

Rural Municipality of West River

Donation Policy

Policy # 2023-01

BE IT ENACTED by the Council of the Rural Municipality of West River as follows:

1. Title

1.1. This Policy shall be known as, and may be cited as the "Donation Policy."

2. Purpose

2.1. The purpose of the Donation Policy is to set out guiding principles for the eligibility and definition of donations made to the Rural Municipality of West River, 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.

3. Scope

3.1. 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.

4. Definitions

4.1. **Advantage** is the total value, at the time the gift is made, of all property, services, compensation, or other benefits that a person is entitled to receive in relation to the gift.

4.2. **Charitable donation** is defined as the voluntary transfer of tangible property, including cash.

- 4.3. **Chief Administrative Officer/CAO** means the administrative head of a municipality appointed by the Council under subsection 86 (2)(c) of the Municipal Government Act.
- 4.4. **Community Organization Project Donation** means donations received by the Municipality on behalf of an organization, if:
- a) the community project the organization is undertaking is in the interest of the Municipality;
 - b) the project operates under the Municipality's authority, which requires Council approval; and
 - c) The Municipality exercises ongoing direction and control over the use of the received funds.
- 4.5. **Conditional Cash Donation** means the donation of any legal tender with a condition or requirement of the Municipality, such as waiving fees or an obligatory purchase by the Municipality.
- 4.6. **Council** means the Mayor and other members of the Council of the Rural Municipality of West River.
- 4.7. **Donation/Gift** CRA defines it as "a voluntary transfer of property owned by a donor to a donee, in return for which no benefit accrues to the donor. "
- 4.8. **Donations in-kind** are defined as tangible property, other than cash, that are eligible donations.
- 4.9. **Donee** (Under the Income Tax Act, RSC, 1985) is an organization that can issue official donation receipts for gifts received from individuals and corporations.
- 4.10. **Eligible Donations** mean donations that can be acknowledged with official donation receipts for income tax purposes in accordance with CRA guidelines.
- 4.11. **Fair Market Value (or Valuation)** is defined as 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 or together. The fair market value of a property does not include taxes paid.

- 4.12. **Legacy Donations** A legacy gift is a gift to a charity or non-profit organization in your will. This type of donation will fall under this Policy's conditional or unconditional component.
- 4.13. **Municipality** means the Rural Municipality of West River.
- 4.14. **Net Amount of Donation** is defined as the fair market value of the donation less any advantage/benefit received or to be received as a result of the donation.
- 4.15. **Non-qualifying donations** mean donations that cannot be acknowledged with official donation receipts for income tax purposes in accordance with CRA guidelines.
- 4.16. **An official income tax receipt** is a receipt issued by the Rural Municipality of West River as a qualified donee.
- 4.17. **Unconditional Cash Donation** means the donation of any legal tender with no conditions or requirements attached by the donor upon acceptance by the Municipality. Unconditional cash donations include donations to a municipal project approved by the Council.

5. Policy Statement

- 5.1. The Rural Municipality of West River is registered with the CRA as a qualified donee. This allows the Municipality to issue official donation receipts for income tax purposes as "Appendix A."
- 5.2. The Municipality will issue official donation receipts that qualify as charitable donations with a net cash value or net fair market value of \$20.00 or more.
- 5.3. 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.

- 5.4. To have a valid donation/gift, there must be an intention to give, a delivery, and an acceptance. Because the donee must accept the donation, it is not completed until it is accepted, and the transfer is made without the expectation of return.

6. Donation Types

- 6.1. The following types of donations, as defined under Section 4.0, are as follows:
- a) Unconditional cash donation;
 - b) Conditional cash donation;
 - c) Donation in-kind; and
 - d) Community organization project donation.

7. Donation Approval

- 7.1. Donations cannot be accepted, installed or utilized in any way without the following authorization:
- a) The CAO's signature on the donation receipt may approve all unconditional cash donations, conditional cash donations, or in-kind donations under \$2,000.
 - b) The Council must approve organization requests for conditional cash and in-kind donations valued at over \$2,000 and all community organization project donations. For donations requiring Council approval, a report shall be prepared by the CAO and submitted to the Council, which outlines the nature of the potential donation.
 - c) The Municipality shall not accept a donation where any advantage will accrue to the donor or to any person not dealing at arm's length with the donor as a result of the donation. The Municipality may decline donations from any donor who, in the opinion of the CAO, represents a reputational risk to the Municipality through involvement in activities that are contrary to the values of the Municipality.

