

## Finding Them Homes – James Bay Pawsitive Rescue (FTH-JBPR)

### Donations and Tax Receipts Policy

As a Canadian registered charity, FTH-JBPR is pleased to be authorised by the Canada Revenue Agency (CRA) to issue official tax receipts to its financial supporters. When we issue tax receipts, we comply fully with all applicable Canadian tax laws and regulations. This document describes our understanding of how those rules apply to the sorts of gifts that we ordinarily receive from our supporters. These rules do change from time to time and if there are discrepancies between what we've written here and current Canada Revenue Agency policy, their interpretation shall prevail.

Tax receipts for donations to FTH-JBPR may only be issued by the FTH-JBPR treasurer. When a donation that furthers the charitable purposes of FTH-JBPR is made, it is possible for FTH-JBPR to have an appropriate donation receipt issued early in the year following the year when the donation is received.

### Is an official tax receipt needed?

Official tax receipts are only of value to donors who wish to report the value of the donation on their Canadian income tax return and claim a tax credit against their income tax liability. In some cases, especially with donors which are businesses, an official receipt is not of any value as the value of the donation may be an allowable deduction from the donor's income as an amount expended to earn income. An official tax receipt is also of no value in cases where a donor has no Canadian income.

FTH-JBPR can always issue an ordinary (non-tax deductible) receipt or letter acknowledging a donation. The policies set out in this document only apply to the issuance of official charitable tax receipts.

### Date of the donation and the tax year of the receipt:

In order for gifts to be eligible for a tax receipt in a particular year, FTH-JBPR must have received the gift by the last day of December of that year, or the letter containing the donation must be postmarked no later than December 31st.

### Who gets the receipt?

A receipt may only be issued to the actual donor to FTH-JBPR. If the donor is an individual, the receipt will be issued in the name of that individual at their home address, which must be provided. If a corporation has made the donation, and if a tax receipt is requested, the receipt will be issued in the company name at their corporate address. An individual or corporation cannot receive a donation receipt for money that was not donated by them.

### How is the receipt issued by FTH-JBPR?

In order to keep administrative costs to a minimum, FTH-JBPR will request a valid email address from a donor when a donation is made. Early in the year following the year that the donation was made, tax receipts will be issued to donors via email for valid email addresses on file. Where FTH-JBPR does not have a valid email address, tax receipts will be mailed via Canada Post. **NOTE that FTH-JBPR does not share or sell any donor information and keeps all donor information strictly confidential.**

## **Monetary Donations - When tax receipts can and cannot be issued:**

FTH-JBPR will issue tax receipts for the full amount of cumulative monetary donations adding up to \$15.00 or more in a given year.

### **Exceptions:**

**Adopting a dog:** while FTH-JBPR does not charge an adoption fee, adopters are asked to cover initial vet costs (usually around \$50). A tax receipt cannot be issued for this amount. Any donations made above these costs qualify for a tax receipt.

**Payments for auction items:** Generally, FTH-JBPR will not issue a tax receipt for any portion of the purchase price of an item purchased at a fundraising auction. Exceptions may apply and those exceptions will be outlined in the notice for the event. For purchases at those events, where the value of an item can be determined (e.g. there is a retail price for the item) and is made known to all bidders in advance and where the amount paid for the item exceeds the posted value by at least 25%, FTH-JBPR can issue an official donation receipt for the amount in excess of the posted value. **Note** that FTH-JBPR will only consider this for events directly under FTH-JBPR control.

## **Donations of property - When tax receipts can and cannot be issued:**

In the context it is used by the CRA when considering gifts to a charity, "*property*" usually means *things*. Property includes real estate (legally called *real property*) but also includes all of the tangible possessions legally called *personal property* (dog food, dog supplies, art, etc). In limited situations, the CRA accepts that *intangible property* (such as a *right* to acquire something in the future) can exist and that a donation of such intangible property may qualify for a tax receipt (see *Donations of Gift Certificates*, below in this section).

In most cases, FTH-JBPR is allowed to issue a tax receipt for the full fair market value of donated property. An original receipt from a merchant or company that clearly shows the company name, date of purchase, description of goods/property, and the purchase price is a valid method of establishing the fair market value of donated property

### **Exceptions:**

**Where fair market value cannot be determined:** If the fair market value of donated property cannot be determined, we are not allowed to issue a tax receipt.

**Donations of property which has been owned by an individual for less than three years:** If an individual is donating property they have owned for less than three years *and* the property was acquired under a gifting arrangement that is a tax shelter, FTH-JBPR is only permitted to issue a tax receipt for the *lesser* of fair market value or the individual's acquisition cost for the property.

### **Donations of property where the donor receives something in return (see below)**

**Calculating fair market value (FMV)** - Under the Canada Revenue Agency guidelines, fair market value means "the highest price, expressed in dollars, which a property would bring in an open and unrestricted market, between a willing buyer and a willing seller, both of whom are knowledgeable, informed, and prudent, and who are acting independently of each other."

