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STAFF REPORT: RECREATION DEPARTMENT



REPORT TO: Infrastructure and Recreation
MEETING DATE: May 14, 2013
REPORT NO.: DOR 13 29
SUBJECT: Labyrinth Group Charitable Donations
PREPARED BY: Shawn Everitt, Director of Recreation

A. Recommendations

THAT Council receive Staff Report DOR 13 29, "Labyrinth Group Charitable Donations" for information purposes, and:

THAT Council approve Charitable Donation Receipts be issued by the Director of Finance on behalf of the Town for donations received for the Cedar Grove Labyrinth of Thornbury and the Blue Mountain Women of 12 in accordance with Charitable Donations Receipt Policy POL.COR.13.18.

B. Background

On March 25, 2013, Council approved the development of a Labyrinth at the former campground site at Bayview Park. Since that time, staff have been in the process of developing an agreement that will provide direction for the management and operations of the Labyrinth.

At the April 15th, 2013 meeting of Council, staff report FIT.13.22 "Charitable Donations Receipt Policy" that contained Policy POL.COR.13.18 (Attachment 1) was approved. The Policy addressed changes to the Income Tax Act, in particular sections 110.1 (1) (a) and 118.1 (1) that deal with a municipalities being permitted to issue receipts for charitable donations.

A request to issue Charitable Donation Receipts similar to the recently approved request from the Dog Park Group has been received by staff for the Cedar Grove Labyrinth of Thornbury and the Blue Mountain Women of 12.

Official receipts to donors for eligible donations with a net cash value or net fair market value of \$20 or more if requested would be available. As outlined in the Procedures of Policy POL.COR.13.18 all elements of the eligibility for an official receipts would be required as follows. All donations must;

- ✓ Be made payable to the Town, and
- ✓ Be in cash or in-kind; and
- ✓ Be voluntary; and
- ✓ Be supportive of Town's mandate or beneficial to the community of the Town of The Blue Mountains;

The Labyrinth is to be located on Town Property, the Labyrinth will be accessible to the Public and the facility will be owned by the Town. It is anticipated that the Labyrinth will be a wonderful addition to the existing recreation amenities that matches a good percentage of the Town's demographic .

C. The Blue Mountains' Strategic Plan

Preserving and enhancing natural and environmental features, cultural heritage of the community

Supporting the development of social and recreational programs to meet the broad range of needs in the community.

D. Environmental Impacts

To ensure sustainable and appropriate use of Town Parkland and open space.

E. Financial Impact

All costs related to the development of the Labyrinth will be the responsibility of the Cedar Grove Labyrinth of Thornbury, Blue Mountains Women of 12.

Financial Services Staff time will be required to process Charitable Donation Receipts.

F. In Consultation With

Troy Speck, CAO
Robert Cummings, Director of Finance
Ruth Prince, Manager of Revenue

G. Attached

- 1) POL.COR.13.18 – Charitable Donations Receipt Policy

Respectfully submitted,

Shawn Everitt, Director of Recreation
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TOWN OF THE BLUE MOUNTAINS

POLICY & PROCEDURES

Subject Title: Charitable Donations Receipt Policy

Corporate Policy (Approved by Council)

Policy Ref. No.:

Administrative Policy (Approved by CAO)

By-law No.:

Department Policy: (Approved by Mgr.)

Name of Dept.: Finance

Date Approved: April 2013

Staff Report: FIT.13.22

Policy Statement

The Town of The Blue Mountains will issue official receipts to donors for eligible donations with a net cash value or net fair market value of \$20 or more if requested.

Purpose

The policy formalizes the charitable donations receipt program, including accounting for donations of cash or in-kind made to the Town. This policy also outlines the standards for evaluating donations in accordance with Canada Revenue Agency (CRA) guidelines. This policy will serve as the foundation for standard operating procedures for issuing official charitable donation receipts (official receipts) to donors for income tax purposes.

