

Local Government Elections Task Force Public Financing Discussion Paper

February 2010



Local Government Elections Issue: Public Financing

Issue Summary

Public financing of local government elections refers to giving public funding to local government election candidates, local government elector organizations (parties), and contributors. Generally, jurisdictions that use public financing at the local level provide it through reimbursements of candidates' election expenses and/or tax benefits to contributors for political donations. Reimbursements compensate candidates for a portion of their election campaign expenses, while tax benefits, in the form of tax credits or rebates, provide a tax reduction for members of the public who contribute to local government election campaigns.

Currently, there is no public financing for local government elections available in British Columbia (BC). However, in relation to provincial elections, public financing is available in the form of income tax credits for eligible political contributions. The Union of British Columbia Municipalities (UBCM) endorsed resolutions in favour of a similar system at the local government level. There is precedent for public financing in local elections, as a few other jurisdictions have public financing provisions, although the source of the financing varies.

The principles of campaign financing, particularly the principles of accessibility and fairness, apply to the debate about public financing. Some argue that public financing measures serve to augment candidate access to the local government election system by making it easier to run for elected office. This is achieved in two ways: firstly, reimbursements can reduce the financial inequalities between candidates by creating a base level of financial support. Secondly, tax benefits encourage members of the public to donate, thereby increasing the fundraising capabilities of candidates and arguably broadening candidates' bases of public support beyond a few larger donors.

Others argue that although public financing may appear to enhance local democracy, in practice, public financing may create a variety of challenges. For instance, it may inhibit access to the electoral system by providing funding only to candidates that meet certain eligibility rules. In addition, it may create the need for more stringent accounting and auditing requirements (e.g. more onerous expense disclosure rules) which could discourage candidates from participating in the election.

If recommending the establishment of public financing for local government election campaigns were contemplated, there would need to be further exploration of various policy questions. These would include work on how the system would operate (e.g. what kind of public financing would be implemented, who would provide the funding), in addition to practical design considerations (e.g. applicability to local government elector organizations, consistency of application of public finance rules across local government). Moreover, public financing is connected to other aspects of campaign finance rules (e.g. disclosure). Further investigation of public financing would require full consideration of such implications.

Background and Context

Public Funding Approaches

In Canada, the public financing of elections campaigns is generally achieved through three different means: reimbursement of candidates and/or parties, tax benefits for contributors, or allowances to candidates and/or parties. Matching funds is a method of public financing employed outside of Canada.

Reimbursement of Candidates/Parties

Government may provide direct support to candidates in the form of reimbursements of election expenses. Candidates can be reimbursed for specific forms of spending (e.g. for certain types of advertising), for a portion of their total election expenditure or reimbursement can be based on a formula where an amount of money is allocated for each candidate depending on the number of registered voters in the jurisdiction. However, reimbursement is generally only available when a candidate meets certain criteria. For instance, candidates may have to attain a specified percentage of the vote. This is the case at the federal level and in several provinces. In addition, federally, and in some provinces, political parties are also eligible for reimbursement.

Common Features of Reimbursement:

- Eligibility rules for candidates to be reimbursed
- Definition of what constitutes an “expense” for the purposes of reimbursement
- Verification or audit of the claims for reimbursement
- A cap or ceiling on the amount that can be reimbursed
- The source of the funding (e.g. municipal or provincial)

Tax Benefits for Contributors

Public support can be provided to candidates in the form of tax benefits for contributors. A tax credit is generally based on the amount of the contribution and would be deducted from a contributor’s payable tax. A tax rebate is where a portion of taxes paid is returned to the contributor. For contributions made in relation to federal and provincial election campaigns, the tax benefit is usually deducted from the federal and provincial income tax payable, respectively. However, for contributions made to local government election campaigns, the tax benefit could be deducted from the municipal property taxes. Typically the source of the funding for the tax credits is connected to the level of government providing the benefit. Only one jurisdiction in Canada (Quebec) operates under a different system where contributions in both provincial and municipal elections are eligible for provincial income tax credits.

