

Purpose

The purpose of the Donation Policy is to set out guiding principles for the eligibility and definition of donations made to the Municipality of Chatham-Kent (Municipality), the eligibility for donation receipts, and the amount to be recognized. This policy applies where an income tax receipt is requested for donations. The policy will clarify when and how receipts for income tax purposes will be issued.

Scope

This policy applies to all Municipal departments, boards, committees and other organizations falling within the financial reporting requirements of the Municipality. This policy also supports the Municipality's commitment to meet the requirements for issuing donation receipts according to the Canada Revenue Agency (CRA). All donations will be in keeping with the Municipality's strategic goals and will not in any way negatively impact the Municipality's public image. The Municipality reserves the right to reject any gift or donation in whole or in part.

General Rules

1. The Municipality of Chatham-Kent is considered a "qualified donee" under the Income Tax Act. This allows the Municipality to issue official donation receipts for income tax purposes.
2. No individual(s) or organization shall solicit funds in the name of or on behalf of the Municipality without the approval of the CAO or Council unless they are doing so in relation to an event organized and managed by the Municipality of Chatham-Kent.
3. Effective January 1, 2012, and resulting from the 2011 Federal Budget, the CRA has implemented changes to the rules for issuing donation receipts by municipalities. Compliance entails the determination of qualifying donations, as well as adequate record keeping of issued donation receipts and giving access to such records to the CRA. Failure to comply may result in a suspension of receipting privileges or qualified donee status.
4. The 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".
5. 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.
6. The transfer is made without the expectation of return.
7. 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 (FMV) does not exceed the lesser of \$50.00 or 10% of the amount of donation.

Qualifying Donations

Donations that qualify for an official tax receipt generally include:

1. Cash;
2. Capital, real or depreciable property;
3. Personal-use property, works of art, jewellery, rare books, stamps or coins;

4. A leasehold interest or a residual interest in real property;
5. Donations of life insurance properties; and
6. Donations made under a will.

In addition, the donation must meet the following criteria:

1. Be an actual transfer of property to the Municipality
2. Be a gift of property
3. Be voluntary – freely given and not as a result of a contractual or legal obligation

Only the eligible amount of a donation may be recorded on a donation receipt. If the donor receives any property, services, or other advantage in consideration of his or her donation, the FMV of the Advantage is deducted from the FMV of the gift to determine the Eligible Amount for the purposes of the donation receipt.

Non-Qualifying Donations

The following are examples of non-qualifying donations and cannot be acknowledged with an official donation receipt for income tax purposes in accordance with CRA guidelines:

1. Donations that are given to the Municipality intended as a flow through to a specified recipient who does not have charitable organization status
2. Intangibles – non-monetary assets without physical substance, such as services, time, skills, effort
3. Donations of business marketing products such as supplies and merchandise
4. Transfers of cash, property or assets resulting from a condition, such as a court order, or requirement of the Municipality's approval process, such as a site plan or subdivision agreement
5. Donations for which the FMV of the advantage or consideration provided to the donor exceeds 80% of the value of the donation
6. 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 for the purchase of a ticket to a fund raising dinner, ball, concert, golf tournament or like event. In this case, the donation is valued as the difference between the FMV of the food, entertainment, prizes and the purchase price of the ticket. As per CRA guidelines, the Municipality will not issue a tax receipt if the total value of the food, entertainment, and prizes exceeds 80% of the purchase price of the ticket
7. When a donor requests that the donee pay for a portion of the donation, no tax receipt will be issued
8. When the donor has directed the funds to a specific person or family, no tax receipt will be issued
9. Donations that have a direct benefit to the donor or any relative of the donor will not receive a tax receipt
10. A Gift-in-Kind for which the FMV cannot be determined

Associated Costs

At the Municipality's discretion and determination, the donor is responsible for related costs for all donations, as applicable, and which costs are not eligible for a donation receipt, including:

1. Transportation of the donated item, including transfer costs for cash donations.
2. Cost for an appraisal/valuation of Gifts-in-Kind by an independent, qualified appraiser for donations of Gifts-in-Kind valued above \$1,000; Donations of personal property, public art and real property expected to be valued at \$1,000 or less may be appraised by knowledgeable, internal staff in conjunction with the use of online resources suitable to establish a current FMV.
3. Documentation for insurance purposes, if applicable (i.e. photograph of item, original sales receipt, appraisal document certificate of authenticity, etc.)
4. Conservation treatment, if applicable (i.e. restoration of artwork, cleaning, repairs etc.)

