

Right-leaning charities continue to claim 0% political activity to CRA



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INTRODUCTION

In October 2014, the Broadbent Institute released *Stephen Harper's CRA: Selective Audits, "Political Activity" and Right Leaning Charities*.ⁱ The report was published amidst news that high-profile progressive charities continued to be audited by the Canada Revenue Agency (CRA), and threatened with revocation of their charity statuses. That report put forward evidence suggesting biased scrutiny of charities that are critical of the government by the Canada Revenue Agency (CRA). The report also highlighted a pattern of right-leaning charities claiming 0% political activity in their tax filings. Specifically, it raised questions about the accuracy of the filings of 10 right-leaning charities between 2011 and 2013, calling into question their interpretations of the CRA's definition of "political" activity.

This report analyzes the 2014 filings of the same 10 charities. It reveals that nine out of 10 again claim 0% political activity in their 2014 submissions to the CRA; one has yet to file or the CRA has yet to publish the filing. The report contrasts these claims with direct examples of possible political activity by these charities in 2014. The examples cited are only some of the many possible examples of political activity in which these groups engaged. The juxtaposition calls into question how these charities interpret the restrictions on engaging in "political activity" and why, if these groups are engaging in political activity, as defined by the CRA, the agency continues to allow them to report 0%.ⁱⁱ

The revelation of the claims of 0% political activity by these charities reaffirms the need for an independent inquiry to ensure transparency and fairness in the CRA's decision-making criteria around political activity audits, and to ensure such processes are not subject to political interference.

ⁱ *Stephen Harper's CRA- Selective audits, "political" activity and right-leaning charities*. Broadbent Institute. October, 2014. Accessed online at: http://www.broadbentinstitute.ca/stephen_harper_s_cra

ⁱⁱ In January 2015, when asked by the Globe and Mail, one of the 10 charities said they had been under audit since 2012, while four confirmed they had not been audited since the launch of the political-activity audit program. Three declined to say and two did not respond. In May, the Fraser Institute said it had not been under audit since the 1990s. See: <http://www.thestar.com/news/canada/2015/05/16/critics-say-fraser-institute-letter-highlights-enormous-lack-of-clarity-in-charity-audit-rules.html> and <http://www.theglobeandmail.com/try-it-now/?articleId=22534463>.

POLITICAL ACTIVITY OF RIGHT-LEANING CHARITIES:

In Canada, charities are prohibited from engaging in “partisan” activity, defined as “direct or indirect support of, or opposition to, any political party or candidate for public office.” However, charities are permitted to undertake “political activities,” provided these activities are “non-partisan and connected and subordinate to the charity’s purposes.”

Such activities may constitute no more than 10% of the charity’s activities. As guidance, CRA states that an activity is “political” if it:

- i. explicitly communicates a call to political action (that is, encourages the public to contact an elected representative or public official and urges them to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country);
- ii. explicitly communicates to the public that the law, policy, or decision of any level of government in Canada or a foreign country should be retained (if the retention of the law, policy or decision is being reconsidered by a government), opposed, or changed; or
- iii. explicitly indicates in its materials (whether internal or external) that the intention of the activity is to incite, or organize to put pressure on, an elected representative or public official to retain, oppose, or change the law, policy, or decision of any level of government in Canada or a foreign country.

Charities are required to make annual public filings to the CRA related to their finances and activities, including the percentage of political activity undertaken. Using the CRA’s publicly available database, the Broadbent Institute has found that the following 9 right-leaning charities — all of which strikingly claimed 0% political activity between 2011 and 2013 — have claimed 0% political activity again in their 2014 filings.ⁱⁱⁱ They are:

- Atlantic Institute for Market Studies (AIMS)
- Canadian Constitution Foundation (CCF)
- C.D. Howe Institute
- Energy Probe Research Foundation (EPRF)
- Fraser Institute

ⁱⁱⁱ The Broadbent Institute’s 2014 report on 2011-2013 political activity claims of charities also looked at The Institute for Canadian Values. The CRA has yet to publish the 2014 filing or ICV has yet to file to the CRA for 2014, but had reported 0% political activities in those three years: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Christian+College&s=registered&p=1&b=true&fpe=2013-12-31&b=869541540RR0001&n=CANADACHRISTIANCOLLEGE&SCHOOLOFGRADUATETHEOLOGICALSTUDIES>

- Focus on the Family
- Frontier Centre for Public Policy (FCPP)
- MacDonald-Laurier Institute (MLI)
- Montreal Economic Institute (MEI)

The following section reports on each of these charities' respective claims of political activity in their CRA filings for 2014 and contrasts those claims with examples of work done during that year that could be interpreted as political activity according to the CRA's definition outlined above. These are but a sampling of many possible examples of political activity from these charities.

1. Atlantic Institute for Market Studies

Total revenue: \$539,047

Total expenses: \$0^{iv}

Political activity claimed: 0%^v

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: "Banning fracking outright shuts the doors on the potential for further progress. It closes opportunities for greater innovation, technical advancement, and the development of more employment that would keep more of our children and grandchildren in the province. That's why prohibition is the wrong impulse."