Application

This policy applies to all departments within the Town and the organizations and individuals that contribute either financial or in-kind donations to the Town's operations, programs, services or facilities.

Definitions

Charitable donations – voluntary transfers of tangible property, including cash

Donations in-kind – tangible property, other than cash, that are eligible donations.

Fair Market Value (or Valuation) – The highest dollar value that a property would bring in an open and unrestricted market, between the willing buyer and the willing seller who are acting independently of each other. The fair market value of a property does not include taxes paid; taxes are costs incurred by the purchaser.

Net Amount of Donation – The fair market value of the donation less any advantage/benefit received or to be received as a result of the donation.

Non-Qualifying Donations – donations that cannot be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines.

Procedures

To be eligible for an official receipt, the donation has to:

- ✓ Be made payable to the Town, and
- ✓ Be in cash or in-kind; and
- ✓ Be voluntary; and
- ✓ Be supportive of Town's mandate or beneficial to the community of the Town of The Blue Mountains;

Donations **in-kind** may be accepted only after the following has been assessed:

- ✓ Compliance with Town by-laws and/or policies
- ✓ Compliance with the laws, conventions and treaties of the other levels of government
- ✓ Consistency with the Town's priorities, mandates and strategic and business plans
- ✓ Associated risks (e.g. financial risks, political risk, health and safety issues)
- ✓ Condition of the donation
- ✓ Value of the donation
- ✓ Usefulness of the donation to the Town
- ✓ Cost/benefit analysis, if determined by the Treasurer to be necessary, would consider installation, storage, maintenance, renewal, replacement and relevant costs;

Written valuation of donations **in-kind**, done within the last 6 months, shall be submitted with the requests for official receipt and shall meet the following requirements:

- \$1,000 or less:
 - ✓ appraisal by knowledgeable internal staff; plus
 - ✓ valuation from online auction and shopping website
- Over \$1,000:
 - ✓ external appraisal by an independent and arm's length competent individual is required;
 - ✓ the responsibility and the costs associated with obtaining a qualified appraisal shall be determined by the departmental director.

Authority for acceptance or denial of donations in-kind with appraised value of:

- ✓ Under \$25,000 requires the Treasurer or Chief Administrative Officer
- ✓ \$25,000 or more requires Council approval

Non-Qualifying Donations that cannot be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines:

- ✓ Intangibles such as services, time, skills, effort
- ✓ Donations that are given to the Town intended as a flow through to a specified recipient who does not have charitable organization status.
- ✓ Donations of business marketing products such as supplies and merchandise
- ✓ Sponsorship in the form of cash, goods or services toward an event, project, program or corporate asset, in return for commercial benefit (i.e. logo placement or presenting sponsorship). The intent of a sponsorship is to enhance the image and marketing opportunities of the sponsor in its target market and/or the community. Sponsorships are reciprocal arrangements benefiting both parties. Usually the cost to the sponsor is categorized as a business expense.

Exclusions

N/A

References and Related Policies

Under Income Tax Act, 1985, The Corporation of the Town of The Blue Mountains is classified as a “qualified donee” for charitable donations, and as such is afforded the same privileges as a charitable organization without a registered charity number.

According to sections 110.1 (1) (a) and 118.1 (1) of the *Income Tax Act*, Canadian municipalities are permitted to issue receipts for charitable donations. These donations may come in the form of cash or in-kind.

Consequences of Non-Compliance

Town could lose its eligible donee status and be prohibited from issuing charitable tax receipts.

Review Cycle

This policy will be reviewed once per term of Council.

(Signature)

Appendix B – Changes to the rules for issuing donation receipts by municipalities

Prior to 2012, municipalities had “qualified donee” status under the Income Tax Act, and were allowed to issue official donation receipts for charitable donations that gave donors tax relief.

