

Italian Canadian HandiCapable Association
Policy for Issuing of Tax Receipts for Donated Items

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Policy Subject:	Issuing of Tax Receipts for Donated Items
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Approved By:	ICHA Board of Directors
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The ICHA Board of Directors at their meeting of March 24, 2009 directed the Recording Secretary to develop a policy for issuing tax receipts for donated items. The remainder of this document provides the ICHA with direction on how to issue tax receipts for items received through a donation.

The ICHA will follow the guidelines set out by the Canada Revenue Agency when issuing tax receipts for donated items. This policy highlights the information provided through the various Canada Revenue Agency websites.

Definition of Gift

A gift is a voluntary transfer of property without valuable consideration to the donor.

Definition of Gifts-in-kind

Gifts-in-kind, also known as non-cash gifts, are gifts of property. They cover items such as artwork, equipment, securities, and cultural and ecological property.

A contribution of service, that is, of time, skills or efforts, is not property and, therefore, does not qualify as a gift or gift in kind for purposes of issuing official donation receipts.

Definition of Fair market value

Fair market value is usually the highest dollar value you can get for your property in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other.

Definition of Advantage

An advantage is what a donor may receive in return for his or her donation (for example, a meal, tickets to a show), and it must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

Determining the fair market value of an advantage is similar to determining the fair market value of a gift in kind. However, while only donations of property can be receipted as gifts in kind, the fair market value of any type of advantage (for example services, accommodation, meals) must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

Determining Fair market value

Generally, if the fair market value of the property is less than \$1,000, a member of the registered charity, or another individual, with sufficient knowledge of the property may determine its value.

The person who determines the fair market value of the item should be competent and qualified to evaluate the particular property being donated.

If the fair market value is expected to be more than \$1,000, it is strongly recommended that the property be professionally appraised by a third party (that is, someone who is not associated with either the donor or the charity).

If the property is appraised, the name and address of the appraiser must be included on the official donation receipt.

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For additional details on Fair market value and Advantage please access the Canada Revenue Agency web page identified below.

<http://www.cra-arc.gc.ca/tx/chrts/prtng/rcpts/dtrmfmv-eng.html>

Based on the above Canada Revenue Agency information, the ICHA will incorporate the following policies for issuing tax receipts for donated items.

ICHA policy for issuing of tax receipts for donated items

After determining the fair market value of the property, the ICHA may issue a tax receipt.

ICHA policy for issuing of tax receipts for gifts of Service

The ICHA will not issue a tax receipt for a gift of service. Contributions of services (for example, time, skills, effort) are not property. Therefore, they do not qualify as gifts for the purpose of issuing official donation receipts.

However, the ICHA may issue a tax receipt under the following condition. If the ICHA pays a service provider for services rendered and the service provider then chooses to donate the money back, the ICHA may issue a tax receipt for the monetary donation (this is often referred to as a cheque exchange). In such circumstances, two distinct transactions must take place:

- ✓ a person provides a service to the ICHA and is paid for that service; and
- ✓ that same person makes a voluntary gift of property to the ICHA.

The ICHA should also make sure that it keeps a copy of the invoice issued by the service provider. The invoice and cheque exchange not only ensure that the ICHA is receipting a gift of property, but they also create an audit trail, as the donor must account for the taxable income that is realized either as remuneration or as business income.

The ICHA will not issue an official donation receipt to a service provider in exchange for an invoice marked "paid". This procedure raises questions as to whether in fact any payment has been transferred from the ICHA to the service-provider and, in turn, whether any payment has been transferred back to the ICHA.

ICHA policy for issuing of tax receipts for property donated for sale at an auction

After determining the fair market value of the property being auctioned, the ICHA may issue a tax receipt. No tax receipt will be issued for gifts of services for sale at an auction or otherwise.

ICHA policy for providing tax receipts for the amount in excess of the fair market value paid at an auction

The ICHA may issue a tax receipt for an amount received in excess of the property value at an auction. To issue a tax receipt the following must have occurred;

- ✓ It must be possible to determine the item's fair market value.
- ✓ That value must be posted before the start of the auction.
- ✓ For an official tax receipt to be issued, the fair market value of the property the bidder receives cannot exceed 80% of the purchase price of the property.

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