8. Non-Qualifying Donations

8.1. Non-qualifying donations that cannot be acknowledged with an official donation receipt for income tax purposes, in accordance with CRA guidelines:

- a) Donations that are given to the Municipality are intended as a flow-through to a specified recipient who does not have charitable organization status and is therefore not a Qualified Donee. A donation receipt can only be provided to the donor if the Municipality maintains direction and control over the donated resources. The Municipality will not issue official donation receipts for donations stipulated by donors to be allocated to a specific non-profit organization or group because the Municipality may be considered to be acting as a conduit;
- b) Intangibles are non-monetary assets without physical substance, such as services, time, skills, and effort. The only way a donation receipt can be issued is to individuals or organizations wishing to donate services or loan an asset to the Municipality. There must be an appropriate audit trail that includes an invoice payable by the Municipality, a payment of the invoice from the Municipality, and then a donation made from the individual or organization. The Donation Receipt will be made in the amount of the donation made;
- c) Donations of business marketing products such as supplies and merchandise;
- d) 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;
- e) Donations for which the FMV of the advantage or consideration provided to the donor exceeds 80% of the value of the donation. If the value of the advantage is greater than 80% of the value of the donation, no gift is deemed to have been made, and a donation receipt cannot be issued;
- f) 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 donation 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 donation receipt if the total value of the food, entertainment, and prizes exceeds 80% of the purchase price of the ticket;

- g) When a donor requests that the donee pay for a portion of the donation, no donation receipt will be issued;
- h) When the donor has directed the funds to a specific person or family, no donation receipt will be issued;
- i) Donations that have a direct benefit to the donor or any relative of the donor will not receive a donation receipt;
- j) A Gift-in-Kind for which the FMV cannot be determined; and
- k) Sponsorship in the form of cash, goods or services toward an event, project, program or corporate asset, in return for commercial benefit, e.g. logo placement or presenting sponsorship.

9. Qualifying Donations

9.1. 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 residual interest in real property;
- e) Donations of life insurance properties; and
- f) Donations made under a will.

9.2. In addition, the donation must meet the following criteria:

- a) Be an actual transfer of property to the Municipality;
- b) Be a gift of property; and
- c) Be voluntary – freely given and not as a result of a contractual or legal obligation.

9.3. 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.

10. Issuance of Donation Receipt

10.1. Receipts shall be issued for all donations having a value of \$20.00 or more if requested by the donor. A thank you letter will be sent following every donation. To be eligible for an official charitable donation receipt, the donation has to:

- a) Be approved in accordance with Section 7 of this Policy;
- b) Be made payable to the Municipality of West River;
- c) Be in cash or in-kind;
- d) Be voluntary; and
- e) Be supportive of the Municipality's priorities or beneficial to the community of the Municipality.

11. Issuance of an Official Donation Receipt – Community Projects

- 11.1. The CRA indicates that donations can be receipted by the Municipality on behalf of an organization if:
 - a) The community project the organization is undertaking is in the interest of the Municipality;
 - b) The project operates under the Municipality's authority which requires Council approval; and
 - c) The Municipality exercises ongoing direction and control over the use of the receipted funds.
- 11.2. However, if the Municipality accepts donations and provides money to a non-qualified donee without maintaining direction and control, the Municipality is acting as a conduit and a receipt cannot be issued. Under these circumstances, if a receipt was issued, the Municipality could jeopardize the qualified donee status.
- 11.3. The requirement for the Municipality to exercise ongoing direction and control as to how the donated funds are to be spent may require a level of direct involvement that the prospective donee may not be comfortable with.
- 11.4. However, to ensure the Municipality is issuing income tax receipts within the rules of the Income Tax Act, RSC, 1985 there must be evidence of authority and direction and control. This may include the expenditures and revenues going through the Municipality's books or the Municipality monitoring and supervising the activity through progress reports, collection of receipts for expenses, financial statements, Municipal staff attendance at meetings, etc.
- 11.5. Community projects that result in the Municipality acquiring an asset require the following information to be provided to the Municipality by the Community Group:
 - a) Copy of all invoices for the asset(s);

- b) Copy of plans or engineered drawings including location co-ordinates for the asset(s);
and
- c) Estimated lifecycle of the asset(s).