SOURCE: *NS fracking ban hampers innovation* by Marco Navarro-Genie, president of AIMS. Published in *The Chronicle Herald*, September 26, 2014.^{vi}

^{iv} The Atlantic Institute for Market Studies reports \$0 in total expenses for 2014. This despite report releases, social media posts, events and other activities throughout the year.

^v See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Atlantic+Institute&s=registered&p=1&b=true&fpe=2014-09-30&b=899314686RR0001&n=ATLANTICINSTITUTEFORMARKETSTUDIES>

^{vi} Navarro-Genie, Marco. NS fracking ban hampers innovation. *Chronicle Herald*. September 26, 2014. Accessed online at: <http://thechronicleherald.ca/opinion/1239321-n.s.-fracking-ban-hampers-innovation>

2. Canadian Constitution Foundation

Total revenue: \$808,421

Total expenses: \$781,818

Political activity claim: 0%^{vii}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “I would suggest a better alternative would be to allow all Canadians the option to pay for private care or private insurance if they choose to...It should be every Canadian’s right....”

SOURCE: CCF Executive Director Marni Soupcoff advocated for a two-tier health care future for Canada in an interview on CBC radio show 180 on June 17, 2014. The interview is also posted to the CCF website.^{viii}

3. C.D. Howe Institute

Total revenue: \$4,850,958

Total expenses: \$4,263,731

Political activity claim: 0%^{ix}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: In their report entitled *Outliving Our Savings: Registered Retirement Income Funds Rules Need a Big Update*, authors Alexandre Laurin and William Robson “urge the government to re-visit its rules requiring mandatory minimum withdrawals from registered retirement income funds (RRIFs) and similar accounts, to protect Canadians from outliving their savings.”

SOURCE: C.D. Howe Institute report *Outliving Our Savings: Registered Retirement Income Funds Rules Need a Big Update*, released on June 4, 2014.*

^{vii} See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Canadian+Constitution&s=registered&p=1&b=true&fpe=2014-03-31&b=866176654RR0001&n=CANADIANCONSTITUTION2005FOUNDATION>

^{viii} See: <http://theccf.ca/audio/marni-soupcoff-canadas-two-tiered-healthcare-future/>

^{ix} See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=C.D.&s=registered&p=1&b=true&fpe=2014-12-31&b=118841626RR0001&n=C.D.HOWEINSTITUTE>

^x Robson, William B.P., Laurin, Alexandre. *Outliving Our Savings: Registered Retirement Income Funds Rules Need a Big Update* - E-Brief. C.D. Howe Institute. June 4, 2014. Accessed online at: https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed//e-brief_175.pdf

4. Energy Probe Research Foundation

Total revenue: \$1,609,793

Total expenses: \$1,223,290

Political activity claim: 0%^{xi}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “To restore the industry’s previous success, we need to level the R&D playing field by rolling back the government advantages given vaccines, such as exemptions from liability and government mandates, and letting the market determine where to best allocate R&D. But eliminating the government’s bias towards vaccines is only one needed R&D health reform. Government needs to be rolled back in other areas, too, the subject of the next column in this series.”

SOURCE: *Free the pharmaceutical market* by Lawrence Solomon, Executive Director of the Consumer Policy Institute (CPI), a division of EPRF. Published on November 3, 2014 on the CPI website.^{xii}

5. Fraser Institute

Total revenue: \$11,942,410

Total expenses: \$11,787,582

Political activity claim: 0% ^{xiii}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “As such, we suggest eliminating the two middle-income tax brackets leaving one tax bracket (15%) for the majority of Canadians and a single high-income bracket, which would only affect 2 percent of taxpayers. In other words, the overwhelming majority of Canadians would face a single federal tax rate of 15%.”

SOURCE: *Forget income-splitting; cut tax rates* by Niels Veldhuis, President of the Fraser Institute and Jason Clemens, Executive Vice President of the Fraser Institute. Published in the *Financial Post* and reprinted on Fraser Institute’s website on February 14, 2014.^{xiv}

^{xi} See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Energy+Probe&s=registered&p=1&b=true&fpe=2014-12-31&b=107305146RR0001&n=EPRFENERGYPROBERESEARCHFOUNDATION>

^{xii} Solomon, Lawrence. *Free the pharmaceutical market*. Consumer Policy Institute. November 3, 2014. Accessed online at: <http://cpi.probeinternational.org/2014/11/03/free-the-pharmaceutical-market/>

^{xiii} See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Fraser+Institute&s=registered&p=1&b=true&fpe=2014-12-31&b=119233823RR0001&n=THEFRASERINSTITUTE>

^{xiv} Veldhuis, Niels. Clemens, Jason. *Forget income-splitting; cut taxes*. Fraser Institute. February 14, 2014. Accessed online at: <http://www.fraserinstitute.org/article/forget-income-splitting-cut-tax-rates>

6. Focus on the Family

Total revenue: \$10,741,130

Total expenses: \$12,152,204

Political activity claim: 0%^{xv}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “The idea of income splitting for Canadian families has proven politically controversial. It shouldn’t be. The principle is simple: Families that live together, work together and share resources of all kinds ought to be allowed to share their income thereby decreasing their taxes at tax time.”