Common Features of Tax Benefits:

- Tax credits are deducted from a contributor's payable tax
- Rebates are returned to the contributor from a portion of his or her paid taxes
- Generally based on the amount of the contribution
- Rules regarding the time period for receiving contributions eligible for tax benefits
- Eligibility rules in place determine what type of contribution can give rise to a tax benefit (e.g. contributions to candidates or parties or both are eligible for tax benefits; only contributions of money or contributions of goods and services are eligible)
- Formula for determining the amount of the tax benefit (e.g. how much is deducted from property taxes by tax credits; how much of the contribution can be returned as a rebate)
- A cap or ceiling on the tax benefit conferred
- The source of funding for the tax benefit (e.g. tax credits are deducted from municipal property tax or provincial income tax; what level of government provides tax rebates)

Other Forms of Public Financing

The government may provide support to candidates and parties in the form of allowances. Allowances to parties or candidates are generally based on the number of votes received in the last election, but some jurisdictions also provide allowances to defray the cost of having financing reports audited. This form of public financing does not have ongoing registration and only exists in relation to a specific election. Several Canadian jurisdictions provide allowances to parties based on the number of votes received in the previous election.

In some jurisdictions outside Canada, matching funds is another source of public financing. Matching funds are public funds provided to candidates to match or partially match contributions received from other donors.

Public Financing in British Columbia

Currently, there is no public financing, of any form, available at the local government level. However, at the provincial level, contributors can claim eligible contributions made to registered BC political parties, registered BC constituency associations, and candidates for election to the provincial Legislative Assembly. The amount of the tax credit is based on the amount of the contribution to a maximum credit of \$500, and is deducted from the contributor's payable provincial income tax. The tax credit system is established by the BC *Income Tax Act*. UBCM has expressed interest in a similar program for local governments.

Since 1994, there have been four proposed UBCM resolutions regarding public funding for local government elections. All of these resolutions requested that the provincial government provide income tax credits for contributions to local government election campaigns; however, only two were endorsed. The first, in 1994 from North Vancouver, requested that the provincial and federal governments make contributions to local government election campaigns tax deductible. In 2003, UBCM endorsed a highly similar resolution sponsored by

Peachland, which called for UBCM to lobby the provincial government to provide tax credits for local government election campaign contributions. On both occasions, the provincial government did not take legislative action. This was due to the complexity and expense of implementing such a system. The Province also questioned the appropriateness of providing provincial funding for a program that does not provide a direct benefit to the province as a whole. See Appendix 1.

Some reports regarding local government elections have called for public financing for local government elections in BC. For instance, the 1998 *Making Local Accountability Work in British Columbia*¹ report recommended that BC implement a system of tax credits for contributions to local government election campaigns. In addition, *A City of Neighbourhoods: A Report of the 2004 Vancouver Electoral Reform Commission*,² also recommended such tax credits.

Public Financing for Local Government Elections across the Country

There are three Canadian jurisdictions that provide for some form of public financing in relation to local government elections. Only one province requires such financing; the other two enable it as a local choice.

Manitoba

Local government elections legislation in Manitoba enables local governments to pass bylaws establishing public financing programs. In regards to tax benefits, a council may, by bylaw, provide tax credits or rebates to local government election campaign contributors. The tax credit is in an amount equal to the contribution and is deducted from taxes imposed by the municipality. The tax rebate is paid by the municipality and is in an amount equal to a portion of the contribution. The bylaw may specify the types of taxes against which there may be a credit, the amount of the credit or rebate, a maximum credit or rebate of contributions made by a contributor to all candidates, and terms and conditions for entitlement to the credit or rebate. For example, the City of Winnipeg has a bylaw allowing rebates of a portion of election contributions. The rebate varies in relation to the amount of the contribution, but it cannot be in excess of \$1000. A contribution of less than \$25 is not eligible for a rebate.

In addition, Manitoba enables councils to pass a bylaw entitling a candidate to a reimbursement of a portion of his or her campaign expenses from the municipality. Such a bylaw may contain terms relating to the type of campaign expenses eligible for reimbursement, provide the amount of reimbursement, and impose terms and conditions for entitlement to the reimbursement. It appears as that local governments in Manitoba have not used this authority. See Appendix 2.

Ontario

Provincial legislation in Ontario enables municipalities to pass bylaws providing for the payment of rebates for contributions to municipal election candidates. The bylaws may establish

¹ Patrick J. Smith and Kennedy Stewart. *Making Local Accountability Work in British Columbia*. Vancouver: Simon Fraser University, 1998.

² Thomas R. Berger. *A City of Neighbourhoods: A Report of the 2004 Vancouver Electoral Reform Commission*. Vancouver: Vancouver Electoral Reform Commission, 2004.

conditions under which contributors are entitled to rebates. They may also provide for the payment of different amounts to different contributors. For instance, in 2009 the City of Toronto passed a bylaw authorizing the payment of rebates to contributors in the 2010 municipal election. The amount of the rebate provided by the city is proportional to the amount donated by the contributor, to a maximum of \$1000. The same rates for rebates apply when a contributor donates to more than one candidate. A contribution of less than \$25 is not eligible for a rebate. See Appendix 3.

