is positively correlated with education, for example.

<sup>15</sup> Also see Selbee and Read (2001) and Volunteer Canada (2010) for more on the lifecycle dimensions of volunteering in Canada.

**6. Volunteers are primarily motivated by non-monetary factors.**

The CSGVP asks people why they volunteered. Figure A1 shows that the most common response was to make a contribution to the community (93%); followed by using skills and experiences (78%); and being personally affected by the cause the organization supports (59%). People also volunteered because their friends participated (48%); to explore their strengths (48%); and to network and meet other people (46%). Less than one quarter of respondents say that they volunteered to improve job opportunities (22%) or fulfill religious obligations (21%).

**Figure A-1**  
**Reasons why Canadians Volunteered, 2010**



Source: Statistics Canada 2010 CSGVP.

Note: Survey respondents were asked whether the following responses were “important to them” for volunteering.

Overall, these results suggest that non-monetary factors — such as community involvement, social networks and personal development, among others things — are important drivers of volunteering decisions.<sup>16</sup>

**7. Various organizations benefit from volunteers.**

While volunteering occurs in a wide variety of organizations, the most common were: sports and recreation (19% of total hours); social services (18%); religious organizations (15%); and education (9%).

**8. Volunteers perform a variety of activities and acquire various skills.**

Volunteers perform a variety of tasks, most of which are similar to tasks they might perform in typical paid work in the market, including: organizing events (15% of total hours); teaching or mentoring (12%); sitting on a committee (10%); fundraising (9%); office work (8%); coaching or refereeing (8%); among several other activities done in lesser amounts.

Many volunteers, therefore, develop skills through their volunteering that can be usefully applied to their work environments, which could provide monetary benefits later on. These skills include: interpersonal (64% of respondents); communication (44%); organizational or managerial (39%); fundraising (33%); office or technical skills (27%).

<sup>16</sup> Because there is currently no tax benefit of volunteering, respondents were not asked about this factor as a motivation for their behaviour. However, by way of comparison, less than one-quarter of respondents in the CSGVP indicated that a government tax credit was an important factor in their charitable donations of money.

**Annex B**

**Definition of “an agency whose primary mission is to aid a vulnerable population group”**

Section 118.07 of the proposed Bill C-399 defines eligible volunteer services as those “provided by an individual, on a voluntary and unpaid basis, for *an agency whose primary mission is to aid a vulnerable population group*” (italics added). Section 5 states that the Governor in Council may make regulations defining the term “vulnerable population group”.

This wording could be interpreted to suggest that the legislative intent is not to cover all volunteers who satisfy the minimum hours threshold and number of travel trips, but only the subset of those who are primarily involved in working with vulnerable populations.

The CSGVP survey classifies volunteer organizations based on their major activity groups. PBO used these classifications to subjectively classify the subset of sectors that might be eligible under the Bill (Table B-1). Such judgement is required to deal with a ‘grey area’ of the proposed legislation, and without question, different people can reasonably have different interpretations of the type of work that would be eligible.

Effectively excluded are the sub-sectors related to: arts and culture — including, among others, performing arts and zoos; sports and recreation — including: fitness centres and social clubs; education and research — including vocational and technical schools; and universities and colleges — including law and medical schools. Of course one could likely find examples and counter-examples of volunteers in all sectors performing work that does (or does not) primarily aid vulnerable populations.

**Table B-1**

Classification of Eligible Sectors

<b>Primarily aids vulnerable populations</b>	<b>Does not primarily aid vulnerable populations</b>
1 Health	1 Culture and recreation
2 Social services	2 Education and research
3 Environment	
4 Development and housing	
5 Law, advocacy and politics	
6 Philanthropic intermediaries and voluntarism	
7 International	
8 Religion	
9 Business and professional associations and unions	
10 Groups not elsewhere classified	

Source: Office of the Parliamentary Budget Officer’s judgment based on Statistics Canada CSGVP 2010 International Classification of Nonprofit Organizations (ICNPO) sector classifications.

## Annex C Finance Canada's Tax Expenditure Estimate of Bill C-399

### Background on the Bill

Bill C-399 would create a new non-refundable tax credit of between \$75 and \$300 for individuals who perform a minimum of 130 hours of eligible volunteer services at a charity, non-profit organization (NPO) or municipality during a year and make at least 12 trips in order to do so.

- The individual would have to volunteer with one or more organizations “whose primary mission is to aid a vulnerable population group”.
- The Governor-in-Council would define which organizations qualified.
- The individual would have to travel at least one kilometre from home to volunteer.
- An individual with no travel expenses (or none which were not reimbursed by the organization) would receive a credit of \$75 (lowest tax rate of 15% x \$500 amount).
- In addition to the \$75 tax credit, an individual would be eligible to receive a credit of 15% on up to \$1,500 of unreimbursed travel expenses (i.e., up to 15% of \$1,500 or \$225).
- The maximum credit that could be claimed is \$300 (\$75+\$225).
- If requested by the Canada Revenue Agency (CRA), taxpayers would have to provide a certificate from the organization(s) with which they volunteered confirming the number of hours and related trips.

### Revenue Impact

The Department of Finance Canada estimates that the introduction of Bill C-399 could result in forgone tax revenue of roughly \$130 million per year. This estimate was obtained as follows:

- Using information from the 2010 Canada Survey of Giving, Volunteering and Participating, the number of individuals volunteering more than 130 hours for organizations “whose primary mission is to aid a vulnerable population group” was estimated to be about 1,210,000.
- It was estimated that about 915,000 of individuals would be in a taxable situation and would benefit from the credit (e.g. they were living in households with household income of at least \$40,000 per year).
- Unreimbursed eligible travel expenses were assumed to average about \$430 per year. There are no data on the weekly travel distance for volunteers. For the purpose of this estimate, it was assumed that weekly travel distance would average about 15 kilometres at an eligible rate of about 55 cents per kilometre. The 55 cents per kilometre is based on reasonable per-kilometre allowance rates published by the Canada Revenue Agency for 2012 (e.g. 53 cents per kilometre for the first 5,000 kilometres with an additional 4 cents for the territories) with inflation and rounded up.
- No behavioural changes were considered.
- The cost estimate was calculated by multiplying the number of potential beneficiaries by the estimated tax benefit or  $915,000 \times (\$500 + \$430) \times 15\% = \$127,642,500$ . This estimate was rounded to \$130 million.