Where the Municipality agrees to incur any of the above costs, these costs will be expensed to the receiving Department.

Accounting for Gift-In-Kind Donations

1. The Municipality will only issue official tax receipts for Gift-in-Kind donations where the donation provides a clear benefit to the Municipality.
2. The value placed on Gift-in-Kind items will be determined by the item's FMV.
3. Valuation of FMV should be based on an arm's length sale and purchase of similar property at or near the same date. A minimum of one appraisal is required to be completed by a qualified dealer appraiser or other knowledgeable individual who is familiar with the market for the object or property. Whenever possible, Art appraisers are to be members of the Art Dealers Association of Canada (ADAC). The dealer, appraiser or other knowledgeable individual must be independent of the donor. A second appraiser may be required at the discretion of the Treasurer.
4. If the item is valued at \$1,000 or less, a Municipal employee qualified to make the appraisal for such items may complete an appraisal of the item.
5. If the item is valued at \$1,000 or more, outside appraisals are required unless there is a ready market for the item from which a FMV can be ascertained. The average of these appraisals shall be used to determine the FMV of the item.
6. The receipt shall be in the amount of the average appraised value. The receipt shall also indicate a description of the object and the name and address of the appraiser(s), and shall be dated the day on which the Municipality received the donation. If two appraisals are used and they significantly differ in appraised values, a third appraisal may be requested in an effort to clarify the true value.

Accounting for Donations to Support Organizations Independent of the Municipality

Organizations that offer programs of genuine benefit to our community often request that the Municipality receive donations on their behalf for the purpose of issuing income tax receipts. This section addresses the Income Tax Act (ITA) implications to the Municipality.

1. Under the Income Tax Act (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 the CRA if they wish to provide income tax receipts.
2. Chatham-Kent can issue tax receipts for funds collected and expended by a third party only when the Municipality controls both activities and has entered into a formal agreement. This agreement must specify the details of the project, the nature of the shared objectives/mandate between the Municipality and the intermediary organization, and that the project is eligible to receive charitably donated funds

pursuant to the Income Tax Act. The terms of this agreement must be satisfactory to the Chief Financial Officer and Director, Legal Services.

3. The Municipality may however accept donations with the understanding that no official tax receipt will be issued.

Use of Municipal Charitable Number by Organizations Independent of the Municipality

The Municipality often receives requests from community organizations to use Chatham-Kent's business / charitable number to establish charitable status when applying for grant funding. Many grant programs require applicants to have a charitable status as one of the qualification criteria.

1. Generally, the Municipality as a qualified donee is prohibited under the Income Tax Act from permitting third parties to use its business number to establish qualified donee status when applying for grant funding.
2. The Municipality of Chatham-Kent can grant use of their charitable number only when the Municipality is working through an intermediary to apply for grant funding related to a project for which the Municipality directs and controls both activities conducted on the Municipality's behalf, and the use of grant funding received. In order to use this exception, there shall be a formal agreement in place between the Municipality and the intermediary organization that specifies the details of the project, the nature of the shared objectives/mandate between the Municipality and the intermediary organization, and that the project is an activity eligible to receive charitably donated funds pursuant to the Income Tax Act. The terms of this agreement must be satisfactory to the Chief Financial Officer and Director, Legal Services.
3. Requests of this nature will be reviewed by Legal Services to determine eligibility on a case by case basis.

Accounting for Donations of Money

1. **By Cheque:** 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. Donations made by cheque must be made payable to "The Municipality of Chatham-Kent" and may be mailed or delivered in person to the Municipal Service Centre.
2. **With Cash:** For cash donations, the receipt must be made out to the person delivering the donation. Cash donations can be made at any Municipal Service Centre.

