

Trout Unlimited Canada Policy Regarding Donations and Tax Receipts

As a Canadian registered charity, the national office of Trout Unlimited Canada 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 internal 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 say below and current Canada Revenue Agency policy, its interpretation shall govern.

Tax receipts for donations to Trout Unlimited Canada may only be issued by the national office. Individual Trout Unlimited Canada chapters across Canada are not separate Canadian registered charities and therefore are not able to issue donation receipts on their own. When a donation that furthers the charitable purposes of Trout Unlimited Canada is made through a Trout Unlimited Canada chapter, it is possible for the chapter to work with Trout Unlimited Canada to have an appropriate donation receipt issued.

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 the case of individual and trust donors and claim a tax deduction in the case of corporate donors. 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 non-resident donor has no Canadian income.

Trout Unlimited Canada can always issue an ordinary 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, Trout Unlimited Canada must have received the gift by the last business day of December of that year, or the letter containing the donation must be postmarked prior to December 31st.

Who gets the official donation tax receipt?

A receipt may only be issued to the actual donor to Trout Unlimited Canada. If the donor is an individual or trust, the receipt will be issued in the name of that individual at his/her home address or in the name of the trust at its 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, trust or corporation cannot receive a donation receipt for money or property that was not donated by him/her/it.

Donations of cash - When tax receipts can and cannot be issued:

Trout Unlimited Canada will issue official donation tax receipts for the full amount of donations of cash over \$20.00 or where a donor explicitly requests an official donation tax receipt.

Exceptions:

- **Payments for Trout Unlimited Canada memberships, event tickets (subject to the comments below under “Donations of cash or property where some advantage is received by the donor or a person related to the donor in return”), raffle tickets or lottery tickets:** Trout Unlimited Canada cannot issue a tax receipt for these kinds of payments because they do not constitute gifts to the organisation;
- **Payments for auction items:** Generally, Trout Unlimited Canada will not issue a tax receipt for any portion of the purchase price of an item purchased at a fundraising auction. Exceptions may apply at certain events and those exceptions will be outlined in the dinner program for the event. For purchases at those events, where the value of an item can be determined 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%, Trout Unlimited Canada can issue an official donation receipt for the amount in excess of the posted value;
- **Payments where the donor or a person related to the donor receives, obtains or is entitled to something or a benefit in return** (see below)

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* (cars, boats, art, appliances, fly rods 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 to be tax receipted (see *Donations of Gift Certificates*, below in this section).

In most cases, Trout Unlimited Canada is allowed to issue a tax receipt for the full fair market value of donated property provided the property is an acceptable asset to Trout Unlimited Canada

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 a donor for less than three years:** If a donor is donating property it has owned for less than three years, or within 10 years if one of the main reasons to acquire the property was to donate that property, or has acquired the property under a gifting arrangement that is a tax shelter, Trout Unlimited Canada is only permitted to

issue a tax receipt for the *lesser* of fair market value or the donor's acquisition cost for the property. The properties that are excluded from this exception are:

- inventory property;
 - real property located in Canada;
 - certified cultural property;
 - ecologically sensitive land;
 - shares, debt obligations or rights listed on a designated stock exchange (a prescribed stock exchange in the former rules);
 - shares in a mutual fund corporation, units in a mutual fund trust and segregated fund units;
 - prescribed debt obligations;
 - shares of a corporation controlled by the donor or persons related to the donor immediately before the gift; and
 - property of a corporation, if the property was acquired:
 - by the corporation in consideration for shares of the corporation in a rollover transaction; and
 - from a controlling shareholder or a person related to a corporation.
- **Donations of property where the donor receives or a person related to the donor receives, obtains or is entitled to something or a benefit in return (see below)**

Calculating fair market value - 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 fair market value of a gift of property is \$1,000 or less, a qualified staff member of Trout Unlimited Canada can appraise the gift. If the fair market value 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 fair market value of the property must be competent and qualified to evaluate the particular property being transferred to Trout Unlimited Canada.”

Gifts from the inventory of a business: Trout Unlimited Canada is permitted to issue a tax receipt for the fair market value 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.

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 or the 10-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 fair market value of the art.

Donations of gift certificates: 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 Trout Unlimited Canada,

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. *Issuer* means the person or business which will be required to provide the goods or services covered by the certificate.

If the gift certificate for property or for services is donated to Trout Unlimited Canada as an auction item, we are permitted to issue a tax receipt to the donor for the fair market value 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 fair market value of the gift certificate can be determined.

If the issuer of a gift certificate for property (not services) donates it directly to Trout Unlimited Canada for Trout Unlimited to use itself, we are permitted to issue a tax receipt to the donor for its fair market value, but only when the certificate is redeemed by Trout Unlimited Canada for some kind of property.

Because the rules about donations of gift certificate donations are complex, we recommend that each case should be discussed with the donor's tax advisors and with Trout Unlimited Canada in advance.

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

In some cases, Trout Unlimited Canada will give a donor something in return for their donation. This could be dinner and an evening's entertainment at a fundraising event or a simple gift of appreciation for donations above a certain value (CRA calls items given in return for a gift "advantages"). In some of these cases, it is possible for us to issue a "split receipt", that is, a receipt for only part of the value of the gift. The receipt may be issued for the value of the gift, less the value of the advantage given in return for the gift. However, CRA has two important rules about the size of advantage relative to the gift:

- Very small advantages do not need to be deducted from the amount of the receipt. Specifically, advantages that are both \$75 or less in value and less than 10% of the value of the gift can be ignored when determining the amount of the tax receipt, and a tax receipt may be issued for the full amount of the gift;
- Large advantages mean that no tax receipt can be issued. Specifically, if the value of the advantage is more than 80% of the value of the gift, then no receipt may be issued for the gift.

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 Trout Unlimited Canada 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 Trout Unlimited Canada 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 called a cheque swap.

Other Types of Gifts:

Trout Unlimited Canada is able to accept all of the following types of gifts. Because of the potentially complex nature of the transactions, the process should be discussed in advance with an authorised Trout Unlimited Canada representative:

- gifts of appreciated publicly-listed securities;
- non-cash gifts from an individual's estate;
- donations of land;
- donations of conservation easements
- donations of life insurance policies

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#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/plcy/cps/cps-018-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
- **Gifts by Individuals of Life Insurance Policies as Charitable Donations**
<http://www.cra-arc.gc.ca/E/pub/tp/it244r3/it244r3-e.html>
- **Gift to a Charity of a Residual Interest in Real Property or an Equitable Interest in a Trust**
<http://www.cra-arc.gc.ca/E/pub/tp/it226r/it226r-e.html>
- **Questions and answers (FAQ)**
<http://www.cra-arc.gc.ca/chrts-gvng/dnrs/fq/menu-eng.html>