Effective January 1, 2012 municipalities are required to comply with additional requirements to issue donation receipts. The following are changes included in the 2011 federal budget which received Royal Assent on June 26, 2011:

- Municipalities are required to be on a publicly available list maintained by the Canada Revenue Agency (CRA) in order to continue to be recognized as qualified donees.
- Municipalities are required to abide by the rules prescribed by the Income Tax Act in relation to the issuance of official donation receipts. If the municipality fails to issue a donation receipt in accordance with Income Tax Act, CRA can revoke the status of the qualified donee and suspend the receipting privileges.
- Municipalities are required to:
 - Issue receipts only for transactions that qualify as charitable donations;
 - Properly establish the fair market value of donations in-kind; and
 - Ensure that receipts contain accurate and complete information.
- Municipalities are required to include the same information as registered charities:
 - A statement saying that it is an official receipt for income tax purposes
 - Charity’s business registration number, name, address as recorded with CRA
 - Serial number of the receipt
 - Place or locality where the receipt was issued
 - For cash donation, the day and year on which the donation was received
 - If the donation is in-kind:
 - The day on which the donation was received;
 - A brief description of the donation; and
 - The name and address of the appraiser, if an appraisal was completed
 - The day on which the receipt was issued, if differs from the date on which the donation was received
 - The full name (including middle name) and address of the donor
 - The amount of the cash donation, or if the donation is in-kind, the fair market value or deemed fair market value, if that rule applies
 - Value and description of any benefit/advantage received by the donor
 - Eligible amount of donation less any benefit/advantage
 - Signature of an authorized individual to acknowledge donations
 - Name and website address of the Canada Revenue Agency

- Municipalities are required to maintain proper books and records supporting any official donation receipts issued, and provide access to those books and records to CRA upon request. If the municipality fails to do so, CRA can revoke the status of the qualified donee and suspend the receipting privileges.

Currently, according to section 230(2) of the Income Tax Act, registered charities are required to “keep records and books of account at an address in Canada recorded with the Minister or designated by the Minister containing:

- a) Information in such form as will enable the Minister to determine whether there are any grounds for the revocation of its registration under this Act;
- b) A duplicate of each receipt containing prescribed information for a donation received by it; and
- c) Other information in such form as will enable the Minister to verify the donations to it for which a deduction or tax credit is available under this Act”

Copies of receipts must be kept for two calendar years after the end of the calendar year to which the receipt applies.

Appendix C - CRA Policy Commentary regarding Gifts of Services

CRA Policy Commentary regarding Gifts of Services:

Release Date: March 29, 2000

Reference Number: CPC-017

Subject: Official donation receipts – Whether gifts of services qualify as charitable donations

Purpose: To clarify the Directorate's policy regarding gifts of services.

Commentary:

1. The Income Tax Act currently permits a registered charity to issue official donation receipts for income tax purposes for donations that legally qualify as gifts.
2. Contributions of services, that is, of time, skills or efforts, are not property, and therefore they do not qualify as gifts for purposes of issuing official donation receipts. Accordingly, a charity cannot issue an official donation receipt for services rendered free of charge. However, it may be possible to issue a receipt when a right to reimbursement for any actual expense incurred on behalf of a registered charity has been established. See Policy Commentary CPC-012, Out of pocket expenses for more information.
3. A charity may issue an official donation receipt if a person provides a service to the charity, the charity pays for the service, and the person then returns the payment to the charity as a gift. In such circumstances, two transactions have taken place, the first being the provision of a service and the payment flowing therefrom, and the second being a gift proper.
4. The parties should be advised to proceed by way of an exchange of cheques. This ensures the presence of an audit trail, as the donor must account for the taxable income that would be realized either as remuneration (in which case the charity may also be required to issue a T4 slip) or as business income.
5. A charity should not issue an official donation receipt to a service-provider in exchange of an invoice marked "paid". While this procedure does establish an audit trail, it raises questions as to whether in fact any payment has been transferred from the charity to the service-provider which in turn is being gifted back to the charity.

References:

Gifts and Official Donation Receipts, IT-110.

Income Tax Technical News, Issue 26.

Gifts of services, CPC-017.

Out of pocket expenses, CPC-012.