12. Issuance of an Official Donation Receipt – In-Kind Donations

12.1. In-kind may be accepted only after the following has been assessed:

- a) Compliance with Municipal by-laws and/or policies;
- b) Compliance with the laws, conventions and treaties of the other levels of government;
- c) Consistency with the Municipality's priorities and strategic and business plans;
- d) Associated risks (e.g. financial risks, political risks, health and safety issues);
- e) Condition of donation;
- f) Value of the donation;
- g) The usefulness of the donation to the Municipality; and
- h) Cost/benefit analysis, if determined by the –Chief Administrative Officer to be necessary, would consider installation, storage, maintenance, renewal, replacement and other relevant costs
Written valuation of donations in-kind shall be submitted with the requests for official receipt and is to meet the following requirement:

Over \$2,000

- i. External appraisal by an independent and arm's length competent individual is required; and
- ii. The CAO shall determine the responsibility and the costs associated with obtaining a qualified appraisal.

13. Authority under Income Tax Act, RSC, 1985

13.1. Municipalities are required to include the same information as registered charities:

- a) A statement saying that it is an official receipt for income tax purposes;
- b) Business registration number, name, address as recorded with CRA;
- c) Serial number of the receipt;
- d) Place or locality where the receipt was issued;
- e) For cash donation, the day and year on which the donation was received;
- f) The day on which the receipt was issued, if it differs from the date on which the donation was received;
- g) The full name and address of the donor;
- h) 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;
- i) Value and description of any benefit/advantage received by the donor;
- j) Eligible amount of donation less any benefit/advantage;
- k) Signature of an authorized individual to acknowledge donations; and
- l) Municipalities are required to be on a publicly available list maintained by the CRA in order to continue to be recognized as qualified donees.

14. Maintaining Records

- 14.1. Municipalities are required to maintain proper books and records supporting any official donation receipt issued, and CRA must be provided with access to those books and records 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, RSC, 1985 registered charities are required to "keep records and books of account at an address in Canada recorded with the Minister of designated 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;
- c) Other information in such form 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. CRA Policy Commentary regarding Gifts of Services – CPC-017;
- d) The Income Tax Act, RSC, 1985 currently permits a registered charity to issue official donation receipts for income tax purposes for donations that legally qualify as gifts;
- e) Contributions of services, that is, of time, skills or efforts, are not property; 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 is established;
- f) 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;
- g) 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 ;

h) A charity should not issue an official donation receipt to a service provider in exchange for 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.

15. Policy Review

15.1. The Municipality shall ensure that this Policy is reviewed and, where necessary, revised at least every four years.

Policy # 2024-01

Appendix A

Official Donation Receipt for Income Tax Purposes



Date:[DD/MM/YYYY]

Receipt Number: [RMWR-XXXXX]

Charitable Registration Number: 873439723 RT0001

Location Issued: [City, Province]

Donor Name: [First name and Last Name]

Donor Address: [Street Address or P.O. Box Number, City, Province/Territory, Postal Code]

Donation Received: [YYYY]

Amount: [\$ Amount Donated]

Description of Donation:

[Brief Description of Donation, e.g., "General donation," "Specific project," etc.]

Tax Information:

This is to acknowledge receipt of a gift of [Amount Donated] made by [Donor's Full Name] on [Date of Donation]. No goods or services were provided in exchange for this donation.

This donation receipt is issued in compliance with the Income Tax Act (Canada) requirements for the purposes of claiming tax credits or deductions.

Sincerely,

[CAO Signature]

[CAO Name]

[Contact Information: Phone Number/Email Address]

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