



City of  
**Peterborough**

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**TO:** Members of the Committee of the Whole

**FROM:** Sandra Clancy, Director of Corporate Services

**MEETING DATE:** September 23, 2013

**SUBJECT:** Report CPFS13-013  
Revised Policy for  
Donations and Issuing Official Income Tax Receipts

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## **PURPOSE**

A report to recommend the approval of a revised policy for issuing income tax receipts for cash donations, gifts-in-kind and other non-monetary donations.

## **RECOMMENDATIONS**

That Council approve the recommendations outlined in report CPFS13-013 dated September 23, 2013, of the Director of Corporate Services as follows:

- a) That the policy for Income Tax Receipts for Cash Donations and Gifts-in-Kind adopted by Council at its meeting held March 6, 2000, based on Report FAFS00-002 dated February 28, be rescinded.
- b) That the Donations and Issuing Official Income Tax Receipts Policy, attached as Appendix A to report CPFS13-013, be approved.
- c) That Council delegate authority to the Treasurer and City Clerk to sign applicable agreement(s) between the City and an organization taking on a community project which Council deems to be a project of interest and for which the City will accept donations and issue income tax receipts.

## BUDGET AND FINANCIAL IMPLICATIONS

Cash and "gifts-in-kind" as well as other non-monetary donations provide an additional source of revenue for the City. City staff time is required to issue receipts and record donations received.

## BACKGROUND

The City of Peterborough welcomes donations to support City projects, programs or services and has a policy which sets out the process for accepting donations and for issuing official receipts for income tax purposes. The existing policy was adopted by Council March 6, 2000 based upon Report FAFS00-002 Income Tax Receipts for Cash Donations and Gifts-in-Kind, dated February 28, 2000. Under the **Income Tax Act**, the City is classified as a "qualified donee" for charitable donations, and as such, without a registered charity number, is permitted the same receipting privileges as a charitable organization. Several legislative changes became effective January 1, 2012 that should be reflected in the City's Donations and Official Income Tax Receipts Policy.

The changes increase the requirements that a municipality must follow and if a municipality does not comply, they risk having their receipting privileges suspended or having their qualified donee status revoked. The key changes are:

- The names of municipalities must be on a publicly available list maintained by the Canada Revenue Agency (CRA) in order to continue to be recognized as a qualified donee. The City of Peterborough is named on the public list.
- Municipalities are required to keep books and records supporting any official donation receipts they issue, and are required to provide these to CRA upon request.

### Books and Records

To maintain its qualified donee status, the City must keep adequate books and records containing:

- information to allow the CRA to verify revenues for which donors can claim tax credits or deductions;
- information to allow the CRA to confirm that the City meets the requirements for qualified donee status under the **Income Tax Act**; and
- a duplicate of each receipt containing prescribed information for each donation received.

## Direction and Control

Periodically, other organizations independent from the City that are not registered charities themselves, approach the City and request that cash or gifts-in-kind donations be directed through the City so that donors can be issued a receipt for income tax purposes.

The CRA indicates that donations can be receipted by the City on behalf of an organization if:

- the community project the organization is undertaking is in the interest of the City;
- the project operates under the City's authority; and
- the City exercises ongoing direction and control over the use of the receipted funds.

However, if the City accepts donations and provides money to a non-qualified donee without maintaining direction and control, the City is acting as a conduit and a receipt cannot be issued. Under these circumstances, if a receipt was issued, the City could jeopardize its qualified donee status.

The requirement for the City to exercise ongoing direction and control as to how the donated funds are to be spent may require a level of direct involvement beyond the level which Council wishes to provide and/or a level of involvement that the prospective donee may not be comfortable with.

However, to ensure the City is issuing income tax receipts within the rules of the **Income Tax Act**, there must be evidence of authority and direction and control. This could include the expenditures and revenues going through the City's books or the City monitoring and supervising the activity through progress reports, collection of receipts for expenses, financial statements, City staff attendance at meetings, etc. It is recommended that there will be a written agreement between the City and the organization to confirm the arrangement.

The revised policy is attached as Appendix A and complies with the CRA regulations.

Submitted by,

Sandra Clancy  
Director of Corporate Services

Contact Name: Richard Freymond  
Manager of Financial Services  
Phone: 705-742-7777 Ext 1862  
Toll Free: 855-738-3755  
Fax: 705-876-4607  
Email: [rfreymond@peterborough.ca](mailto:rfreymond@peterborough.ca)

Attachments:

Appendix A – Donations and Issuing Official Income Tax Receipts Policy

## **Appendix A**

### **Donations and Issuing Official Income Tax Receipts**

#### **Policy**