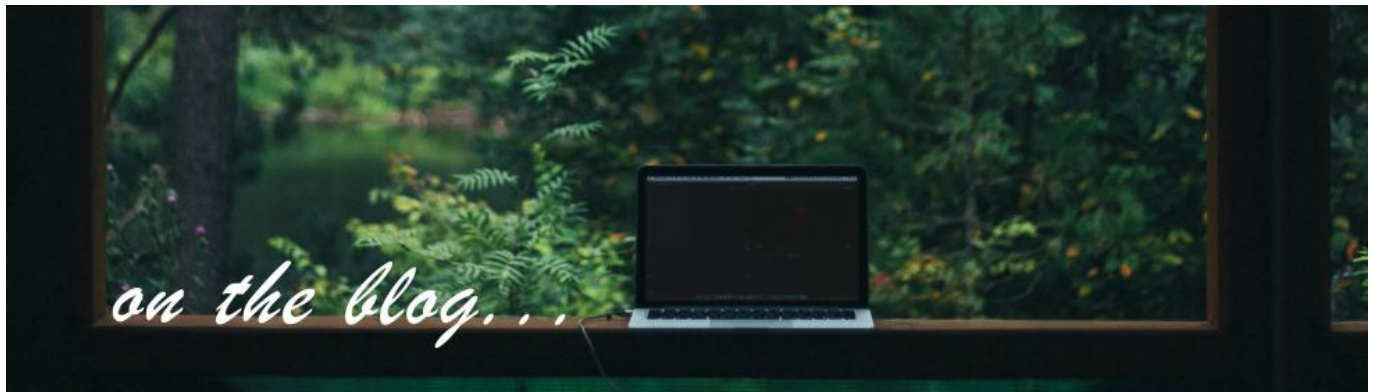


Charitable Donations - Tax Receipts and Fair Market Value

Blog
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Board: Effective Governance



The most important benefit that Canadian registered charities receive is the ability to issue "official donation receipts." When a donation is made to a charity, the charity has the ability to issue a donation receipt which will be tax-deductible to the donor.

Although a charity is not legally required to issue a donation receipt, it usually does so as an incentive to donors. The charity must issue receipts with very specific information.

The Canada Revenue Agency (CRA) suggests that registered charities issue receipts by the last day of February of the calendar year that follows the year of the donation. This allows individual taxpayers to claim their donations on their annual income tax returns.

When Can a Charitable Donation Receipt be Issued?

Before a charitable donation receipt can be issued, a charity must first determine if the donation is a gift. A gift is a donation that is given freely, and not as a result of an obligation. In addition, the gift has to be a transfer of property, i.e., a gift of service is not eligible for a donation receipt.

Split Receipting

Split receipting is required when a charity receives a donation but provides an advantage to the donor (an advantage being when the donor receives something in return for the donation). Therefore the amount on the donation receipt is reduced by the value of the advantage provided to the donor. For example, if a charity gala ticket costs \$300, but the value of the meal and entertainment provided is \$100, the charity would issue a donation receipt for \$200.

There is an exception from split receipting when the advantage is less than \$75 or 10% of the donation, whichever is less. In that case, a receipt can be issued for the full value of the donation, meaning no reduction is required.

No receipt can be issued if the advantage exceeds 80% of the donation, as the CRA considers the donor to have no real intention of making a gift.

How to Determine Fair Market Value

To determine the eligible amount of a gift for [tax purposes](#), a charity must know the fair market value of the donation, as well as the fair market value of the advantage provided to the donor, if any. If a charity is unable to determine the fair market value of either the gift or advantage, a tax donation receipt cannot be issued.

The Canada Revenue Agency (CRA) indicates that fair market value, "is usually the highest dollar value you can get for your property in an open and unrestricted market and between a willing buyer and a willing seller who are knowledgeable, informed, and acting independently of each other."

For gifts of \$1,000 or less, someone within the charity with knowledge of the gift may determine the value of donated goods for tax purposes. However, if the gift is to be appraised at an amount higher than \$1,000, then it is strongly recommended by CRA that an independent, professional appraiser prepare a donation appraisal report to determine the value of the gift. The donation receipt should also show the name of the appraiser

who established the value.

A record of how the fair market value was determined should be maintained by the charity. A charity cannot issue an official donation receipt in the name of anyone but the true donor. The name and address of the donor must appear on the tax donation receipt, in addition to several other key pieces of information.

Donation Receipt

The 12 key areas that need to be completed on an official donation receipt are as follows:

1. Receipt number;
2. Charity name;
3. Charity address;
4. Charity registration number;
5. Date of the donation;
6. Donor's first name, initial, and last name;
7. Address of the donor;
8. The total amount of the gift received;
9. The eligible amount of the gift received for tax purposes (which takes into account the FMV and any advantage);
10. The date the receipt was issued;
11. Location the receipt was issued; and
12. Authorized signature of the charity.

If the gift is non-cash, some additional items need to be included on the donation receipt, such as the description of the donation and, if applicable, the appraised amount and the appraiser's name.

We are Here to Help

Manning Elliott is here to help if you have any questions about tax receipting and fair market value as it relates to charitable donations. To submit an inquiry, please [contact a member of our NPO team](#).

The above content is believed to be accurate as of the date of posting. Tax laws are complex and are subject to frequent changes. Professional advice should be sought before implementing any tax planning. Manning Elliott LLP cannot accept any liability for the tax consequences that may result from acting based on the information contained therein.

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