

POLITICAL CONTRIBUTIONS

With Ontario in the heat of an election campaign, along with an always fragile minority government at the federal level, we thought it might be useful to provide this reminder in regards to regulations surrounding political contributions, and the income tax incentives attached to them.

ONTARIO

Political contributions may be made by:

- a person normally resident in Ontario,
- a corporation that is not a registered charity and carries on active business in Ontario, and
- a district labour council, or trade-union that holds bargaining rights for employees in Ontario.

Contributions are prohibited from sources outside Ontario.

Unincorporated groups, such as partnerships, cannot contribute as a group. They must list the name and contribution of each individual within the group separately. However, officially endorsed affiliated political organizations, such as women's or youth groups, may contribute in the name of the group. Associated corporations, so long as they each carry on active business in Ontario, are considered to be separate corporate contributors.

In each year, any person, corporation or trade union may contribute up to \$8,400 to any provincial party. Also, you may contribute up to \$1,120 to any constituency association, but the total contribution to all constituency associations of the same party must not exceed \$5,600. This means the maximum annual political contribution allowed in a non-election year is \$14,000 to each registered party and its constituency associations.

During an election, you may make extra contributions - up to an additional \$8,400 to any provincial party and up to \$1,120 to any candidate so long as the total contribution to all candidates of the same party does not exceed \$5,600.

Besides money, donations of goods or services for which you would ordinarily be paid count as political contributions. These are valued at their fair market value.

If you give a discount on goods or services sold to an association, candidate, leadership contestant or party, then the discount is considered a contribution. You have the choice of declaring the total of your donated goods or services, if valued at \$100 or less, not to be a contribution.

Volunteer labour is work done on your own time for which you do not ordinarily get paid. It does not count as a political contribution and, therefore, is not eligible for a tax credit receipt.

When you buy tickets to a political fund-raiser, a portion of the ticket price will be considered a political contribution. The amount of such a contribution should be specified by the ticket seller at the time you buy the tickets. Before buying the tickets it is important to make sure that the purchase will not put you over the contribution limits.

Though the chief financial officer who accepts your contributions will keep a record of each amount you donate during the year or campaign period, it is **your** responsibility not to exceed the contribution limits.

If you contribute a total of more than \$100 in any year or campaign period to any one party, constituency association, candidate or leadership contestant, your name, address and the amount of your contribution will be in the public records.

Tax Treatment

Individuals will be entitled to claim a refundable Ontario political contribution tax credit to the extent it exceeds Ontario tax payable. The credit amounts to 75% of the first \$336 of contribution, 50% of the excess up to \$784, and 33.33% of the next \$1,428. The maximum credit is \$1,120.

Corporations are treated differently. Under the Corporations Tax Act, companies may deduct up to a maximum of \$16,800 from the Ontario portion of their taxable income. All or part of this deduction may be carried over to following years, but it cannot be used to create a tax loss.

FEDERAL

As of January 1, 2007, only citizens and permanent residents of Canada can make political donations to registered parties, registered electoral district associations, candidates, nomination contestants and leadership contestants.

Corporations, trade unions and unincorporated associations may no longer make political donations to candidates, registered electoral district associations or nomination contestants of registered parties. The existing prohibition on donations from these organizations to registered parties and leadership contestants of registered parties remains. However, an employer can give an employee who wishes to be a nomination contestant or a candidate a paid leave of absence during an election period, and that leave will not be considered a contribution.

Contribution limits from individuals are now:

- 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
- no more than \$1,100 in total to the leadership contestants in a particular leadership contest

Cash contributions: Individuals cannot make cash contributions in an amount that exceeds \$20. A receipt must be issued for each contribution received of, or with a commercial value of, \$20 or more.

Tax Treatment

The federal political contributions tax credit amounts to 75% of the first \$400 contributed, 50% of the next \$350, plus 33.33% of the next \$525 contributed. The maximum credit that you will be able to claim in one taxation year under these limits is \$650 and it is reached when \$1,275 has been contributed.

Consistent with the fact corporations are no longer entitled to make political contributions, there is no longer a federal political contributions tax credit available to corporations at the federal level of taxation.

This 'n That at Logan Katz ...

We're growing again!

Logan Katz LLP is currently recruiting for **two** Senior Staff Accountants to join our dynamic team! If you have acquired your C.A., C.M.A., or C.G.A. designation, (or have an equivalent combination of education and work experience), have worked a minimum of 4 to 6 years in the public accounting industry, have strong knowledge of personal and corporate tax, and are a self-starter while excelling at multi-tasking, prioritizing and providing exceptional customer service, WE WANT TO HEAR FROM YOU! If you know of anyone with this profile, we want to hear from you as well. Please contact Kathy Grezaud at:

kgrezaud@logankatz.com

2007-2008 Breakfast Seminar Series

Our new season of Breakfast Seminars has begun! On September 21st, Greg Moore and Michael Lafleur of Scotiabank discussed with our clients and colleagues the ever-important topic of "Financing Your Business".

Mark the following upcoming seminars on your calendar and book your seat today!

October 25, 2007 – Logan Katz LLP's own David Logan will present "**Corporate and Personal Tax Planning Strategies**".

November 22, 2007 – Stuart Ash of Gowlings will discuss "**Intellectual Property, Self-Defence for SME's**".

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