Quebec

Quebec takes a different approach to both Manitoba and Ontario in regards to public financing, as provincial legislation mandates both tax credits and reimbursements. Tax receipts are issued for monetary local government election campaign contributions. This may result in a maximum tax credit of \$105 (i.e. 75% of the first \$140), which is deducted from the contributor's provincial income tax. Additionally, the municipality reimburses (from its revenues) 50% of election expenses of a party or independent candidate provided that the candidate is elected or obtains at least 15% of the votes cast. See Appendix 4.

Public Financing for Federal Elections

The federal government provides public financing in relation to federal political parties and candidates. Tax credits are available for federal election campaign contributors. The amount of the tax credit is proportional to the amount contributed and is deducted from the amount of federal income tax payable. The tax credit must not be in excess of \$475 plus 33 1/3% of the contribution over \$750. Tax credits can only be claimed for contributions which meet specific eligibility requirements (e.g. monetary contributions and specific time periods).

Reimbursement is also available for candidates and parties running in federal elections. Candidates who receive at least 10% of the vote are entitled to a reimbursement of 15% of the expense limit for the relevant riding. Candidates who also comply with post-election requirements (e.g. complying with the financial disclosure rules) and incur election expenses of more than 30% of their expense limit receive a second instalment. The second instalment is the lesser of 60% of the actual expenses paid or 60% of the expenses limit, minus the 15% above. In addition, registered political parties receiving at least 2% of the votes cast in a general election, or 5% of the votes cast in the ridings where they have endorsed candidates, are entitled to a reimbursement of 50% of their actual election expenses paid.

Quarterly allowances are also paid to each registered party that received at least 2% of valid votes at the preceding general election, or 5% of valid votes in electoral districts where it endorsed a candidate. The allowance is \$0.4375 times the number of valid votes cast for the party in the preceding general election and is adjusted for inflation.

Discussion

Public financing for local government elections is an issue of considerable interest to local governments in BC. This is evidenced by UBCM endorsing two resolutions requesting the introduction of tax credits for local government election campaign contributions. However,

there are a number of arguments both in favour and against public financing. These arguments hinge upon the fundamental principles underlying the election campaign finance provisions and the way in which they interact.

Principles of Public Financing

The principles of campaign financing underpin the philosophy behind the public financing of local government elections.³ However, these principles exist in balance with one another and some are more relevant than others. In this instance, key principles are those of accessibility and fairness, in addition to the principles of flexibility and consistency.

Accessibility and Fairness

The notion that local government elections should be fair and open to a broad range of candidates from various backgrounds is based on the principles of accessibility and fairness. Accessibility may be curtailed by the expense of running an election campaign. As the cost of election campaigns rises, the ability of some potential candidates to participate may be impeded. Furthermore, candidates with greater financial means or fundraising abilities may have a competitive advantage. One way to improve accessibility could be to implement policies that create a “level playing field” between candidates, thus reducing the impact of election campaign finances on the race. Public financing could be argued to support a level playing field. However, if more complex administrative requirements (e.g. more stringent expense disclosure rules) were established as part of a program of public financing, the potential for public financing to encourage accessibility might be diminished – candidates might be dissuaded from running if the administrative requirements are onerous.

Flexibility and Consistency

These principles provide that there needs to be a balance between accommodating the needs of individual communities and consistency in application of rules to candidates. The context of public financing exemplifies this tension. For instance, where local governments have the choice of whether to implement public financing programs, there may be different rules in neighbouring communities. However, if government were to mandate consistent programs across the province, this would highlight the issue of the source of funding (i.e. who should bear the costs: the Province or local governments).

The Case for Public Financing

Accessibility and Fairness

The public financing of local government election campaigns is based on the premise that the provision of public funding serves to lessen the financial inequalities of candidates of different means. That is, public financing could enable candidates to spend more on their campaigns by directly giving money to candidates or could encourage members of the public to make political contributions if they know they will get a portion of the contribution back. The argument is that not only would this result in a more accessible and fair system, but it would also uphold the belief that it is in the public interest to ensure that those who wish to stand for elected office are financially able to do so.

³ These principles are discussed in greater detail in the “Overview of Campaign Financing” discussion paper.

