

Putting Unions on the Same Playing Field as Charities

By: Gregory Thomas - October 05, 2011

The Income Tax Act gives tax breaks to Canadians for various purposes. However, there are two major groups in particular who benefit most directly from tax breaks within the Income Tax Act. One is registered charities, the second is labour unions. While both groups benefit from taxpayer-aided income tax laws, the way they disclose to the public what they do with the money is very different. A new private members' bill in Parliament seeks to change this.



Charities in Canada receive a pretty decent taxpayer-funded advantage. If you donate money to a registered charity, you get to claim a hefty tax credit when you file your annual return. In return for this favoured tax treatment, charities are required, by law, under the Income Tax Act, to make annual financial filings, and disclose their salaries, revenues and expenses. In fact, you can look at every charity's filing online on the Canada Revenue Agency (CRA) website.

And well people should want this type of disclosure. The Finance Department estimates charitable tax credits cut federal government revenues by over \$2.1 billion a year. This means taxpayers across Canada have to chip in more each paycheque to cover the shortfall left by public assistance for charities.

Yet, if you want to know how much the top executive at the Terry Fox Foundation earns, or how much they spent on advertising, or fund-raising, or cancer research, you can log on to the CRA web site, and it's all there: you can compare the Fox foundation with the Canadian Cancer Society, or the Heart and Stroke Foundation or the Nature Conservancy.

Labour unions also receive a pretty decent taxpayer-funded advantage. If you pay union dues, you also get to deduct them from your taxable income - last year, the deduction for union and professional dues reduced federal revenues by \$745 million. Moreover, if you are paid strike pay, you don't have to pay taxes on that money, unlike your normal paycheque. The union itself is exempt from tax, even on its investment income.

However, despite their tax-advantaged status, Canada's unions are currently not required to submit any public financial disclosures to the CRA, let alone the public.

The new private members' bill proposes amendments to the Income Tax Act to make it mandatory for Canada's unions to make detailed annual financial filings covering salaries, revenues and expenses – similar to charities. The information would all be posted, similar to charitable filings, on the CRA website, for anyone to read.

This reform is long overdue. Some unionized workers have spent thousands of dollars and big chunks of their lives, battling to get a look at their union's books. In B.C., the United Food and Commercial Workers Union fought these workers in multiple labour relations board and court hearings, in a bid to deny them five years of financial statements. The case raged on for years. When it was finally decided in the Supreme Court

of B.C., it came to light that the financial statements for 2002 through to 2007 weren't even compiled until the end of 2007 and early 2008.

So the spending, the salaries, the relative costs and benefits of belonging to different unions will be out in the open for all to see. To the extent that costs prove to be reasonable, leaders' salaries are fair and unions are shown to be providing good value in exchange for the dues they charge, this bill could be the most pro-union legislation produced by Parliament in a good long time.

Even where financial information proves embarrassing (or worse) for some union leaders - as it has for some Nova Scotia MLAs, some aboriginal leaders and some corporate welfare recipients, the end result is positive: corruption and waste is exposed, good leaders are identified and honoured, systems and practices get an overhaul and ordinary unionized workers benefit.

If a union is spending a lot of money on political campaigns, as they have recently in the Ontario provincial election, as opposed to representing workers in disputes and bargaining for the next contract, that's valuable information for the people paying the dues.

These reforms shouldn't be controversial. A national survey conducted by Nanos this past August showed 83 per cent of Canadians favour mandatory public disclosure of union finances, including 86 per cent of currently unionized Canadians.

Charities already do it. Unionized workers want it. This bill is a no-brainer.