

Charitable Donations - Tax Receipts

Department:	All Departments	Policy Number:	F19-0510-11
Section:	Finance	Effective Date:	August 15, 2011
Subject:	Donations/Tax Receipts	Revised Date:	May 12, 2020
Authority:			

Purpose:

To ensure compliance with the Canada Customs and Revenue Agency when issuing Charitable Receipts for donations to a municipality pursuant to Income Tax Act 118.1 (3). As a municipality we have the authority to accept cash donations and/or gifts-in-kind to the municipality and to issue charitable donation receipts for these gifts.

This corporate guideline has been developed taking into consideration the requirements of the Canada Customs and Revenue agency with regard to Charitable Donations. It will apply to donations received directly to the municipality and will also apply to donations received through fundraising activities of bona fide committees of Council will benefit directly from the fundraising activity. **This policy will clarify when and how receipts for income tax purposes will be issued.**

Scope:

1. This policy applies to all Municipal departments, boards, committee and other organizations falling within the financial reporting requirements of the Municipality of Brockton.
2. All donations will be in keeping with the municipality's strategic goals and will not in any way negatively impact the Municipalities image.
3. The Municipality reserves the right to reject any gift or donation in whole or in part.

Definitions:

1. The following definitions shall apply within this policy:
 - a. Asset - in this policy means a capital asset as defined in the municipalities Tangible Capital Asset Policy;
 - b. Council - means the Council for the Corporation of the Municipality of Brockton;

- c. Department Head - means a person holding a management position of Department Head
- d. Donation - means a financial contribution, cash, property or items such as art, furniture, equipment, materials of historical interest;
- e. Donor - means a person or organization that provides a donation to the Corporation of the Municipality of Brockton
- f. Fair Market Value - is the price an item would bring on an open and free market between a willing buyer and willing seller who are operating independently of each other;
- g. Gift - see donation, these terms are interchangeable;
- h. Gift-in-kind - is a non-monetary donation;
- i. An Official Municipal Event - is an event approved by Council and supported by a Committee of Council, or a Municipal Service Board, where the proceeds will be directed to an existing or future Municipal asset and the Municipality controls the event's spending. The report to Council must include:
 - A request for the event to be classified as an "Official Municipal Event";
 - A detailed budget;
 - The municipal asset benefiting from the event;
 - Identification and approval of the Committee of Council or appointment of on the committee or Municipal Service Board supporting or organizing the event.
- j. Relative - is defined as a parent, sibling, child, grandparent, uncle, aunt and parent-in-law;
- k. Municipality - The Corporation of the Municipality of Brockton;
- l. Chief Financial Officer (CFO) - means the Council appointed Treasurer of the Corporation of the Municipality of Brockton

Guideline:**1. General Rules**

- No individual or organization shall solicit funds in the name of or on behalf of the Municipality without the approval of the CFO or Council unless they are doing so on behalf of an "Official Municipal Event"
- The Canada Revenue Agency (CRA) defines a donation/gift as "a voluntary transfer of property owned by a donor to a donee, in return for which no benefit accrues to the donor".
- To have a valid donation/gift, there must be an intention to give, a delivery and an acceptance. Because there must be an acceptance by the donee, a donation is not completed until it is accepted.

- The transfer is made without the expectation of return.
- No benefit of any kind may be provided to the donor or anyone designated by the donor, except where the benefit is of nominal value. The benefit is considered "nominal value" where its fair market value does not exceed the lesser of \$50 or 10% of the amount of donation.

2. Determine charitable receipt eligibility based on the following:

A gift is defined as a voluntary transfer of cash or gift-in-kind. To qualify as a gift, all three of the following general guidelines apply:

- a. Some property, either in the form of cash or gift-in-kind, is transferred by a donor to the municipality. (A gift-in-kind involves property other than cash, such as equipment, shares or land.) The property is given voluntarily.
- b. The donor must not be obliged to part with the property, for instance as the result of a larger contract or a court order.
- c. The donor is transferring the property to the charity without expecting anything in return. No benefit of any kind may be provided to the donor or to anyone designated by the donor as a result of a gift.

3. Exceptions to the General Guidelines:

- a. Charitable receipts may be issued for the difference between the purchase price of a ticket to attend a "dinner, ball, concert or show" and the fair market value of the food, entertainment etc. To calculate the gift portion, consider that two payments have been received:
 - i. One for the fair market value of the admission
 - ii. Second as a gift to the charity.
- b. The fair market value of admission to a fund-raising dinner, ball concert or show should be determined by making a comparison to the regular or usual charge for attendance at the same or a similar function or event for which a donation is not solicited. If there is no comparable event, the value is the estimated price that would have been charged for a function or event of this nature carried out as a profit-making venture.