Supports Democratic Rights in the Community

Some argue that public financing also serves to provide meaning to democratic rights in general. Democracy itself is based on the notion that all potential candidates should have the right to participate in the elections process. Where the cost of running for office is too high for some, it can be argued that the right to stand for office becomes hollow and without meaning. Providing public financing could enable more members of the public to fully exercise this right, thus entrenching democratic rights in the community.

Tax Benefits Augment Community Fundraising

Tax benefits for contributors to local government election campaigns provide an incentive for members of the public to contribute to local government election candidates. This, in turn, provides more potential funding for candidates, arguably making it easier for them to stand for local elected office and campaign competitively. The argument is that this would also facilitate community support for local democracy by encouraging public participation in the system. Furthermore, some say it ensures that candidates are less reliant on a few large contributors; rather, it is easier for candidates to receive financial support from a broad spectrum of donors.

Reimbursement “Levels the Playing Field” for Candidates

Some argue that providing reimbursement for candidates in local government elections might make it easier to stand for elected office by removing some of the financial pressure involved in mounting an election campaign. Indeed, it provides a base level from which candidates can operate their election campaigns. As such, candidates who would be otherwise unable or deterred from standing for elected office, due to the cost, would be more likely to participate irrespective of personal means or ability to fundraise. The view is that such assistance would create a level playing field by lessening the competitive advantage of candidates with greater access to funding.

The Case against Public Financing

Inhibits Access to Local Government Elections

Some might argue that publicly financing local government candidates actually inhibits access to the electoral system. As in any instance involving public money, accountability is always a concern. As such, governments would want to ensure that the funding is only used for the purposes intended and that candidates receiving public funds are properly complying with campaign finance rules. This would require eligibility rules regarding the type of candidate that may receive funding, in addition to possibly more stringent accounting and reporting requirements for candidates. Some would argue that such rules would serve to deter accessibility to the system by denying funding to some candidates and placing a greater administrative burden on all candidates.

Restricts Funding to Certain Candidates

Given the financial implications of providing public funding to local government election candidates, jurisdictions providing such support require candidates to meet certain criteria before they are eligible to receive funding. Such measures are implemented in order to ensure that public money is given to “serious” candidates (i.e. candidates that have a demonstrated level of support in relation to percentage of vote, minimum amount of contributions, or

minimum level of expenditure) rather than candidates that run for elected office in order to promote awareness of a single issue or that might otherwise be considered “fringe” candidates. Although eligibility criteria are intended to ensure that public funding is spent prudently, some might view them as creating fairness issues by arbitrarily rewarding some candidates and not others.

Determining who is a “serious” candidate and should be eligible for public financing could be a challenge. Some jurisdictions (e.g. Quebec), require candidates to receive a certain proportion of the popular vote in order to be reimbursed for election expenses. This assumes that only “fringe” candidates will receive less than the threshold level of support. However, there may be legitimate candidates that are unable to attain such levels of elector support. Equating “seriousness” with electoral “success” may be seen as inconsistent with the democratic process as a whole. In elections where there are several popular candidates, it may be difficult for many candidates to meet the required threshold. Furthermore, it is argued that the minimum threshold may not adequately reflect candidate support, as this threshold tends to be arbitrary (i.e. candidates attaining a level of public support marginally less than the threshold being denied public funding, with candidates who just meet the threshold being reimbursed).

Reimbursements Create Burdensome Administrative Requirements for Candidates and Local Governments

In order to ensure that public money would be used prudently and for appropriate purposes, government(s) providing public financing may choose to implement more stringent rules surrounding campaign election expenses. Some may argue it is not appropriate that all election expenses be eligible for reimbursement. In order to determine which expenses could be eligible under public financing provisions, there would have to be careful consideration of the nature of election expenses. This could result in a more comprehensive definition of “election expense” and a possible need for more stringent financial reporting requirements. This could create an administrative burden for candidates. If the burden were too great, it is argued that some candidates may decline to participate in the local government elections process. In addition, this could also create an increased administrative burden for local governments processing these documents.

Costs versus Benefits of Public Financing

Some argue that public financing for local government campaign expenses places financial pressure on the government(s) providing it. Indeed, implementing tax benefits could require resources in the form of foregone tax revenue and administration. Reimbursements would require direct payment from government funds. Given the expense, it is argued that it is difficult to justify the provision of public funding as any positive effect it may have on local democracy is unproven.

Other Considerations

In addition to the general arguments for and against public financing, there are some design and practical questions that would have to be taken into account if there were to be further consideration of public financing for local government elections.

