

POLICY MANUAL	Policy No. 1-15
For Municipality of South Dundas	Effective Date: October 18, 2016 Revised: September 4, 2018
Subject: Charitable Donations	Department: Council

Policy Statement:

1. The Municipality of South Dundas may accept donations and issue "official income tax receipts" as prescribed by the Canada Revenue Agency.
2. It is necessary to establish a policy for handling donations to ensure that the Municipality appropriately account for the donation and adheres to the guidelines as set out in the Canadian Income Tax Act.
3. 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 donations. 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, Committees and other Organizations falling within the financial reporting requirements of the Municipality of South Dundas.
2. All donations will be in keeping with the Municipality of South Dundas's strategic goals and will not in any way negatively impact the Municipality's public image.
3. The Municipality of South Dundas 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 Municipality's Tangible Capital Asset Policy;
 - b) **Corporation/Municipality** – means the Corporation of the Municipality of South Dundas;
 - c) **Council** - means the Council for the Corporation of the Municipality of South Dundas;
 - d) **Director** - means a person holding a management position of Director within a department and includes the Chief Administrative Officer, Director of Corporate Services/Clerk, Treasurer, Director of Public Works, Director of Recreation & Facilities, Director of Planning & Development and Director of Fire & Emergency Services;
 - e) **Donation** - means a financial contribution, cash, property or items such as art, furniture, equipment, materials of historical interest;
 - f) **Donor** - means a person or organization that provides a donation to the Corporation of the Municipality of South Dundas;
 - g) **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;
 - h) **Gift** - see donation, these terms are interchangeable;
 - i) **Gift-in-kind** - is a non-monetary donation;
 - j) **An Official Municipal Event** - is an event approved by Council and supported by a Committee of Council or designated Councillor, or a Municipal Service Board, where the proceeds will be directed to an existing or future Municipal asset. 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; and,
 - Identification and approval of the Committee of Council or appointment of the Councillor designate on the committee or board supporting or organizing the event.
 - k) **Relative** - is defined as a parent, sibling, spouse/partner, child, grandparent, uncle, aunt and parent-in-law;
 - l) **Treasurer** - means the Treasurer or his/her designate of the Corporation of the Municipality of South Dundas.

General Rules:

1. No individual 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 on behalf of an "Official Municipal Event".
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. 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.
4. The transfer is made without the expectation of return.
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.

Qualifying Donations:

1. Donations that qualify for an official tax receipt generally include:
 - a) Cash;
 - b) Capital, real or depreciable property;
 - c) Personal-use property, works of art, jewellery, rare books, stamps or coins;
 - d) A leasehold interest or a residual interest in real property;
 - e) Donations of life insurance properties;
 - f) Donations made under a will; and
 - g) Listed securities
2. There are special rules for donations of cultural property and donations of ecologically sensitive lands where the donor wishes to claim the donation as either certified cultural property or certified ecologically sensitive lands.

Non-Qualifying Donations:

1. The following are items that are not considered to be qualifying donations:
 - a) Contributions of skills or time or donations of a service through volunteer service;
 - b) 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 fair market value 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;
 - c) When a donor requests that the donee pay for a portion of the donation no tax receipt will be issued;
 - d) When the donor has directed the funds to a specific person, family, or business, no tax receipt will be issued;
 - e) Donations that have a direct benefit to the donor or any relative of the donor will not receive a tax receipt;
 - f) 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 Income Tax Act and no receipts can be issued; and/or,
 - g) 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.

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 the Income Tax Act.
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 CAO.

4. The date of the donation is the date the donation is received, and the title of the asset is transferred to the Municipality. Donations received after December 31st may not be included in the prior year's donations 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.

Accounting for Donations of Money:

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 Municipal Office.
2. 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.
3. Cheques, money orders and bank drafts should be made out to "The Municipality of South Dundas". No third-party cheques will be accepted.