SOURCE: *Letting families keep more of their money is good policy* by Andrea Mrozek, Executive Director of the Institute for Marriage and the Family Canada (IMFC), the research arm of the Focus on the Family charity. Published in the *Globe and Mail* and on the IMFC on October 31, 2014.^{xvi}

7. Frontier Centre for Public Policy

Total revenue: \$1,111,304

Total expenses: \$1,162,757

Political activity claim: 0%^{xvii}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “Ritz, rather than championing a free market one day and looking over the shoulder of railways the next, should allow the supply chain to function efficiently, and to the benefit of all players along the line — not just grain growers.”

SOURCE: *Ritz is crackers on rail policy* by Mary-Jane Bennett, a Research Fellow at the Frontier Centre for Public Policy. Published in the *Financial Post* on November 5, 2014.^{xviii}

^{xv} See: [http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Focus+on+the+Family&s=registered&p=1&b=true&fpe=2014-09-30&b=106845969RR0001&n=FOCUSONTHEFAMILY\(CANADA\)ASSOCIATION](http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Focus+on+the+Family&s=registered&p=1&b=true&fpe=2014-09-30&b=106845969RR0001&n=FOCUSONTHEFAMILY(CANADA)ASSOCIATION)

^{xvi} Mrozek, Andrea. *Letting families keep more of their money is good policy*. Institute of Marriage and Family Canada. October 31, 2014. Accessed online: <http://www.imfcanada.org/news/globe-and-mail-letting-families-keep-more-their-money-good-policy>

^{xvii} See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Frontier+Centre&s=registered&p=1&b=true&fpe=2014-12-31&b=895489748RR0001&n=THEFRONTIERCENTREFORPUBLICPOLICYINC>

^{xviii} Bennet, Mary-Jane. *Ritz is crackers on rail policy*. *Financial Post*. November 5, 2014. Accessed online at: <http://business.financialpost.com/fp-comment/ritz-is-crackers-on-rail-policy>

8. Macdonald-Laurier Institute (MLI)

Total revenue: \$1,202,655

Total expenses: \$1,193,558

Political activity claim: 0%^{xix}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “Finally, the federal government should assert its power to sweep away barriers to trade created by the provinces; they are an important part of Canadians’ regulatory burden.”

SOURCE: *It’s time to rein in government’s stealthy taxation by regulation* by Brian Lee Crowley, Managing Director of MLI. Published in the

9. Montreal Economic Institute

Total revenue: \$2,248,740

Total expenses: \$1,841,846

Political activity claim: 0%^{xxi}

EXAMPLE OF POSSIBLE POLITICAL ACTIVITY: “Instead of multiplying interventionist measures in order to achieve a useless and illusory objective, [the government] should gradually abandon mandatory access policies, both in the wireless sector and in the wireline sector...”

SOURCE: Montreal Economic Institute study entitled *The State of Competition in Canada’s Telecommunications Industry 2014*. Published in May 2014.^{xxii}

xix See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Macdonald+Laurier&s=registered&p=1&b=true&fpe=2014-12-31&b=855716585RR0001&n=TheMacdonald-LaurierInstitute/L'institutMacdonald-Laurier>

xx Lee-Crowley, Brian. *It’s time to rein in government’s stealthy taxation by regulation*. *Globe and Mail*. July 11, 2014. Accessed online at: <http://www.theglobeandmail.com/report-on-business/economy/economic-insight/its-time-to-rein-in-governments-stealthy-taxation-by-regulation/article19551243/>

xxi See: <http://www.cra-arc.gc.ca/ebci/haip/srch/t3010form22quickview-eng.action?r=http://www.cra-arc.gc.ca:80/ebci/haip/srch/basicsearchresult-eng.action?k=Institut+Montreal&s=registered&p=1&b=true&fpe=2014-12-31&b=876185877RR0001&n=INSTITUTÉCONOMIQUEDEMONTREAL>

xxii Masse, Martin. Beaudry, Paul. *The State of Competition in Canada’s Telecommunications Industry*. Montreal Economic Institute. May 2014. Accessed online at: www.iedm.org/files/cahier0214_en.pdf

CONCLUSION

This report makes clear that the CRA rules around political activity are interpreted, to put it charitably, quite differently by many right-leaning charities. The report has provided examples of work done by these charities that seem to fit the CRA's definition of political activity and ought to be reported to the CRA if that is the case.

Based on this new evidence, the Broadbent Institute is renewing its call for an independent inquiry to ensure transparency and fairness in the CRA's decision-making criteria around political activity audits, and to ensure such processes are not subject to political interference.