



## Issuing Charitable Tax Receipts Guidelines & Requirements

The Princess Margaret Hospital Foundation (PMHF) will be pleased to issue charitable tax receipts upon request in accordance with the rules & regulations of Canada Revenue Agency (CRA). Our strict adherence to these rules and regulations is crucial to protecting the charitable status of the Foundation.

It is very important that you understand all of the rules about tax receipts, as they are explained in the following document, BEFORE offering a donor a tax receipt. If you are unclear, please call us – we are here to help.

It is your responsibility to share the information in this document and communicate decisions surrounding tax receipting to your entire event committee so they are able to discuss in detail with event sponsors, donors, participants, etc. what you can and cannot offer.

### **What is a Charitable Gift?**

A Charitable gift must meet all three criteria -

1. Transfer of some form of property – cash or other, to a registered charitable organization
2. Be given voluntarily
3. No benefit is expected by the donor

In general, if there is a “benefit” for the donation / if the donor receives something in return for the donation, then a tax receipt is not usually issued.

### **General Tax Receipt Information**

To help determine if the gift is eligible for a tax receipt, we request:

1. You have submitted a completed *'Event Proposal & Budget'* form and received formal approval, in the form of an endorsement letter, from the PMHF Special Events Department.
2. The required tax receipt information, (name, full mailing address, total donation) as well as the *'Post-Event Financial Summary'*, is received within 45 days of your event.
3. Generally, we will not receipt for donations of less than \$15.00.
4. The tax receipt is being issued to the person/company who made the donation (unless the cheque issuer acts as a donation collector and issues a complete list of donor details and amount given).
5. The rules and regulations additionally applicable for your specific type of event are followed.



6. The total value of issued receipts cannot exceed the net proceeds of the events.

**Please note:** A business receipt can be provided to sponsors or other corporate contributors as proof of payment. Most companies prefer to claim contributions as business expenses as there is a greater tax advantage for a business expense write-off than a charitable donation.

## Individual Contributions

Individuals can give in the following ways:

### Donations and Pledges

- If money or a “pledge” is given directly to PMHF, in the form of a cheque or cash donation, then we can issue a charitable receipt to the person who gave the donation.
  - i) The donation must be \$15.00 or greater to receive a tax receipt.
  - ii) The full name and address (including postal code) and the amount given must be submitted.

### Auction Purchases

- If someone purchases an item at an auction, they are receiving a benefit (the purchased item, as well as the opportunity to participate in the auction) for their money and thus a tax receipt will **NOT** be issued.

### Purchase of a Ticket or Entrance Fee to an Event

- The person is receiving a benefit in return for the donation, thus a tax receipt is not usually issued.
- **The exception to this is** if the ticket or entrance fee price exceeds **the FAIR MARKET VALUE (FMV)** (advantage) of the event. (The difference between the ticket price and the advantage should be minimum 20% of ticket price or \$15 whichever is higher). The FMV would include: any products or services, entertainment, food and drinks, or any other benefit to the participant. The benefit calculation should include value of all donated goods or services provided and used for the event. For example: If someone buys a gala ticket for \$200 and the FMV of the show, gift, food and drinks is \$125, then a tax receipt can be issued for \$75.00 (the part of the ticket price that reflects the true donation beyond the value of the gala).
- If you anticipate requesting individual receipts for event participants for a calculated charitable donation portion of your set ticket price, this amount must be clearly identified and differentiated from “fair market value” of the event (as determined by CRA). This amount **MUST** be discussed with your assigned member of the Special Events Team **BEFORE** you can make any commitment to your event participants to ensure compliance with all CRA regulations. In other words, if you have calculated all the costs per person at \$100 and you are charging \$200 per ticket, you may be allowed to issue the tax receipt for \$100 but this must be approved by our Special Events Staff as it may involve a more complex calculation.



## Gift in Kind Donations

- Gift-in-Kind receipts can be issued at lower of the fair market value or the cost of the materials goods, if the donors acquired the goods less than three years before the gift date or if the donors acquired the goods with the intention to donate.
- If an individual donates an item, the donor:
  - needs to sign the donation agreement form
  - provide proof of cost of purchase
  - establish fair market value of the goods -
    - For items used for auction at the event, the auction proceeds (highest bid) will be considered as fair market value
    - Have an independent third party appraisal to value the item for those items not auctioned plus provide a purchase invoice or other proof of purchase

## Donation of Services

- A tax receipt **CANNOT** be issued for any personal services including legal, entertainment, transportation, dining services or rental of vacation properties.

## Corporate Contributions

Corporations can give in the following ways:

### Sponsorships, Donations and Pledges

- If the contributor is a corporation, 100 per cent of the contribution is deductible as a business promotional expense. If the corporation receives no benefits (i.e. advertising in a brochure, logo recognition, tickets, etc.), a business receipt (letter of acknowledgement) can be issued at the request of the corporation.

### Businesses Donating Inventory

- Businesses can deduct the original cost of the inventory as a business expense and not lose the tax benefit associated with the transfer of property.
- The Foundation can provide the donor with a business receipt (letter of acknowledgement) stating the value of the gift (requires invoice marked paid to be issued by the business). This can be used to write off the inventory donation.

### Gift in Kind Donations (Items purchased and donated)

- Businesses can deduct the cost of the donated items, as a business expense and not lose the tax benefit associated with the transfer of property.
- The Foundation can provide the donor with a business receipt (letter of acknowledgement) stating the value of the gift (requires proof of original cost paid by the business)

### Donation of Services

- Tax receipts **CANNOT** be issued for services provided, including; personal, professional, or legal services.



## Fair Market Value

- Fair market value is “the highest price, expressed in a dollar amount that the property (good) would bring, in an open and unrestricted market, between a willing buyer and a willing seller who are knowledgeable, informed and prudent and who are acting independently of each other”.
- Fair market value does not include taxes, commission, etc.
- If the fair market value cannot be established (e.g., what is the value of meeting a celebrity?), then a tax receipt cannot be issued.
- Even if a sponsor has paid to cover costs, or has donated or discounted the price of the entertainment, food, etc, the same rule applies and only the price beyond the fair market value would apply for a tax receipt.
- A complete list of all benefits to the participants and their value must be included in your documentation in order for tax receipts to be issued. Your “benefits” list must also include items and services donated or discounted for the event.

## Donations of Artwork

Gifts in Kind rules would apply to donation of artwork. Additional information required for donations of artwork:

- a list of credentials for the appraiser
- a history of the artist
- a description, picture and history of the piece of artwork including significant points of reference
- the methodology used to value the artwork
- reference to recent market purchases used to substantiate market value
- proof of the date of acquisition and costs of purchase of the artwork .
- One page boiler plate appraisals, e-mailed appraisals, scribbled appraisals, or appraisals written in pencil are not valid.
- Appraisals must be signed by the appraiser.

## Donations of Wine

Gifts in Kind rules would apply to donation of wine. Additional information o required for donations of wine:

- a list of credentials for the appraiser
- a description of the wine donated and its physical state or other relevant conditions
- the methodology used to value the wine
- reference to recent market purchases used to substantiate market value
- proof of the date of acquisition and cost of purchase of the wine
- one page boiler plate appraisals, e-mailed appraisals, scribbled appraisals, or appraisals written in pencil are not valid. Appraisals must be signed by the appraiser.