

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, Ontario
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Re: Letter of congratulations

November 12, 2021

Dear Minister Freeland,

On behalf of the Ontario Nonprofit Network (ONN), congratulations on your re-election as Member of Parliament for University-Rosedale and re-appointments as Deputy Prime Minister of Canada and Minister of Finance. We look forward to working with you in your critical roles, once again, to support and strengthen communities across the country.

As your government puts forth an invigorated policy agenda for Canada's pandemic recovery, we urge you to consider the nonprofit sector as a natural ally. The sector and your mandate have a shared commitment to using our collective resources to support the needs and priorities of Canada's diverse communities, and more generally, the public good.

About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits and charities in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.

Nonprofits play an essential role in Canadian communities during crises and beyond

Across urban and rural Canada the nonprofit sector plays an essential role in job creation, volunteer engagement, and programs and services that support the well-being of Canadians. The sector generates more than 8.1 per cent of the country's GDP, employing 2.4 per cent of the workforce¹ -- of whom 80 per cent are women, making us a women-majority sector.

¹ Imagine Canada. "Everything you need to know about Canada's charities and nonprofits." August 20, 2021.
<http://www.imaginecanada.ca/sectorstats>

As a sector, nonprofits receive less than half of their revenues from governments and reinvest all surpluses in their missions. They leverage government revenues through private grants and donations, the sale of goods and services, and volunteer efforts to create additional value for the communities they serve. Through their job creation and local spending activities, nonprofits generate considerable economic impact above and beyond the extensive social, cultural, and ecological value they provide to Canadians.

Nonprofits are also at the forefront of fighting the COVID-19 pandemic, leading vaccination efforts with hard to reach populations and supporting communities into pandemic recovery. Many frontline workers in the sector are considered essential workers in essential services. Others in the sector are supporting communities with affordable housing, youth employment, and inclusive economic development. Arts and culture, sports and recreation, faith, and environmental organizations are ensuring community well-being is front and centre. All Canadians, especially those that have been disproportionately impacted by the pandemic - women, Indigenous Peoples, Black and racialized people, youth, seniors, and newcomers to Canada - rely on nonprofits.

The sector is a natural ally to government

As you know, Canada is headed into a decade of significant transformations and Canadians need an ambitious plan, based on principles of fairness, inclusivity, and sustainability, to match the scale of social, economic, environmental, and technological transformations heading our way.

“Forward. For Everyone” cannot be achieved without the partnership of the nonprofit sector. A true partnership can leverage nonprofits’ expertise, local infrastructure, and community-centered missions to build an economic system that works for everyone. Nonprofits are accountable to local communities, have higher levels of transparency, and reinvest profits back into their missions, ensuring taxpayer money is used effectively rather than leaked to shareholders.

Key actions that can enhance both the work of the sector and government priorities

- 1. Ensure nonprofits can continue to access pandemic and/or economic recovery supports so the sector can focus on serving communities.** It is imperative that any new federal COVID-19 supports and/or economic recovery programs are not only open to nonprofits, but also are designed with the sector in mind. Federal supports such as the Canada Emergency Wage Subsidy, Canada Emergency Commercial Rent Relief, Canada Emergency Business Account, pandemic pay and the Emergency Community Support Fund have been lifelines for many nonprofits across the country during the pandemic. These programs limited many COVID-related closures, lost jobs, and disruption of services in communities.
- 2. Strengthen the nonprofit sector’s ability to expand licensed child care spaces.** We commend your government’s historic investment in child care. This investment should also include capital investments to build new spaces and retrofit existing ones, as well as to scale up sectoral intermediaries that can support nonprofit child care services to navigate

expansion and building processes (e.g., technical assistance and capital project financing experts).²

3. **Revisit the overly restrictive rules around income earning for nonprofit organizations under s.149(1)(l) of the Income Tax Act so nonprofits can be economically self-sufficient and sustainable.** The current rules effectively treat any intentionally acquired surplus as taxable business income regardless of whether those funds are reinvested in a nonprofit's purposes. Legislative change is needed since the Canada Revenue Agency has recently reiterated³ that they will not change their traditional approach to these rules. We appreciate the need to protect the tax base and prevent abuse of these exceptional tax privileges and recommend that nonprofits only be able to intentionally acquire untaxed surpluses provided certain conditions are met.⁴
4. **Ensure that the agenda on women and the economy includes sectors that are traditionally overrepresented with women, to advance gender equity.** Historically, women, especially Black, immigrant, migrant and undocumented workers, have been concentrated in industries and occupations that are aligned with their traditional gender roles- namely care work. These industries and occupations have a disproportionate share of low-waged and precarious work and are vastly undervalued, which significantly drives down women's economic security overall. Women's economic recovery must include multiple pathways for women to grow and thrive in women-majority sectors. Women's economic recovery will not happen if only industries, sectors, and occupations are targeted in which women are underrepresented. Pre-COVID strategies that focus on increasing women's representation in entrepreneurship or science, technology, engineering, math (STEM) and trades, are not sufficient on their own. When our sector's women-majority and racialized workforce can access decent work, it ensures that the marginalized communities they serve get the best care, and as workers they enjoy improved economic security.

Next steps

We welcome the opportunity to meet with you and your team at your earliest convenience to discuss how ONN and our network can act as a partner to the government in taking action on a refreshed mandate.

Sincerely,



Cathy Taylor, Executive Director, Ontario Nonprofit Network

² Ontario Nonprofit Network. "Nonprofits Deliver Canada-Wide Child Care System." June 2021.

<https://theonn.ca/wp-content/uploads/2021/06/Nonprofits-Deliver-Canada-Wide-Child-Care-System-Briefing-Note-JUNE-2021.pdf>

³ See document 2019-0825751E5 dated February 26, 2021.

⁴ For more detail see our paper "The Income Tax Act: Identifying not-for-profit organizations that provide public benefit and the conditions for tax exemption," 2017.

<https://theonn.ca/our-work/our-regulatory-environment/public-benefit-nonprofits/income-tax-act/>