



## THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

Type	POLICY		Policy No	POL-1404
Title	Charitable Donations and Gifts to the Village			
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Date	September 22, 2014		Version	1

### PURPOSE

Cash and “gifts-in-kind” donations provide an additional source of revenue for the Village. The Village may provide an income tax receipt in the amount of the fair market value of charitable donations, which may then be claimed by the donor to offset taxable income.

The purpose of this policy is to provide Village departments direction with respect to the issuance of income tax receipts for cash donations and gifts-in-kind made to the Village.

*Legislative Authority – Income Tax Act*

### POLICY

#### **1. General Rule**

A gift is a voluntary transfer of property without consideration. Gift is made in any circumstance where all of the conditions listed below are satisfied:

- a) Some property, usually cash, is transferred by a donor to the Village;
- b) The transfer is voluntary;
- c) The transfer is made without expectation of return. No benefit of any kind may be provided to the donor or to anyone designated by the donor, except where the benefit is of nominal value. The benefit is considered to be of nominal value when the fair market value does not exceed the lesser of \$50.00 or 10% of the amount of the gift.

#### **2. Gift of Cash:**

- a) A receipt shall be issued in the amount of the cash donation and dated the day on which the donation was received.
- b) Gifts of cash intended for specific purposes of the Village shall only be accepted where Council has authorized such specific purpose and the necessary operating program or capital project has been established, or where appropriate, a reserve fund has been created and any necessary bylaws have been enacted.
- c) Gifts of cash accompanied by a request that the Village use such monies to support certain special purposes that are being provided by an organization independent of the Village shall only be accepted and an income tax receipt issued where Council has authorized the receipt of such donations, has given direction for the disbursement of such monies to the organization, and has authorized staff to issue an income tax receipt where appropriate.
- d) If cash is donated for a specific purpose (e.g., to a Capital Project) where budget is not already approved, a budget amendment will be prepared and submitted for approval to the CFO. Upon

approval, the donation will be credited as revenue to the appropriate department and the budget amended to reflect the donation.

**3. Gift In Kind:**

A gift-in-kind is a donation in any form other than cash or cheque and normally requires fair market valuation for tax receipt purposes.

**4. Gift of Service:**

A donation or gift of service is not recognized under the Income Tax Act for income tax purposes, since the gift must involve property. However, if a service is purchased in accordance with the Village's purchasing policy and paid for, payment could be made to the donor who may then donate the proceeds.

**5. Valuation of Fair Market Value:**

Although the term "fair market value" is not defined in the Income Tax Act, Canada Revenue Agency requires satisfactory evidence of fair market value of the gift. Fair market value shall be interpreted to mean "the price the property would bring in an open market transaction between a willing buyer and a willing seller, acting independently of each other and each having full knowledge of the facts." An arm's length sale and purchase of the property, at or near the effective date of valuation, is normally considered the best proof of value at the time.

**6. Issuance of Donation Receipts:**

Official receipts for income tax purposes will be issued to the donor by the Finance Department for items that are contributed and qualify and will be valued as prescribed by the Income Tax Act of Canada. Receipts shall be made in the name of the donor and dated the day on which the donation was received.

**7. Qualifying Gifts:**

For gifts-in-kind, a receipt shall be issued only after the following conditions are met:

- a) The gift-in-kind must be clearly within the interest of the Village and must provide a benefit within the context of the Village's program areas, as determined by the receiving Department.
- b) An appraisal shall be commissioned and be at the expense of the donor or the appropriate Department as agreed.
- c) The appraisal must be by a qualified dealer, appraiser or other knowledgeable individual who is familiar with the market for the object or property. The dealer, appraiser or other knowledgeable individual shall not be associated with the donor.
- d) The appraisal shall be in form and content acceptable to the CFO or his/her designate. At the CFO's discretion, any appraisal not sufficient in form and content may be refused, and one or more additional independent appraisals satisfactory to the CFO may be required to be produced before any income tax receipt is issued.
- e) The receipt shall be in the amount of the appraised value, or in the case of two or more appraisals, the lowest appraised value. The receipt shall also indicate a description of



the object and the name and address of the appraiser, and shall be dated the day in which the Village received the gift.

**8. Non Qualifying Gifts:**

- a) The payment of a basic fee for admission to an event or to a program does not qualify as a donation that is eligible for the issuance of a tax receipt. An exception to this rule is available for the purchase of a ticket to a fund-raising dinner, ball, concert, show or like event. In this case, the gift is considered as the difference between the fair market value of the food, entertainment, etc., and the purchase price of the ticket.
- b) Gifts made in exchange for consideration of a right, privilege, material benefit or advantage such as promotion or advertising for the donor's purposes do not qualify for income tax credits under the Income Tax Act. For example, "sponsorship" contributions are not eligible for an income tax receipt if there is an implied exchange of advertising privileges for the donor's purposes.
- c) Under the Income Tax Act, the Village cannot issue income tax receipts for funds that it will not itself be responsible for spending.

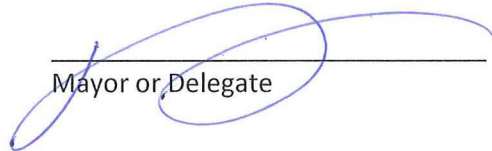
**9. Acceptance of Gifts:**

- a) The Village maintains the right to refuse any gift that it judges not to be in the best interests of the Village. The Village may accept charitable gifts in the form of cash or cheque, gifts-in-kind, or special deferred gifts. Ownership of all gifts shall vest in the Village, whether they are for the benefit of the Village in general or for a specific purpose.
- b) Gifts may be accepted if there are no usage restrictions set by the donor(s), or if the restrictions set by the donor(s) allow the gift(s) to be used in a manner consistent with the needs and goals of the Village as judged by the CFO.
- c) Nothing shall be done which might be construed as an acceptance of a gift until the Village has made a decision to accept. In considering a gift, the Village shall first agree to accept the terms and conditions, including associated costs, upon which the gift has been offered.
- d) The Village shall consider the following when considering acceptance of a gift or gift-in-kind:
  - \* potential liabilities, including environmental issues;
  - \* potential acquisition, installation, usage, storage, or maintenance costs;
  - \* condition and repair of the item; and
  - \* aesthetic or other value to the Village or potential users.
- e) The gift shall be such that it can be retained as a Village asset and used in connection with Village activities, with discretion as to its use and management, or disposed of for cash or cash equivalent.
- f) The Village reserves the right to dispose of capital items received as gifts.

**10.**     **RESPONSIBILITIES**

- a)       Contributions are accepted by the Village in accordance with the policy.
- b)       The CFO or designate shall be responsible for the issuance of all receipts for tax purposes.

  
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Corporate Officer

  
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Mayor or Delegate

Adopted by Council:	October 7, 2014
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