

<b>City of Prince Albert Statement of POLICY and PROCEDURE</b>			
Department:	Financial Services	Policy No.	<b>07</b>
Section:		Issued:	
Subject:	<b>Tax Deductible Donation Policy and Procedure</b>	Effective:	November 13, 2007
Council Resolution # and Date:	Council Resolution No. 0783 of Nov. 13, 2007	Page:	1 of 10
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Issued by:	Finance Manager	Dated:	
Approved by:	Acting Director of Financial Services		

## **1 POLICY**

1.01 The City, when requested, will issue a tax deductible donation receipt for any gift of money, or gift-in-kind (as outlined under paragraph 1280 of the CCH Canadian Accounting Handbook), paid directly to the City to be utilized for projects that fall within the definition of “Beneficial to the Community” (see Section 5, Paragraph 5.02), and which exceed \$10.00.

1.02 The Income Tax Act notes that gifts must involve “property”. Contributions of services (skills, time, or effort) are not considered “property” and will not receive a receipt unless the donor invoices the City or Organization receiving the service. The recipient must agree to pay for the service and the donor must be willing to return all, or a portion of, the payment as a gift.

For example, if a company completes work for an entity, their invoice should show the value of the work or service provided. It should then be revised to clearly identify the dollar amount of the donated contribution of service or goods, and the invoice should note that it is being “reduced” by the amount of the “donation”.

1.03 It will be the responsibility of Organizations, Individuals or City Departments requesting tax donation receipts, to track who is providing donations to them, and to provide that information in an organized format as required by City Administration.

1.04 Organizations from time to time will canvas the general public for donations for capital projects that have a capital impact on City Facilities. In those instances, City Administration will work with and act as “consultants” and may, when requested by the Organization and subject to City Council’s approval, participate in a limited capacity in the collection process. Administration will provide tax deductible donation receipts for donations if they meet the criteria as outlined in The Income Tax Act.

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## 2 PURPOSE

2.01 The intent of this policy is to provide a clear and concise understanding of what criteria must be followed in order to receive a tax deductible donation receipt from the City.

## 3 SCOPE

3.01 This applies to all external organizations, individuals or City departments requesting that the City provide a tax deductible donation receipt.

## 4 RESPONSIBILITY

4.01 It is the responsibility of all City Departments, Organizations and Individuals to comply with the requirements and guidelines noted in the attached document.

## 5 DEFINITIONS

5.01 **Benefit to the Community** is defined as:

1. Donations made to improve a civic facility that is owned by the City, but may not necessarily be operated by the municipality.
2. Donations made to assist with the capital development of a civic facility that will be owned by the City, but may not necessarily be directly operated by the municipality.
3. Donations made to assist with the operations of a civic facility either paid directly to the managing organization or to the City.

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4. Donations made to offset community service programs offered by various City departments. Examples would include programs such as Drug Abuse Resistance Education programs, or Fire Prevention and Education programs, playground programs, as well as other programs that are deemed to provide educational or recreational benefit to the community at large.

**5.02 Gifts**, as defined by The Income Tax Act are:

“Generally, a gift is made if all three conditions noted below are satisfied:

- a). some property - usually cash - transferred by a donor to a registered charity
- b). the transfer is voluntary, and
- c). the transfer is made without expectation of return. No benefit of any kind may be provided to the donor or to anyone designated by the donor.”

These criteria will be the basis for determining the eligibility of donations and whether or not the City will be issuing tax deductible receipts.

**5.03 Gift-in-kind** as noted under paragraph 1280 of the CCH Canadian Accounting Handbook requires the following:

*“Where the donation is a gift of property other than cash, a brief description of the donation must be provided along with an independent appraisal of the fair value of the “gift” provided in order to determine what the fair market value of that gift will be (paraphrased).”*

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## **6 REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE**

6.01 The Income Tax Act

6.02 CCH Canadian Accounting Handbook

6.03 Canada Revenue Agency Publications

T4063 - Registering a Charity for Income Tax Purposes;

RC 4108 - Registered Charities and the Income Tax Act; and

P113 - Gifts and Income Tax

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## **7 PROCEDURE**

### 7.01 Donations to Organizations that request City of Prince Albert Donation Receipts:

The City of Prince Albert is often requested to provide tax deductible donation receipts to individuals who give money or property to various community based organizations. In order to comply with the requirements of The Income Tax Act, the City **must** ensure that the money being donated to the Organization “benefits the community” as defined under the section Definitions, paragraph 5.01. The following procedure must be adhered to for all donation receipting requests identified under sections 7.03 to 7.06 inclusive, before the City will provide donation receipt(s):

- 1). An Organization must provide to City Administration a formal letter noting its mandate and how it intends to use the funds to “benefit the local community at large.
- 2). Administration receiving this request must provide a report to City Council forwarding the Organization’s formal letter as well as asking Council for their approval to provide Tax Deductible Donation receipts. The memo or letter must clearly identify the term for which the donation receipts will need to be provided, that is:
  - a) For one specific year only;
  - b). For a period of the current year until a specified end date; or
  - c). For an indefinite period beginning in the current year and not ending until further instructions are received.
- 3). Once City Council makes a decision with respect to the request, City Administration will contact the Organization and inform them of

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Council's decision. If Council agrees to provide Donation receipts, Administration will provide a copy of this policy noting the steps that must be followed and what information the City will require from them (as itemized below) in order to facilitate the timely production of tax donation receipts.

