

TOWN OF VULCAN

Policy Manual

<u>POLICY NUMBER</u>			<u>TITLE OF POLICY</u>
F-02			Donation and Tax Receipt Policy
Approval	D/M/Y	Resolution #	
Adopted	25/07/16	16.227	

STATEMENT:

The Town of Vulcan is periodically approached by private citizens, businesses or other organizations that desire to donate cash or other items of value for public purposes. The Town may accept donations and issue "official income tax receipts" as prescribed by the Canada Revenue Agency. It is necessary to establish a policy for handling donations to ensure that the Town appropriately accounts for the donation and adheres to the guidelines as set out in the Canadian Income Tax Act.

PURPOSE:

The purpose of this policy is to provide a corporate policy for receiving donations and issuing income tax receipts. This policy applies where an income tax receipt is requested for a donation. This policy will clarify when and how receipts for income tax purposes will be issued.

1. Definitions

The following definitions shall apply within this policy:

- 1.1 **Council** - means the Council for the Corporation of the Town of Vulcan;
- 1.2 **Donation** - is a voluntary transfer of real or personal property from a donor who freely disposes of his or her property to a donee who received the property given. The transaction shall not result directly or indirectly in a right, privilege, material benefit or advantage to the donor or to the person designated by the donor;
- 1.3 **Donor** - means a person or organization that provides a donation to the Corporation of the Town of Vulcan;
- 1.4 **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;
- 1.5 **Gift** - see donation, these terms are interchangeable;
- 1.6 **Gift-in-kind** - is a non-monetary donation;
- 1.7 **Manager** - means a person holding a management position within a department and includes the Chief Administrative Officer, Finance Manager, Public Works Foreman, and Recreation Director.

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1. Definitions Continued

1.8 Relative - is defined as a parent, sibling, child, grandparent, uncle, aunt and parent-in-law;

1.9 Town - The Corporation of the Town of Vulcan.

2. Policy

2.1 This policy applies to all Town departments, boards, committees and other organizations falling within the financial reporting requirements of the Town of Vulcan. All donations will be in keeping with the Town of Vulcan's strategic goals and will not in any way negatively impact the Town's public image.

2.2 The Town of Vulcan reserves the right to reject any gift or donation in whole or in part.

3. General Rules

3.1 No individual or organization shall solicit funds in the name of or on behalf of the Town without the approval of the CAO or Council unless they are doing so on behalf of an "Official Town Event"

3.2 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".

3.3 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.

3.4 The transfer is made without the expectation of return.

3.5 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.

4. Qualifying Donations

Donations that qualify for an official tax receipt generally include:

4.1 Cash;

4.2 Capital, real or depreciable property;

4.3 Personal-use property, or items such as art, furniture, equipment, materials of historical interest;

4.4 Donations made under a will.

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5. Non-Qualifying Donations

The following are items that are not considered to be qualifying donations:

- 5.1 Contributions of skills or time or donations of a service through volunteer service.
- 5.2 When a donor requests that the donee pay for a portion of the donation no tax receipt will be issued.
- 5.3 Donations that have a direct benefit to the donor or any relative of the donor will not receive a tax receipt.
- 5.4 Donations made in exchange for consideration of a right, privilege, material benefit or advantage such as promotions or advertising for the donor's purpose do not qualify for income tax credits under the ITA and no receipts can be issued.
- 5.5 The CRA regulations on donations where the donor's company name, logo, slogan or address/phone number is listed in promotional material would not qualify.

6. Issuance of Receipts

- 6.1 Upon the confirmation that the donation is in compliance with this policy the CAO or Finance Manager shall issue an "official tax receipt for income tax purposes".
- 6.2 All requests for tax receipts must be accompanied by appropriate donor and donation information.
- 6.3 Income tax receipts shall be issued for donations of \$25.00 or more, unless specifically requested by the donor and approved by the CAO or Finance Manager.
- 6.4 The CRA ultimately determines the value of the donation which is permitted for tax deduction.

7. Accounting for Donations of Money

- 7.1 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 Town's Municipal office.
- 7.2 All cheque donations will be required to have been cleared by the Town'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.
- 7.3 Cheques, money orders and bank drafts should be made out to "The Town of Vulcan". No third party cheques will be accepted.

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8. Accounting for Donations of Gifts-In-Kind

- 8.1** The Town of Vulcan will only issue official tax receipts for Gift-in-Kind donations where the donation provides a clear benefit to the Town of Vulcan.
- 8.2** The value placed on Gift-in-Kind items will be determined by the item's Fair Market Value.
- 8.3** Valuation of Fair Market Value 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.
- 8.4** If the item is valued at \$1,000 or less, a Town employee qualified to make the appraisal for such items may complete an appraisal of the item.
- 8.5** If the item is valued at more than \$1,000 outside appraisals are required, unless there is a ready market for the item from which a Fair Market Value can be ascertained. The average of these appraisals shall be used to determine the Fair Market Value of the item.
- 8.6** 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 Town received the Donation.

9. Accounting for Donations for Specific Purposes

- 9.1** Donations and requests for donations that are made for specific purposes will require Council approval. These requests may originate from individuals, organizations or Council directly. Long-term programs, where cash inflows and expenditures may span many years are best handled through the establishment of a Reserve Fund. These would include situations where donations are received for specific capital projects, such as recreational facilities.
- 9.2** Requests to direct donations to a specific operation or for specific capital projects, which are generally short-term in nature, are best handled by recording the revenue directly to the appropriate revenue account.

10. Acceptance of Donations and Gifts

- 10.1** The Town may elect to accept or decline any donation. If the gift is not accepted, the donor shall be advised of the reason.
- 10.2** Upon acceptance of the gift, it will be transferred to the Town and will become the property of the Town of Vulcan. The insurance, storage, ongoing maintenance, and scheduling of use will be at the discretion of the Manager of the assigned department within the Town

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10. Acceptance of Donations and Gifts Continued

10.3 In the event the donor has indicated a specific use by the Town of their donation, such donation shall, to the extent reasonably feasible, be assigned to a project consistent with the donor's desired use.

11. Associated Costs

11.1 Unless otherwise agreed upon by the Town, the donor will be responsible for any of the following costs (where applicable):

- a) Transporting the item;
- b) Appraisal or evaluation by an independent certified agency;

11.2 Where the Town agrees to incur any of the above costs, these costs will be expenses to the receiving Department.

12. Financial Implications

12.1 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:

- a) Cost of project implementation;
- b) Installation and timeline of the work;
- c) Restoration;
- d) Booking and scheduling related expenses;
- e) Insurance, licencing, and fees;
- f) Ongoing storage, maintenance, and related expenses.

13. Policy Review

13.1 This policy shall be reviewed when there is a significant change in the Canadian Income Tax Act or regulations to that Act.

13.2 Council shall review this policy as required

- END OF POLICY-