



Funders, Charities and Political Activities

As of 2012, a charitable funder (e.g. a foundation) granting funds to a charity (qualified donee) that uses these funds for political activities must report the grant as part of its own expenditure on a political activity. This means that this grant is counted in the 10% of total resources that a foundation (similar to any registered charity) can devote to political activities.

Questions and Answers: Charitable Funders and Political Activities

Q1. Where can we find a definition of what constitutes a political activity by a charity?

- The best source is Canada Revenue Agency (CRA)'s policy document on political activities, CPS-022.
- CRA defines *political* activity (within the broader context of activities in support of charitable purpose) as:
 - a call to political action (such as encouraging the public to contact a public official in support of the charity's position);
 - communicating to the public that a law, policy, or decision should be retained or opposed; and,
 - explicitly indicating in internal or external materials that the purpose of activity is to put pressure on elected representatives or public officials to retain, oppose, or change a law, policy, or decision

Q2. How much can charities and charitable funders spend on political activities?

- CRA states that substantially all of a charity's activities must be devoted to charitable activities. The Agency uses an estimate of about 10% of a charity's total resources as an acceptable amount to allocate to political activities. More can be spent by a smaller charity.

Q3. What is included in the resources to which the 10% resource limit applies? In the case of an endowed foundation, is it only income on invested capital or does it include the capital itself?

- The 10% resource limit applies to all of a foundation's resources, including financial, staff, volunteer or physical property. So a foundation's invested assets would be included, not just the income from the investment. The 10% resource limit should be viewed in conjunction with the overall requirement that charities devote substantially all of their resources to charitable purposes.

Q4. Do foundations need to track and report (on Form T3010), the *actual use* by the grantee of grant funds for political activities?

- No. Funders need to report as political activities the amounts that they *intend* to be used by grantees on political activities, regardless of how the amounts are actually used by the grantee.

Q5. Do we need to specify in a written donor agreement what our intentions are with respect to the use of our grant?

- **It is not required by CRA;** however it may be useful for clarity to include language in a donor agreement specifying the intentions of the funder.

Q6. Is it necessary to specify in a donor agreement that none of the amount is to be used for political activity?



- It is *not* necessary to state explicitly that a grant is not to be used for political activity as long as the purpose of the grant is clear.
- Q7.** Should we ensure that we have an internal policy statement on our funding of political activities?
- It is a good practice to have a written policy statement on the types of activities that you are willing to fund.
- Q8.** How should we report grants that are intended to support both charitable and political activities?
- If a grant is intended to support both types of activity, you should specify in the grant agreement what portion of the grant is intended to be used for political activity. This portion is what is then reported as a political activity on your T3010.
- Q9.** How do we account for a grant in terms of our 3.5% disbursement quota, if a portion of it is intended for political activity?
- The portion of a grant intended for political activity cannot be used to meet a charity's disbursement quota.
- Q10.** Does participation in a public hearing process such as an environmental assessment hearing automatically constitute a political activity?
- No. A charitable funder or charity can make representations in a hearing held by government on a particular issue and this would generally be considered a charitable activity. The charity's participation must fall within the guidelines for representations to government described in section 7.3 in the CRA policy on political activities, CPS-022. Other activities related to the hearing or the issue before the hearing, however, may be political.
- Q11.** If a foundation owns space that it makes available to another charity who uses it for political activity, is the foundation accountable for the other charity's political activities and must it report the other charity's political activities as its own?
- It depends on whether the foundation made a gift of the space explicitly for a political activity to be conducted by the charity. If the foundation intended to support the charity's political activities through the gift of the use of the space, then the gift of the space itself is a political activity for the foundation. Otherwise, if a foundation makes a gift of the use of its space to another charity, the foundation is not accountable for activities carried out by the charity in that space and the foundation would not report the charity's political activities as its own on Form T3010.
- Q12.** If a foundation funds a charity that is a think tank or research body that publishes articles calling for a change in law or policy of government, is the portion of the grant intended to support that publication an expenditure on political activity?
- If the foundation intended to support the charity's political activities with the grant, then the grant is a political activity, regardless of whether the charity's publication is a political activity or a charitable activity. It is likely that articles that call for a change in law or government policy are a political activity, as defined in section 6.2 of Policy Statement CPS-022, *Political Activities*, although, depending on the exact facts of the situation, it is possible the articles may be a charitable activity (see the CRA's Policy Statement CPS-029, *Research as a Charitable Activity*, and Summary Policy CSP-S10, *Policy Institutes*). But, whether the articles are a political or charitable activity, it is always the intent of the foundation when making the grant that decides whether it is a political activity.



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