

To: Finance Committee

From: Stephanie Sinnott, Commissioner, Finance Services,  
Finance Services

Report Number: FIN-19-98

Date of Report: November 20, 2019

Date of Meeting: November 25, 2019

Subject: Donations & Official Donation Receipt Policy

File: C-1000

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## **1.0 Purpose**

This report responds to Council Direction regarding report CS-19-46 concerning Oshawa Animal Services

“That staff prepare a donation and income tax receipt policy and associated donation tab to Oshawa’s website, as appropriate, including one on the Oshawa Animal Services webpage and that staff report back to the Finance Committee on this matter.”

## **2.0 Recommendation**

That the Finance Committee recommend to City Council:

1. That the Donations & Official Donation Tax Receipt Policy attached to Report FIN-19-98, dated November 20, 2019 be approved; and,
2. That the procurement of the income tax receipt generation software be approved.

## **3.0 Executive Summary**

Not applicable

## **4.0 Input From Other Sources**

Not applicable

## **5.0 Analysis**

The City adheres to all legislation and where applicable adopts financial policies to guide financial operations. Adopting appropriate financial control policies is a recognized best practice.

The City recognized a need to create a donations and income tax receipt policy to ensure that there are clear expectations and alignment with the Canada Revenue Agency rules and regulations.

Attachment 1 to this report is the Donations & Official Donation Tax Receipt.

The City currently uses a software product called Form Builder. Donation receipts can be auto generated through enabling additional functionality in Form Builder at a cost of approximately \$2,500.

Following approval of the Donations & Official Donation Tax Receipt Policy, staff will proceed with the application of a donations tab on the City's website. It is anticipated that this will be available in early 2020.

## **6.0 Financial Implications**

There are no financial implications resulting from the approval of the Donations & Official Donation Tax Receipt Policy.

This cost to purchase the software enhancement to automate the issuance of tax receipts will be approximately \$2,500 and can be accommodated in the Finance Services budget.

## **7.0 Relationship to the Oshawa Strategic Plan**

This report supports the Oshawa Strategic Plan goals of Financial Stewardship and Accountable Leadership by ensuring respect, responsiveness and transparency.



Stephanie Sinnott, Commissioner, Finance Services,  
Finance Services



*Corporate Policies – Finance Services*

Policy: <b>Donation &amp; Official Donation Tax Receipt Policy</b>			
Issued: November 19, 2019	Revised:	Page: 1 of 7	Number:
Related Policies:			

**POLICY ACCOUNTABILITY FRAMEWORK**

The City of Oshawa (the City) will issue Official Donation Tax Receipts that qualify as charitable donations. If requested, The City will issue official income tax receipts to donors for eligible donations with a monetary or net fair market value of \$20.00 or more.

The City recognizes that individuals or organizations may wish to make donations to support City programs or services. This policy sets out the process for establishing methods for accepting donations and issuing Official Donation Tax Receipts for income tax purposes.

The City is committed to following all rules and regulations regarding tax receipting set out by the Canada Revenue Agency (CRA). Failure to comply with the Income Tax Act and its regulations could result in the CRA issuing a suspension of receipting privileges or the municipality being delisted as a “qualified donee” and therefore no longer be able to issue Official Donation Tax Receipts.

The policy contents and procedures contained within are applicable to all City staff, all members of Council, all Council Standing Committees and Advisory Committees.

**POLICY SCOPE**

The policy applies to all departments within the City of Oshawa regarding donations that are intended to support projects, programs or services offered by the City.

Staff may initiate a fundraiser on behalf of an outside organization (such as a hospital, charity, United Way, etc). Since these initiatives are not in support of City projects, programs or services, they are not subject to this policy. The City will not issue receipts for income tax purposes for fundraisers of this type. If Official Donation Tax Receipts for income tax purposes are required for these fundraisers arrangements for tracking donations and issuing receipts arrangements must be made between the staff responsible for the fundraiser and the organization receiving the donated funds.

This policy does not apply to sponsorships as sponsorship funding is not considered a donation. As defined a Third Party Advertising/Sponsorship Agreement means an agreement pursuant to which a third party uses City property or services in consideration of the third party’s payment of money or provision of things of value to the City.

Contributions of skills or time through volunteer services may be accepted as a donation but, in accordance with Canadian Revenue Agency guidelines, do not qualify as donations for the purpose of Official Donation Tax Receipts.