Issuance of Receipts

1. Upon the confirmation that the donation is in compliance with this policy the Treasurer shall issue an "official tax receipt for income tax purposes" and will include all the information specified in Regulation 3501 of the ITA.
2. All requests for tax receipts must be accompanied by appropriate donor and donation information.
3. Income tax receipts shall be issued for donations of \$25.00 or more, unless specifically requested by the Donor and approved by the Treasurer or delegate.
4. The date of the donation is the date the donation is received or the title to the asset is transferred. Donations received after December 31st may not be included in the prior year's donation unless the donation was post marked in the previous year.
5. CRA ultimately determines the value of the donation which is permitted for tax deduction.

Information Reported on Donation Receipt

The following information must be reported for each donation receipt, and issued for all donations:

REQUIRED INFORMATION	Cash Gift	Non-Cash Gift
Statement that the receipt is an “Official Receipt for Income Tax Purposes”	X	X
Unique Serial Number of Receipt	X	X
Name of Municipality	X	X
Name of Donor (Including first name & initial of individuals)	X	X
Address of Donor	X	X
Date on which the Gift was Received	X	X
Amount of Cash Received	X	
FMV of Donated Property on Date of Gift		X
Description of Property Received		X
Name of Property Appraiser (if applicable)		X
Address of Property Appraiser (if applicable)		X
Description of Advantage Given to Donor (if applicable)	X	X
Amount of Advantage Given to Donor (if applicable)	X	X
Eligible Amount of Gift	X	X
Place or Locality Where Receipt was Issued	X	X
Date of Issuance of Receipt	X	X
Signature of Authorized Person	X	X
Name and Internet Website of the CRA	X	X
Address of Municipality	X	X

Generally, the donation receipt can only be issued to the true donor of the gift. If a donation is made by a cheque in both spouse’s names, an official donation receipt can be made to either name.

Receipts given in connection with corporate donations should be given in the name of the corporation. If a shareholder of the corporation would like the receipt issued to him or her personally, there must be evidence that the funds were personal, tax-paid funds of the individual (i.e. it was recorded as a deduction to the shareholder’s loan account).

Confidentiality of Information

Subject to any applicable legislative disclosure requirements, such as in the *Municipal Freedom of Information and Protection of Privacy Act, R.S.O 1990*, all information pertaining to donors and donations received by the Municipality is considered confidential. Charitable giving is normally a personal and sensitive issue. To ensure the privacy of donor information it is necessary to control access to donor and donation information. The Municipality maintains records on all donors and donations received. A donor may request that his/her gift and/or all information pertaining to that gift remain anonymous.

Control of Receipts

All used and unused receipts will be securely stored by the Municipality until needed. All used receipts will be retained for the period required by law in adherence to section 5800 of the Income Tax Regulations or any successor legislation or regulation.

Acknowledgement of Receipt

A letter of appreciation may be forwarded to the donor following receipt of the donation and any and all appropriate documentation. For monetary donations, an official receipt for income tax purposes will be issued

for donations of \$25.00 or more, provided that the Municipality confirms that the donation is eligible for such income tax receipt according to CRA guidelines. Larger donations or donations of cultural significance may be officially recognized at the discretion of the Municipality, with the agreement of the donor.

Responsibilities of Employees

Employees of the Municipality will assess potential donations for eligibility and evaluate their benefit to the Municipality, considering any potential future cost implications arising from the donation. The Financial Services Division will issue tax receipts for qualified donations and maintain books and records according to the requirements of the ITA and the CRA. Official recognition for large donations may require the assistance from Corporate Communications.

Financial Implications

Financial implications of accepting a donation should be a consideration in the assessment of the donation acceptance. Some of the financial costs to consider are:

1. Cost of project implementation;
2. Installation of the work;
3. Restoration;
4. Ongoing maintenance

Other Legislation

Where there is a conflict between this policy and legislation from a senior level of government (i.e. CRA), the more restrictive legislation shall apply.

Policy Review

The policy shall be reviewed when there is a significant change in the Canadian ITA or regulations to that Act.