

## Getting credit(s) for financing the political process (March 2011)

Canada's current minority government has now held office for just over five years, and speculation that a federal election will take place in 2011, perhaps as early as the spring, continues to increase. To win such elections, politicians need votes. And to run the election campaigns needed to garner those votes, they need an organization, volunteers... and money. The task of raising that money is made somewhat easier by the fact that Canadian taxpayers who donate money to political parties or candidates can claim a federal tax credit for those donations.

The *Income Tax Act* provides for a credit to be claimed by taxpayers who contribute funds, either to registered political parties or to candidates running in a federal election. Contributions can be made at any time, not just during an election campaign, as long as the donation is received by an official candidate or registered party.

While the parties which currently hold seats in the House of Commons are, of course, the most well known, there are in fact (as of February 9, 2011) 19 political parties registered and in good standing with Elections Canada. They are as follows, in alphabetical order:

- [Animal Alliance Environment Voters Party of Canada](#)
- [Bloc Québécois](#)
- [Canadian Action Party](#)
- [Christian Heritage Party of Canada](#)
- [Communist Party of Canada](#)
- [Conservative Party of Canada](#)
- [First Peoples National Party of Canada](#)
- [Green Party of Canada](#)
- [Liberal Party of Canada](#)
- [Libertarian Party of Canada](#)
- [Marijuana Party](#)
- [Marxist-Leninist Party of Canada](#)
- [New Democratic Party](#)

- [People's Political Power Party of Canada](#)
- [Pirate Party of Canada](#)
- [Progressive Canadian Party](#)
- [Rhinoceros Party](#)
- [United Party of Canada](#)
- [Western Block Party](#)

Donations to any one of these registered parties, within prescribed limits, would qualify for the federal political contribution tax credit.

Official candidates can, of course, be running either as candidates for one of the registered parties or as independents. Once an election is called, Elections Canada will keep a running list (updated daily) of confirmed candidates running in the election on its Web site at <http://www.elections.ca/content.asp?section=ele&document=index&dir=40ge/can&lang=e&textonly=false>.

Limits are also placed on the amount of contributions which may be made by any one individual Canadian. The current limits imposed are:

- **no more than \$1,100 in any calendar year to each registered political party ;**
- **no more than \$1,100 in total in any calendar year to the various entities of each registered political party (registered associations, nomination contestants, and candidates);**
- **no more than \$1,100 to each independent candidate for a particular election; and**
- **no more than \$1,100 in total to the leadership contestants in a particular leadership contest.**

Putting all of the above together, an individual could contribute, in a year in which there is both a party leadership contest and a general election, a total of \$4,400 to a combination of a registered political party, a registered candidate (or riding association or nomination contestant), an independent candidate in a general election and a leadership contestant. However, only funds contributed to a registered political party or an official candidate are eligible for the tax credit, and dollar limits are placed on the amount of funds contributed which will be eligible for that credit.

The federal political tax credit is calculated as a percentage of donations given. However, the credit percentage decreases as contributions amounts increase, and no credit at all is given for donations in excess of \$1,275. The credit percentages allowed at different contribution levels are as follows:

<i>Contribution amount</i>	<i>Allowable tax credit</i>
\$0.01 to \$400.00	75% of the contribution
\$400.01 to \$750.00	\$300 plus 50% of the contribution over \$400
\$750.01 and over	\$475 plus 33⅓% of the contribution over \$750

The maximum credit claimable in any taxation year by a single taxpayer is \$650. Once the math is worked out, it becomes clear that the maximum credit obtainable is reached once contribution levels reach \$1,275.

<i>Contribution amount</i>	<i>Allowable tax credit</i>
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**\$400 times 75% = \$300.**

**\$350 times 50% = \$175.**

**\$525 times 33.3% = \$175.**

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**\$1,275                      \$650.**

While taxpayers are free, of course, to donate up to the limits imposed by law, where donations exceed \$1,275 in any one taxation year, no tax credit can be claimed on the “excess” donation. As well, there is no provision which allows the taxpayer to carry over any “excess” contributions

to a subsequent taxation year, meaning that no credit will ever be obtainable with respect to those “excess” contributions.

Many Canadians who are committed to a particular political party or candidate volunteer their time during a nomination or election campaign—canvassing for the candidate, putting up election signs, or telephoning voters to encourage them to vote for the candidate. However, in most cases, the work must be its own reward, as no income tax receipts can be issued for most such non-monetary contributions, and consequently no credit can be claimed for the value of any non-monetary contribution (including volunteer hours) donated.

The *Canada Elections Act* provides for two exceptions from the rule that no tax receipts can be issued for non-monetary contributions. As outlined on the Elections Canada Web site, the contribution of services by a self-employed person who normally charges for such services can qualify as political contribution for which a credit may be claimed. As well, if a political party or campaign pays for work done at less than commercial rates, the difference between the commercial value of the service and the amount that is paid constitutes a non-monetary contribution by the person who did the work. More details of how the contribution rules apply in such situations can be found on the Elections Canada Web site under FAQs on Political Financing, found at <http://www.elections.ca/content.aspx?section=fin&dir=faq&document=index&lang=e>.

Where a qualifying contribution is made, an official receipt must be issued in order for the tax credit to be claimed. During an election campaign, the official agent of a candidate issues that receipt, and it must be issued between the time the candidate is officially nominated and Election Day. Outside an election period, any receipts are issued by the registered agent of a political party or association. A receipt must be issued for every contribution over \$20.

The actual credit for qualifying donations made is claimed on the tax return for the year in which the contribution was made. The amount of the credit is calculated (according to the formula outlined above) on the Federal Worksheet, and the amount of the actual credit entered on line 410 of Schedule 1 of the federal tax return. By the time the return is filed, of course, the election is long since over, the newly elected government is in Ottawa, and the taxpayer is in a position to assess whether it was, in fact, money well spent.