## **POLICY DETAILS**

### **1. Definitions:**

**Charitable Donations** – voluntary transfers of tangible property, including cash. *The Canada Revenue Agency (CRA) defines donation as “a voluntary transfer of property owned by a donor to a donee, in return for which no benefit accrues to the donor”.*

**Donations Gifts in-kind / Non-monetary donations** – tangible property, other than cash, that are eligible donations.

**Fair Market Value (FMV)** – The highest dollar value that property will bring in an open and unrestricted market, between the willing buyer and the willing seller who are knowledgeable, informed and prudent and who are acting independently of each other. *Note: The FMV does not include taxes, commissions, etc. If the FMV cannot be established then a tax receipt cannot be issued.*

**Non-qualifying Donations** – donation that cannot be acknowledged with an official income tax receipt for income tax purposes, in accordance with CRA guidelines.

**Official Donation Tax Receipts** - the official receipt that is issued by the City to be used for donor income taxes in exchange for a qualifying donation as per the definition of charitable donations.

### **2. Responsibility:**

When a donation is received from a donor, it is the responsibility of the Treasurer (or Deputy Treasurer) to determine whether or not the donation qualifies for an income tax receipt, and also the amount that qualifies as a donation for tax purposes. It is the responsibility of the Treasurer (or Deputy Treasurer) to issue and authorize all Official Donation Tax Receipts issued by The Corporation of the City of Oshawa.

City staff collecting the non-monetary donations should not promise the donor or potential donor an Official Donation Tax Receipt without first confirming with the Treasurer (or Deputy Treasurer) that the donation does indeed qualify for a tax receipt.

The guidelines for the issuance of the Official Donation Tax Receipts are outlined in the procedure section (section 4) of this policy.

### **3. Policy Guidelines:**

#### **Monetary Donation Guidelines:**

The City of Oshawa will issue Official Donation Tax Receipts for monetary donations in the current year:

- To the individual or organization who made the donation;
- If the eligible amount is \$20.00 or greater;
- The donation was received by the last business day of December or the donation is postmarked prior to December 31<sup>st</sup>.

### **Non-Monetary Donation (Gifts in-kind) Guidelines:**

All gifts in-kind are subject to a formal offer and review process. At the Treasurers (or Deputy Treasurer) discretion and determination, gifts in-kind may qualify for an Official Donation Tax Receipt after a review of criteria, including:

- Compliance with the City's by-laws and policies;
- Conflict of interest or potential for an appearance of a conflict of interest;
- Associated risks (i.e., financial risk, political risk, reputational risk, health and safety issues);
- Usefulness of the donation;
- Condition of the donation;
- Cost benefit analysis as completed by the department receiving the donation and as approved by the department Commissioner considering available financial resources required for installation, storage, maintenance and other relevant costs, such as insurance;
- Availability for full and unencumbered transfer of ownership/title, and a donor release to allow for such a transfer.

### **Tree and Bench Donation Program**

For information on the City's Commemorative Tree and Bench Donation Program, refer to the City's website: <https://www.oshawa.ca/things-to-do/tree-and-bench-program.asp>

### **Non-qualifying Donations**

Donations that cannot be acknowledged with an Official Donation Tax Receipt for income tax purposes in accordance with CRA guidelines includes:

- Intangibles such as services, time, skills, effort;
- Donations that are given to the City as a flow through to a specified recipient;
- Donations of business marketing products such as supplies and merchandise;
- A gift in-kind for which a FMV cannot be determined;
- Sponsorship in the form of cash, goods or services towards an event, project, program or corporate asset, in return for commercial benefits (i.e. logo placement). 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 benefitting both parties.

Occasionally the Treasurer (or Deputy Treasurer) may decline a donation if the donor is:

- Concurrently seeking an approval, permit, license or planning application from the City;
- A bidder, proponent or applicant to a procurement during the procurement solicitation period from the time of bid issuance until contract award, and/or
- For any other reasons at the discretion of the City.