Connection between Funding Source and Jurisdiction

The source of the funding for public financing programs is a significant design consideration. While the UBCM resolutions requested that the Province provide tax credits against provincial income tax payable, Quebec is the only province that takes that approach for local governments. In fact, reducing property taxes through tax credits is the more common way of effecting this form of public funding. This approach could result in certain financial ramifications for local governments. This also raises the question of how tax credits would operate in the context of school trustee, regional district, and Islands Trust elections. None of these bodies directly levy or collect taxes. Thus, how would a tax credit program be consistently applied in that context?

In addition, questions of fairness could also arise if not all contributions to all types of local elections (e.g. municipal, school trustee) were eligible for tax benefits. For instance, if contributions for local government elections were eligible for tax credits, but contributions to boards of education elections were not, this could be perceived as unfair. Education is also provincially funded. As such, there is no direct connection between property taxes and education funding (i.e. "school taxes" go to the Province's Consolidated Revenue Fund). This may have implications in regards to the source of funding for public financing. In addition, there could be further complications where one local government elector organization receives contributions and runs slates of candidates for both local government and boards of education candidates.

Local Choice and Systemic Consistency

Two of the three jurisdictions that allow for public financing give local governments the choice of whether or not to implement such measures. Some argue that this allows local governments to decide whether such measures are appropriate for the local community. Indeed, some communities may prefer to keep the current system rather than forego tax revenue. However, this may have the effect of creating different public financing regimes across the province.

Benefits of Tax Credits are Limited to Property Owners

Challenges regarding the efficacy of tax credits for political donations may be exacerbated by how this form of tax benefit operates in practice. Deducting credits from property taxes, it is argued, effectively creates the situation that only property owners can receive any benefits from this form of public financing. That is, there would be no incentive for renters or tenants in the area to make contributions to local government election campaigns.

Provision of Public Financing to Local Government Parties

Although the discussion has focused on the public financing of local government election candidates, one would also need to consider whether local government *elector organizations* (parties) should receive the benefits of such funding. For instance, both the federal and provincial governments provide tax benefits for contributions made at the party level and federal parties are reimbursed (as political parties are integral to the parliamentary system). Local governance, however, does not require political parties. Elector organizations are present in some communities, but not others. Some communities might argue against the provision of

incentives for the development of a party system in their community and that public financing should be provided for candidates only, not elector organizations.

Direction Questions and Next Steps

The following are examples of possible questions for consideration when thinking about advantages and disadvantages of public financing at the local level in BC.

Objectives

- What objectives would implementing public financing for local government elections serve?

Principles

- If public financing were implemented at the local level, should the rules be consistent province-wide, or is there room for local choice (i.e. by optional bylaw)?
- How do you balance the need for fairness, accessibility and integrity of the local elections system against possible unintended consequences, like additional administrative burden for candidates?

Practical considerations

- On what basis would you decide questions such as:
 - Who should provide the public financing?
 - If public financing were implemented at the local level, who would be eligible - candidates, elector organizations or both?
 - If public financing programs were implemented locally, what type(s) of financing would be included?

Next Steps

If the Task Force wants to undertake further consideration of public financing, more research and analysis is required. Public financing relates to the other elements of campaign financing, such as enforcement, expense limits, and disclosure rules; consideration of all of these connections would be needed. Which form of public financing would be implemented, in addition to which order of government would provide funding, would likely be central to the investigation. There would also be design questions that might impact the Task Force's consideration of the issue, such as how public financing benefits should be distributed amongst candidates and possible elector organizations. Other practical implementation and administrative questions would likely need to be addressed as well.

Appendix 1: UBCM Resolutions regarding tax Credits for Political Donations

1994 #A16 Local Elections Campaign Contributions

Sponsor: North Vancouver District

Resolution: WHEREAS Canada is the only modern industrialized society which does not allow donations for local election campaigns to be eligible for tax refunds as is the case at the provincial and federal level:

THEREFORE BE IT RESOLVED that the Union of BC Municipalities request that the provincial and federal governments amend legislation to make donations towards local election expenses tax deductible as per federal and provincial practice.

Response: Ministry of Finance and Corporate Relations

Both the federal and British Columbia governments offer non-refundable credits for political contributions as a method of supporting political involvement. The credit offered by one level of government is only applicable to contributions made to political activities at that same level of government. Hence, each government pays for its credit, separately, through reduced tax revenue.