4. The following payments do not qualify as gifts and a charitable receipt will not be issued:

- a. The basic fee for admission to an event or to a program
- b. The payment of membership fees that convey the right to attend events, receive literature, receive services, or be eligible for entitlements of any kind
- c. Any portion of the purchase price of a lottery ticket or other chance to win a prize, even though the lottery proceeds benefit one or more charities
- d. Contributions of services, i.e. time, skills, effort – contributions of services are not property

and do not qualify. However a charity can pay for services rendered and later accept the return of all or a portion of the payment as a gift provided it is returned voluntarily.

- e. A payment from a business for which the business receives a material advantage such as promotion of advertising in return. For taxation purposes, the business may be able to claim the contribution as an advertising expense.
- f. A gift subject to direction by the donor that the charity transfers the funds to a specified person or family. In such an instance the donor has made a gift to the person or family and not to the charity.
- g. A gift subject to a direction by the donor that the charity gives the funds to a non-qualified recipient.

5. Cash Donations or Gifts-in-Kind from Business or Individuals:

- a. Businesses will be issued a charitable donation receipt for the value of any cash donation for twenty dollars (\$20.00) or over. The receipts will be issued in the name of the business.
- b. Individuals will be issued a charitable donation receipt for the value of any cash donation for twenty dollars (\$20.00) or over. The receipt will be issued in the name of the individuals making the donation.
- c. Businesses will not receive a donation receipt for sponsorship donations when they will receive a benefit such as advertising or promotion in return for the donation. It is Revenue Canada's position that the donor must deduct these sponsorship expenditures as business expenses and, therefore, a donation receipt will not be given.
- d. Businesses that make a donation of an item from inventory (a gift-in-kind) will not be issued a charitable donation receipt. The business receives a benefit by the corresponding reduction in their inventory of the value of the item that has been donated.

6. Gift-in Kind from Individuals – Determination of Fair Market Value

- a. Gifts of goods of no real market value, such as used clothes, used furniture, home baking, or crafts are not eligible for receipts. Exceptions may be made for articles of unusually high value; however the value must be supported by an independent appraisal.
- b. The fair market value of a gift-in-kind is the value as of the date of the donation
- c. A charitable tax receipt will be issued for the current retail value of a gift-in-kind.
- d. Verification of the current retail value must be provided by the donor and can be in the form of a receipt.
- e. For gifts-in-kind the donor must have the value verified by an independent appraiser recognized by an Appraisal Association dealing with the gift-in-kind item and provide the proof to the municipality. The cost of conducting the appraisal is the donor's.
- f. For donations of land to the municipality the donor must have the value verified by an independent appraiser, registered with the Ontario Appraisers Association and provide the

proof to the municipality. The cost of conducting the appraisal is the donor's.

7. Art Auctions

- a. Donations of artwork from a private collection to be in an art auction are subject to the guidelines noted in Section E.
- b. Donations of artwork from an Art Dealer are subject to the guidelines noted in section D) 3 and no income tax receipt will be issued.

8. Accounting for Donations of Money

- a. For cash donations, the receipt must be made out to the person delivering the donation. All cash donations shall be received by the Receptionist / Cashier at the Municipal office.
- b. All cheque donations will be required to have been cleared by the Municipality's financial institution prior to the issuance of a tax receipt. The receipt will be made out to the same name and address appearing on the cheque or form of payment.
- c. Cheques, money orders and bank drafts should be made out to "The Municipality of Brockton". No third party cheques will be accepted.

9. Accounting for Donations to Support Organizations Independent of the Municipality

- a. Organizations that offer programs of genuine benefit to the community may request that the Municipality receive donations on their behalf for the purpose of issuing income tax receipts. Under the ITA, the Municipality cannot issue income tax receipts for funds that it will not itself be responsible for spending. Such organizations should receive their donations directly, and register as a Charity with CRA if they wish to provide income tax receipts.
- b. The Municipality may however accept these types of donations with the understanding that no official tax receipt will be issued

10. How to replace an incorrect or missing receipt?

- a. If the Municipality has issued a receipt that was lost or contained incorrect information, the Municipality can issue a replacement receipt. The replacement receipt must include:
 - i. all the required information
 - ii. the serial number of the original receipt
 - iii. a statement that it replaces the original receipt
- b. The Municipality shall keep its copy of the original receipt and mark "cancelled" on it.

If the Municipality prepared a receipt that contained incorrect information, but has not sent it to the donor, the Municipality can prepare a new receipt. However, the municipality must keep both copies of the original receipt and mark "cancelled" on them.