Accounting for Donations of Listed Securities:

1. The Municipality of South Dundas will accept gifts of listed securities which include stocks and bonds that are traded on approved exchanges in North America. Bonds include federal, provincial, municipal and corporate bonds of publicly traded companies. Gifts of open-ended mutual funds will also be accepted.
2. The value of the securities for the purpose of issuing a tax receipt is the closing price on the date the gift is received in the Municipality of South Dundas's brokerage account.
3. The Municipality will immediately sell the donated listed securities once received; however, special consideration will be given to holding a gift of marketable securities upon direction of the donor and approval by the CAO.

Accounting for Donations of Cultural Property:

1. Cultural property are items that are deemed by the Canadian Cultural Property Export Review Board to have "outstanding significance and national importance" to Canada. Criteria in determining the "significance and importance" can include the items close association with Canadian history or national life and/or its aesthetic qualities and/or its value in the study of the arts or sciences.
2. The donation of cultural property must be certified as such by the Canadian Cultural Property Export Review Board.
3. The receiving department shall be responsible for making the application to the Canadian Cultural Property Export Review Board for "Certification of Cultural Property for Income Tax Purposes."
4. Income tax receipts will be issued by the Canadian Cultural Property Export Review Board and Fair Market Value is determined by the Board on the date ownership is transferred to the Municipality.

Accounting for Donations of Ecologically Sensitive Property:

1. An ecological gift must be land (including a servitude for the use and benefit of a dominant land, a covenant or an easement) that is certified by the Minister of the Environment, or a person designated by the Minister, to be ecologically sensitive land the conservation and protection of which is, in the opinion of the Minister, or that person, important to the preservation of Canada's environmental heritage.
2. The categories of land that qualify as being ecologically sensitive vary from province to province. In Ontario these may include:
 - a) Provincially Significant Wetlands (PSWs);
 - b) Areas of Natural and Scientific Interest (ANSIs);
 - c) Areas identified in the Municipality's Official Plan as an Environmentally Significant Area (ESA) and other components of the Natural Heritage System such as significant stream corridors and significant woodlands;
 - d) Significant portions of the habitat of endangered, threatened or vulnerable species in Ontario; and
 - e) Areas managed for wildlife habitat conservation purposes that qualify under the Managed Forest Tax Reduction Program.

3. The value of donated lands is based on the fair market value of the land, as determined by a qualified land appraiser using recognized valuation techniques. For conservation easements, restrictive covenants and servitudes, the value of the land is deemed to be the greater of its fair market value otherwise determined and the amount by which the fair market value of the land is reduced as a result of the making of the gift.
4. A tax receipt for the fair market value is issued and will be attached to a completed Certificate for Donation of Ecologically Sensitive Land and submitted to the CRA.

Accounting for Donations for Specific Purposes:

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.
2. Requests to direct donations to a specific operation or for specific capital projects, such as to a community or cultural centre, which are generally short-term in nature are best handled by recording the revenue directly to the appropriate revenue account.

Accounting for Donations to Support Organization Independent of the Municipality:

1. 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 Income Tax Act, 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.
2. The Municipality may however accept these types of donations with the understanding that no official tax receipt will be issued.
3. The Treasurer or the Chief Administrative Officer, is the final level of acceptance for all donations requiring tax receipts for the Municipality of South Dundas.

4. The Treasurer may grant approval for official tax receipts for money donations made through a Council approved fund-raising effort.

Associated Costs:

1. Unless otherwise agreed upon by the Municipality, the donor will be responsible for any of the following costs (where applicable):
 - a) Transporting the item;
 - b) Appraisal or evaluation by a certified agency;
 - c) Photographs for inventory and insurance purposes; and
 - d) Conservation treatment, if required.
2. Where the Municipality agrees to incur any of the above costs, these costs will be expenses to the receiving Department.

Financial Implications:

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 of the work;
 - c) Restoration;
 - d) Ongoing maintenance; and
 - e) Taxes payable to CRA by the Municipality of South Dundas.
 - 30% of the FMV if the cultural property is disposed of within 10 years; or
 - 50% of the FMV if ecological property is disposed of or changes its use.
2. All used and unused receipts will be securely stored in the Finance Department until needed.
3. All used receipts will be retained for the period required by law in adherence to the Income Tax Regulations or any successor legislation or regulation.

Other Legislation:

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

Policy Review:

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