7.02 Donation Receipt Guidelines:

- Below is a table noting information the City requires from Organizations. All information is to be supplied in the format noted below. All fields in the table should be completed. This is an Excel spreadsheet and the City asks that Organizations, if possible, use the same software or a compatible program with similar formatting.

Name of Company Making a Donation	Last Name	First Name	Address	City	Prov	Postal Code	Donation Amount	Donated To:	Organ.'s Temporary Donation Receipt Number	Date Organ. Issued Temp. Receipt

- Organizations must provide **pre-numbered** receipts to their donors and those numbers should be noted in the spreadsheet provided to the City.
- Spreadsheets must be submitted to the City's Financial Services Department by January 31 of the following tax year. **The Organization will be expected to provide this list on their own initiative.** If the deadline passes before the Organization provides its information, the City cannot guarantee that the donation receipts will be processed by the February 28<sup>th</sup> deadline.

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4. The Organization must provide a total for all Donation monies received.
5. Organizations must simultaneously provide a copy of their spreadsheet to City Administration and a cheque for the total amount of donated dollars received and should note how the money is to be utilized by the City (see below).
  - a). If the donated money is to be allocated toward a multi-year loan or similar financial arrangement with the City, the revenue should be recorded as a reduction of the loan payable or other financial arrangement.
  - b). If the donated money is to be used in an alternate manner, once it is received and receipted, Financial Services will process a cheque payable back to the Organization for the same dollar amount paid to the City.

Financial Services will provide a cash receipt for the money received and will allocate the money based on the information provided by the Organization.

6. If a cheque and donation list is supplied by an Organization prior to or by the January 31 deadline noted under paragraph 3 and in advance of the City printing the donation receipts, City Administration will process payment back to the Organization by the next cheque printing date. Cheques should not be held by the City for a period that exceeds two weeks. However, if donation receipts can be completed under the two week deadline, the City will make every effort to simultaneously provide both the cheque and donation receipts to the Organization.
7. The City of Prince Albert will generate Tax Donation receipts before February 28<sup>th</sup> of the new year, and will contact the person identified as the Organization's contact individual once the receipts are printed. The City will keep a PDF copy of all tax donation receipts issued.
8. It will be the responsibility of the Organization to distribute the Tax Donation receipts to the donors noted on their spreadsheet.

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9. Donors, if they experience any problems receiving their respective Tax Donation receipts, should first contact the Organization they donated to before contacting the City. The Organization's contact person should be the only person corresponding with the City to avoid confusion or data entry errors from occurring.

7.03 Cash Payments received at City Hall:

- Cash donations received from any individual and submitted to the City must be provided to the cashier who will provide a receipt to the donor. A copy of that receipt will be kept in a Donations file in Financial Services. The cashier's receipt should note:
  - a). the dollar amount paid;
  - b). the name and address of the donor; and,
  - c). how the donor wants the money to be used (ie. Is it for a specific Community Services program or is it to be utilized for infrastructure rehabilitation or construction, etc.).
- The City will generate a numbered Tax Deductible Donation receipt to the person noted in this spreadsheet by February 28<sup>th</sup> of the preceding year and will keep a PDF copy of the receipt for future reference.

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#### 7.04 Requested Donations:

- Any money donated from someone's estate to the City, will follow the same procedures as outlined in 7.01 and 7.02 above **except** that the name of the donor should be recorded on the spreadsheet as the "Estate of ..." (for example, Estate of Robert Winterburn). All other requirements must be followed as noted above.
- Financial Services should be provided with a copy of the Notarized documents and letter from the Estate instructing where the money or donation is to be utilized in order to ensure that, in the future, the money is utilized for its intended purposes.
- A numbered Tax Deductible Donation receipt will be provided to the Estate by February 28<sup>th</sup> of the preceding year and the City will keep a PDF copy of the receipt for future reference.

#### 7.05 Gift-In-Kind Donations:

- In order for the City to issue a Tax Deductible Donation receipt for Gifts-in-Kind, a quantification of the fair market value of that gift(s) must be determined. In all situations, it is the responsibility of the entity receiving the gift-in-kind to contact an independent professional appraiser to provide an appraisal of the donation.
- Gifts-in-Kind should be recorded on a separate spreadsheet. Once the Appraisal is provided, the spreadsheet with a copy of the appraisal, must be submitted to Financial Services following the same format as noted under paragraph 7.02.

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- The City of Prince Albert will generate a numbered Tax Deductible Donation receipt to the person noted in this spreadsheet by February 28<sup>th</sup> of the preceding year and the City will keep a PDF copy of the receipt for future reference.

#### 7.06 Contributions of Services:

- As noted under the section “**Policy**”, paragraph 1.02, contributions of services (skills, time, or effort) are not considered “property” and will not receive a receipt unless the donor invoices the entity receiving the service. Organizations must agree to pay for the service and the donor must be willing to return all, or a portion of, the payment as a gift.

*As an example, if a company completes work for an entity, their invoice should show the value of the work or service provided. The invoice must be revised to clearly identify the dollar amount of the donated contribution of service or goods, and it should note that it is being “reduced” by the amount of the “donation”.*

- Organizations should keep a separate spreadsheet following the same format as noted under paragraph 7.02, recording all invoices they have received that identify contributions of service(s) and they must provide a copy of that invoice to City Administration for verification purposes.
- The City of Prince Albert will generate a numbered Tax Deductible Donation receipt to the person noted in this spreadsheet by February 28<sup>th</sup> of the preceding year and the City will keep a PDF copy of the receipt for future reference.