For political contributions to be eligible for the British Columbia credit, the contribution must be made to a provincial political party, a constituency association or a candidate in an election to the British Columbia legislature. The province registers political parties and independent candidates to provide the necessary authority to issue tax receipts for contributions.

If the province offered credit for local government political activities, a similar registration system would be required. This process would be costly because, in comparison with provincial elections, local government elections are held more frequently. There are also many more ridings and more positions for office. In addition, registering independent candidates for purposes of issuing tax receipts need to be done in a very limited time frame; from the time they declare their candidacy to the date of the election.

2003 #B56 Tax receipts for local election

Sponsor: Peachland

Resolution: THEREFORE BE IT RESOLVED that the Union of BC Municipalities lobby the provincial government to allow tax receipts for candidates who run in municipal elections, similar to that provided to candidates who run provincially or federally.

Response: Ministry of Finance

The province is not considering a political contribution tax credit for donations made to candidates that run in municipal elections at this time.

Elections at the provincial or federal level are a contest between recognized political parties. Tax credits for political donations are considered an essential support to the party system that is, in turn, an essential element of parliamentary systems of government. Local governments, in contrast, are not set up on a parliamentary model and are non-partisan in character. Consequently, there is no corresponding rationale for tax credits for donations to individual candidates in local government elections.

Appendix 2: City of Winnipeg Rebate of Elections Contributions

THE CITY OF WINNIPEG

THE REBATE OF ELECTION CONTRIBUTIONS NO. 91/2004

A By-law of THE CITY OF WINNIPEG to authorize the payment of rebates for contributions made to registered candidates in a municipal election.

WHEREAS The City of Winnipeg Charter provides that Council may by by-law establish a program entitling a contributor of a contribution to a registered candidate to a rebate of part of the contribution;

NOW THEREFORE THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

1. Short Title
This By-law shall be known as “**The Rebate of Election Contributions By-law**”.
2. Definitions
All words and phrases in this By-law shall have the same meaning as in By-law No. 5550/90.
3. Authorization and Process
Any contributor making a contribution to a registered candidate in any future City of Winnipeg municipal election shall be eligible to apply to the City Clerk for a rebate in accordance with the terms of this By-law.
4. In addition to the requirements of By-law No. 5550/90, each registered candidate shall submit a copy of all receipts issued for contributions in accordance with that By-law to the City Clerk by May 31st in the year following an election.
5. In order to receive a rebate:
 - (1) the registered candidate must have filed his or her audited financial statement by May 31st in the year following an election and provide the City Clerk with a copy of all receipts for contributions issued under and in accordance with By-law No.5550/90;
 - (2) the contributor must file an application for a rebate in the form, and with the content, established by the City Clerk for that purpose and provide a receipt issued for a contribution in accordance with By-law No. 5550/90;

(3) the application and supporting material is filed on or after June 1st in the year following the election and prior to 14 months in the year following the election.

(4) the City Clerk is satisfied that the receipt filed by the contributor and the copy filed by the registered candidate are consistent.

6. Calculation of Rebate

(1) Subject to Section 7, the rebate shall be calculated as follows:

(a) If the contribution is \$300.00 or less, the rebate is 75 per cent of the contribution;

(b) If the contribution is more than \$300.00 but not more than \$1,000.00, the rebate is \$225.00 plus 50 per cent of the difference between the contribution and \$300.00;

(c) If the contribution is more than \$1,000.00, the rebate is the lesser of:

(i) \$575.00 plus 33 1/3 per cent of the difference between the contribution and \$1,000.00; or

(ii) \$1,000.00.

(2) Contributions of less than \$25.00 will not receive a rebate.

7. An applicant who makes contributions to more than one candidate may apply for a rebate in respect of each contribution, but is not entitled to receive total rebates amounting to more than the following maximums:

(1) If the total of the applicant's contribution to all candidates is \$300.00 or less, the maximum is 75 per cent of that total;

(2) If the total of the applicant's contributions to all candidates is more than \$300.00 but not more than \$1,000.00, the maximum is \$225.00 plus 50 per cent of the difference between that total and \$300.00; or

(3) If the total of the applicant's contributions to all candidates is more than \$1,000.00, the maximum is the lesser of,

(a) \$575.00 plus 33 1/3 per cent of the difference between that total and \$1,000.00,
or

(b) \$1,000.00.