### Issuance of Official Donation Receipts for Income Tax Purposes

In accordance with CRA guidelines it is the responsibility of the City to collect and maintain records for issuance of Official Donation Tax Receipts. If a donation is deemed eligible the income tax receipt can be issued and must be legible and shown in a way that cannot be easily altered. Official Donation Tax Receipts must have the following:

Description	Monetary donations	Non-monetary donations
A statement that it is an official receipt for income tax purposes	X	X
The name and address of the qualified Donee	X	X
A unique serial number	X	X
The location where the receipt was issued	X	X
The date the donation was received	X	X
The date the receipt was issued	X	X
The name and address of the donor	X	X
The amount of the donation	X	X
The signature of an individual authorized by the qualified Donee	X	X
A brief description of the non-monetary donation received		X
The FMV of the non-monetary donation		X
The name and address of the appraiser (if the non-monetary donation was appraised)		X

## Procedure

### **In person monetary donations made at a City facility:**

In all cases where donations are received in-person at a City facility the following procedure applies in which the City employee receiving the donation must:

- Complete the on-line Donation Form (in Form Builder) obtaining all pertinent information (i.e. name, including middle initial if available, address of donor, e-mail address of donor, amount of donation, and direction as to the use or intent of the donation);
- Create an entry in Intelli Manager by selecting the appropriate item so that the payment is recorded and the accounting generated.

### **By cheque:**

When a donation is made by cheque, the cheque must be payable to “The City of Oshawa” rather than a City department or branch.

Once the City employee has completed the on-line Donation Form and recorded payment, the following will occur:

- If the cheque is \$20.00 or greater, and the donor requests an Official Donation Tax Receipt, the on-line Donation Form will auto-send a request to Finance Services at [FinancialServices@Oshawa.ca](mailto:FinancialServices@Oshawa.ca);
- Finance Services will issue an income tax receipt by e-mail to the donor. Receipts for donations made by cheque will not be issued until at least 10 days after the donation has been deposited to the City’s bank to allow time for cheque clearing. Official Donation Tax Receipts are issued to the date the funds were received.

### **By cash/debit or credit card:**

Once the City employee has completed the on-line Donation Form and recorded payment, the following will occur:

- The Official Donation Tax Receipts will immediately be auto-sent to the individual’s email address with a copy to Finance Services at [FinancialServices@Oshawa.ca](mailto:FinancialServices@Oshawa.ca), if the donation is \$20.00 or greater and if the donor has requested an official donation receipt.

### **On-line monetary donations:**

#### **By debit or credit card:**

When a donation is made on-line by debit or credit card the donor will go to the City of Oshawa portal:

- Complete the on-line Donation Form completing all pertinent information (i.e. name, including middle initial if available, address of donor, e-mail address of the donor, amount of donation, and direction as to the use or intent of the donation).
- The Official Donation Tax Receipts will immediately be auto-sent to the individual’s email address with a copy to Finance Services at

[FinancialServices@Oshawa.ca](mailto:FinancialServices@Oshawa.ca), if the donation is \$20.00 or greater and if the donor has requested an official donation receipt.

- Finance Services will notify the department of the donation and record the appropriate accounting

### **Non-Monetary Donation (Gifts in-kind):**

The City of Oshawa will only issue an Official Donation Tax Receipt if the non-monetary donation is in compliance with the guidelines outlines in section 3 of this policy.

If the item is valued at \$1,000 or less, a City employee qualified to make the appraisal for such items may complete an appraisal of the item.

If the item is valued at more than \$1,000 outside appraisers are required and shall be engaged in accordance with the Purchasing By-Law, unless there is already a market for the item from which a Fair Market Value can be ascertained. In all cases where multiple appraisals are obtained the average of these appraisals shall be used to determine the Fair Market Value. If two appraised values are significantly different than a third value may be requested in an effort to clarify the true value.

An Official Donation Tax Receipt, for income tax purposes can be issued by Finance Services only after the completion of the Donation Form. Finance Services will evaluate the reasonableness of the Fair Market Value prior to issuance of the tax receipt. The tax receipt shall include all relevant information outlined in the “table” in Section 3 of this policy

Finance Services will notify the department of the donation and record the appropriate accounting.

All Official Donation Tax Receipt for non-monetary donations will be issued by Finance Services four (4) times a year, at least once per quarter.

### **City’s Commemorative Tree and Bench Donation Program:**

When a donation is made under this program the department will communicate with Finance Services in which Finance Services will assess the donation in relation to the General Fees & Charges By-Law 13-2003 approved February 24, 2003 and as amended and approved November 4, 2019, and issue the official donation receipt for tax purposes.

### **Conflict Resolution**

Where there is a conflict between this policy and governmental legislation (for example, the Income Tax Act) then the more restrictive shall apply.

### **Policy Review**

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

Minor changes to or deviations from this policy may be made by the Commissioner of Finance Services/Treasurer. Any significant changes must be approved by City Council.