The policy of the Canada Revenue Agency is that if the FMV of a gift of property is \$1,000 or less, a qualified staff member of FTH-JBPR can appraise the gift. If the FMV is more than \$1,000, the Canada Revenue Agency strongly recommends that the property be appraised by someone who is not associated with either the donor or the charity receiving the gift. The person who determines the FMV value of the property must be competent and qualified to evaluate the particular property being transferred to FTH-JBPR (see also *Donations of art* below).

***Gifts from the inventory of a business:*** FTH-JBPR is permitted to issue a tax receipt for the FMV of a donation of property from the inventory of a business, provided there has been no material benefit to the business such as promotion or advertising. Generally FTH-JBPR will issue a (non-tax) receipt to acknowledge the donation of property from the inventory of a business provided the business establishes the FMV of the goods.

***Donations of art:*** There are two common scenarios:

*Art donated from a private collection by a donor who is not the artist and not an art dealer* – this would be treated like any other donation of property and eligible for a tax receipt, subject to the three year rule set out above;

*Art donated by the artist or an art dealer* – are treated by the CRA as donations from inventory and are eligible for a tax receipt up to the FMV of the art. An independent appraiser who is not financially connected to the donor, FTH-JBPR, the art dealer, or the artist must appraise works of art with an estimated FMV of \$1,000 or more. Generally FTH-JBPR will expect the donor to assume the appraisal costs.

***Donations of gift certificates:***

***gift certificate:*** a certificate having a stated monetary value that entitles the recipient to purchase goods and/or services in the establishment of the issuer

***issuer:*** the person (individual, retailer, business) that creates a gift certificate redeemable for goods and/or services from that person

In some cases, the CRA will consider the rights that come with a gift certificate to be *intangible property* themselves. Donations of gift certificates to FTH-JBPR, even if the gift certificate is for services, may be eligible for a tax receipt or they may not, depending on several factors, including whether the issuer or someone who has purchased it from the issuer is donating the certificate.

If the gift certificate for property or for services is donated to FTH-JBPR, we are permitted to issue a tax receipt to the donor for the FMV of the gift certificate when:

- (i) the donor is not the issuer of the gift certificate;
- (ii) the donor has paid for the gift certificate;
- (iii) the terms of the gift certificate allow its ownership to be transferred;
- (iv) the FMV of the gift certificate can be determined.

If the issuer of a gift certificate for property (not services) donates it directly to FTH-JBPR for FTH-JBPR to use itself, we are permitted to issue a tax receipt to the donor for its FMV, but *only when* the certificate is redeemed by FTH-JBPR for some kind of property.

Because the rules about donations of gift certificate by an issuer are complex, we recommend that each case

should be discussed with the donor's tax advisors and with FTH-JBPR in advance.

## **Donations (cash or property) when the donor receives something in return:**

### **Sponsorships:**

FTH-JBPR is not permitted to issue a charitable tax receipt to a company which sponsors an event or receives advertising or promotion on FTH-JBPR's website. The CRA defines sponsorship as when a business makes a donation to a charity and, in return, receives advertising or promotion of its brand, products or services. The CRA states that it is difficult, if not impossible, to establish a fair market value for sponsorship and when the fair market value cannot be determined, a receipt cannot be issued.

### **Donations of services – When tax receipts can and cannot be issued:**

CRA rules do not allow tax receipts to be issued for donations of services, including donations of time, skills or effort. In most cases where services are donated to FTH-JBPR by a business, the business should be able to claim the costs of providing those services as a deduction from income as a promotional expense.

*A limited exception - cheque swaps for donations of services* – Subject to strict rules, the CRA will allow FTH-JBPR to issue a tax receipt if we pay for the services that are provided and the service provider then independently chooses to donate that amount back to us as a cash donation. This is sometimes called a cheque swap.

**Additional information:**

Additional information is available on the following CRA web pages:

**Gifts and Income Tax**

[http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html#P240\\_32321](http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html#P240_32321)

[http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html#P84\\_4402](http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html#P84_4402)

**Gifts of Services**

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-017-eng.html>

**Gifts in Kind to Charity and Others**

<http://www.cra-arc.gc.ca/E/pub/tp/it297r2/it297r2-e.html>

**Summary Policy (Property donated to a charity auction)**

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/csp/csp-a15-eng.html>

**Gifts and Official Donation Receipts**

<http://www.cra-arc.gc.ca/E/pub/tp/it110r3/it110r3-e.html>

**Donations of Gift Certificates**

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/prtng/gfts/crtfct-eng.html>

**Official donation receipts - Whether gifts out of inventory qualify as charitable donations**

<http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cpc/cpc-018-eng.html>

**Visual Artists and Writers**

[http://www.cra-arc.gc.ca/E/pub/tp/it504r2-consolid/it504r2-consolid-e.html#P117\\_15192](http://www.cra-arc.gc.ca/E/pub/tp/it504r2-consolid/it504r2-consolid-e.html#P117_15192)

**Questions and answers (FAQ)**

<http://www.cra-arc.gc.ca/chrts-gvng/dnrs/fq-eng.html>

Please notify us if any of these links are no longer valid.