8. This By-law shall come into force and effect as and from January 1, 2005.

DONE AND PASSED in Council assembled, this 19th day of May, 2004

Appendix 3: City of Toronto Rebate of Elections Contributions

Authority: Executive Committee Item 37.2, adopted as amended, by City of Toronto Council on December 2, 2009

Enacted by Council: December 4, 2009

CITY OF TORONTO

BY-LAW No. 1257-2009

To authorize the payment of rebates to individuals who make contributions to candidates for an office on the municipal council in the 2010 municipal election.

WHEREAS subsection 82(1) of the *Municipal Elections Act, 1996*, as amended (“the Act”), provides that a municipality may, by by-law, provide for the payment of rebates to persons who make contributions to candidates for an office on the municipal council; and

WHEREAS subsection 78(7) of the Act, provides that a municipality may, by by-law, authorize candidates seeking election to municipal office to file their financial statements and any required auditor’s reports (the “financial statements”) electronically, subject to such conditions and limits as are set out in the by-law; and

WHEREAS O. Reg. 101/97, as amended, provides that the financial statements may be electronically filed if the local council has passed an enabling by-law [the “Electronic Financial Filing System (EFFS) By-law”], being City of Toronto By-law No. 1178-2009; and

WHEREAS candidates who choose to file financial statements electronically under the provisions of the EFFS By-law must also file original financial statements with the Clerk in accordance with the requirements and deadlines set out in the Act; and

WHEREAS candidates who choose to file financial statements electronically under the EFFS must also issue all contribution receipts electronically even if the candidates are not participating in the City of Toronto contribution rebate program established under this By-law;

The Council of the City of Toronto HEREBY ENACTS as follows:

1. The payment of rebates to individuals who make contributions to candidates for an office on the municipal council for the 2010 election is authorized.

2. An individual who, during the 2010 municipal election, makes a contribution to a candidate for an office on the council of the City of Toronto may, on or after January 4, 2010, apply to the Clerk of the municipality (the “Clerk”) for a rebate.
3. Notwithstanding section 66 of the Act, only a contribution of money will be eligible for a campaign contribution rebate.
4. The application for rebate must be received by the Clerk on or before 4:30 p.m., six months after the end of the supplementary reporting period.
5. Despite sections 4, 6, 7, 10 and subsections 11(a) and 11(c), where an applicant for a rebate claims that their application was mailed, but not received by the Clerk prior to the application deadline set out in section 4, that applicant can provide an affidavit to the Clerk, in a form satisfactory to the Clerk, attesting to the facts, and the Clerk is authorized to process that application in accordance with the relevant provisions of this by-law.
6. The application for rebate shall be in the form established for that purpose by the Clerk.
7. The application for rebate shall include a receipt in the form provided by the Clerk that is signed by or on behalf of the candidate.
8. A candidate for an office on the municipal council:
 - (a) shall comply with subsections 78(1) to (4) of the Act; and
 - (b) shall include with the documents filed under subsection 78(1) or (2) of the Act, as the case may be, a copy of the receipt issued for the contribution and a copy of all campaign expense invoices incurred as part of the campaign.
9. A candidate for an office on the municipal council, or their spouse, whose campaign period is extended under paragraph 4 or 5 of subsection 68(1) of the Act, will not be eligible to receive a rebate application until after the candidate’s campaign closes and the final document is filed under subsection 78(2) of the Act or subsection 11(d) of this by-law.
10. The Clerk shall compare the receipt filed by the applicant and the copy filed by the candidate to ensure consistency.
11. The Clerk shall pay the applicant a rebate in accordance with sections 12 and 13 if the following conditions are met:
 - (a) The application complies with sections 4, 6 and 7;
 - (b) The candidate has complied with section 8;
 - (c) The Clerk is satisfied that the receipt filed by the applicant and the copy filed by the candidate are consistent;

- (d) The Clerk is satisfied that the candidate has filed any financial statement and auditor report required by Act by relevant filing dates set by s. 77, s. 79.1 or by court order under s. 80 and, that no such document shows on its face that the candidate has incurred expenses exceeding what is permitted under section 76 of the Act;
- (e) The Clerk is satisfied that the candidate has paid any surplus in accordance with the provisions of section 79 and 79.1 of the Act within the time period stipulated in that section; and
- (f) The time for an application for a compliance audit under section 81 of the Act has expired and any proceedings in relation to a compliance audit have been completed.

12. (1) Subject to section 13, the rebate shall be calculated as follows:

- (a) If the contribution is \$300.00 or less, the rebate is 75 per cent of the contribution;
- (b) If the contribution is more than \$300.00 but not more than \$1,000.00, the rebate is \$225.00 plus 50 per cent of the difference between the contribution and \$300.00;
- (c) If the contribution is more than \$1,000.00, the rebate is the lesser of:
 - (i) \$575.00 plus 33-1/3 per cent of the difference between the contribution and \$1,000.00; or
 - (ii) \$1,000.00.

(3) Contributions of less than \$25.00 will not receive a rebate.

13. An applicant who makes contributions to more than one candidate may apply for a rebate in respect of each contribution, but is not entitled to receive total rebates amounting to more than the following maximums:

- (a) If the total of the applicant's contributions to all candidates is \$300.00 or less, the maximum is 75 per cent of that total;
- (b) If the total of the applicant's contributions to all candidates is more than \$300.00 but not more than \$1,000.00, the maximum is \$225.00 plus 50 per cent of the difference between that total and \$300.00; or
- (c) If the total of the applicant's contributions to all candidates is more than \$1,000.00, the maximum is the lesser of:
 - (i) \$575.00 plus 33-1/3 per cent of the difference between that total and \$1,000.00, or
 - (ii) \$1,000.00.

14. In accordance with the provisions of the Act, any election campaign surplus funds at the end of the campaign period, paid to the Clerk under the Act by any candidate for office on Toronto City Council, will become the property of the City of Toronto and will be deposited into the Elections Reserve Fund XR1017.

15. If candidates choose to participate in the Electronic Financial Filing System, the following provisions apply:

- (1) Candidates must issue all contribution receipts electronically (whether or not eligible for a contribution rebate) as well as file the prescribed financial statements in accordance with the Act, this by-law and the EFFS By-law.
- (2) Despite section 7, contribution receipts issued through the EFFS must have either the original or electronic signature of the candidate or their designate.
- (3) Despite subsection 8(b), candidates are not required to attach paper copies of their contribution receipts with the original financial statements filed with the City Clerk, provided the contribution receipts are electronically issued through the EFFS. Candidates must still attach copies of their campaign expense invoices to the original financial statement filing.
- (4) Despite subsection 8(b), candidates must submit their electronic contribution receipts, as part of filing their electronic financial statements through the EFFS, within 48 hours of filing the original financial statements with the City Clerk, and no later than within 48 hours after the filing deadlines set out in the Act, whichever is earlier.

16. This by-law comes into effect when Bill 212, *Good Government Act, 2009*, Schedule 21, s. 8 comes into force.

ENACTED AND PASSED this 4th day of December, A.D. 2009.

SANDRA BUSSIN, ULLI S. WATKISS

Speaker City Clerk

(Corporate Seal)

Appendix 4: Public Financing Legislation from Quebec

Tax Credit Legislation:

Taxation Act, RSQ, chapter I-3

776. An individual who is an elector may deduct from the tax otherwise payable by the individual for a taxation year under this Part an amount equal to the amount obtained by multiplying 75% by the aggregate of

- (a) the aggregate of all amounts, not exceeding \$140, each of which is a contribution of money made by the individual in the taxation year to the official representative of a party or independent candidate authorized to receive such a contribution under the Act respecting elections and referendums in municipalities (chapter E-2.2); and
- (b) the aggregate of all amounts, not exceeding \$400, each of which is a contribution of money made by the individual in the taxation year to the official representative of a political party, party authority, independent Member or independent candidate authorized to receive such a contribution under the Election Act (chapter E-3.3).

Refund.

For the purposes of this section, a contribution of money does not include a contribution, or a part thereof, made by an individual and in respect of which the individual has obtained, or is entitled to obtain, a refund or any other form of assistance.

Elector.

In this section, the expression “elector” has the meaning assigned to it by the Act respecting elections and referendums in municipalities or the Election Act, as the case may be.

Reimbursement Legislation:

An Act Respecting Elections and Referendums in Municipalities, RSQ, chapter E-2.2

Reimbursement of election expenses

Reimbursement to party.

475. The treasurer shall reimburse, out of the general fund of the municipality, an amount equal to 50% of the election expenses reported in the return of election expenses and incurred and paid in accordance with this division by a party for its candidate for the office of mayor and for each of its candidates for the office of councillor, if the candidate is elected or obtains at least 15% of the votes cast at the election for the office concerned.

Reimbursement to independent candidate.

476. The treasurer shall reimburse, out of the general fund of the municipality, an amount equal to 50% of the election expenses reported in the return of election expenses and incurred and paid in accordance with this division by an independent candidate who is elected or obtains at least 15% of the votes cast at the election for the office concerned.