

Receipting: Auctions

Introduction (Slide 1)

This module covers basic information on how to issue proper tax donation receipts for a charity auction.

The module answers questions such as:

- ❖ How do we determine FMV of an auction item?
- ❖ What do we need to know to issue a receipt to the donor of an item?
- ❖ What do we need to know to issue a receipt to the successful bidder?
- ❖ Does *De Minimis* apply?

Auctions – The Basics (Slide 2)

At fundraising events, it is common to have an auction as an activity to raise funds. Generally, the auction items are donated.

Charity auctions usually involve two separate transactions where tax receipts may be issued:

- ❖ property donated for the auction (to donor)
- ❖ property purchased at the auction (to bidder)

In both transactions, the fair market value (FMV) or deemed fair market value (if applicable) has to be determined before tax receipts can be issued.

Determining the FMV of Gifts for an Auction (Slide 3)

Donated auction items are mostly gifts-in-kind. The FMV of gift-in-kind is what you, as a consumer, would have to pay for the item in the open market. In special cases, deemed fair market value rules may apply.

See www.charitycentral.ca/site/?q=node/54

For items **over \$1,000**, CRA strongly recommends that they be appraised by a professional.

Note: The FMV of an auction item is not affected by the successful bid price.

More information on FMV is available at www.charitycentral.ca/site/?q=node/53

Issuing Receipts *(Slide 4)*

Issuing Receipts to the Successful Bidder:

- ❖ split receipting rules apply
- ❖ the FMV of the item must not be more than 80% of the bid price or the bid price has to be 20% over the FMV, i.e. it must pass the *Intention to Make a Gift* threshold

The complete requirements that need to be met are:

- ❖ the FMV of the item is determined
- ❖ this value is posted **before** the start of the auction
- ❖ the value of the auction item (advantage) **does not** exceed the *Intention to Make a Gift* threshold, that is, 80% of the price paid
- ❖ the value of the auction item (advantage) **does** exceed the *De Minimis* threshold

Example *(Slides 5-9)*

Mr. J. Smith donates an iPod Classic to your Charity for an auction. The fair market value of the iPod Classic is \$280. This value is posted with the iPod at the start of the auction. Ms. Song was the highest bidder at the price of \$400.

There are **two** transactions that receipts may be issued for:

A. For the donor, Mr. Smith.

This is a gift-in-kind without advantage.
The FMV of the iPod Classic is \$280.
So a receipt can be issued to Mr. Smith for \$280.

Official Donation Receipt for Income Tax Purposes		Receipt #0006
Your Charity	123 Every Avenue, City, PR H2X 5H9 222288889RR0001	
Charity name	Charity's Canadian address	Charity BN/Registration#
November 2, 2008	John J. Smith	
Date donation received:	Donated by: (first name, initial, last name)	
456 Anyplace Street, City, PR H2X 6H9		
Donor address:		
Eligible amount of gift for tax purposes:		\$280.00
(fair market value of property)		
Description of property received by charity: iPod Classic		
Appraised by: _____		
Address of appraiser: _____		
Date receipt issued: _____		
Location issued: _____		
Authorized signature: _____		
For information on all registered charities in Canada under the Income Tax Act please visit: Canada Revenue Agency www.cra.gc.ca/charities		

B. Receipt for the successful bidder, Ms. Song

The FMV was determined and posted with the item. To determine the amount of the official donation receipt for Ms. Song, your Charity has to complete this checklist:

Bid price	\$400
Value of the iPod	\$280

To determine the eligible amount for Ms. Song's official donation receipt, there are two questions your Charity must consider:

1. Does the bid meet the *Intention to Make a Gift* threshold? (80% of the bid price, \$400 = \$320)

Answer: The value of the iPod is only \$280 which is less than \$320.

Yes. This can be considered a gift.

2. Does the advantage (iPod) exceed the *De Minimis* threshold, that is, 10 per cent of the bid price or \$75, whichever is less?

Answer: The threshold is \$40 (10 per cent of \$400) and the iPod is \$280.

Yes, the advantage exceeds the *De Minimis* threshold.

It should be included in determining the eligible amount.

The eligible amount on the receipt is the bid price over the FMV of the advantage (the iPod).
 $\$400 - \$280 = \$120$

An official donation receipt can be issued for \$120 to Ms. Song (successful bidder).

Official Donation Receipt for Income Tax Purposes		Receipt #0006
Your Charity	123 Every Avenue, City, PR H2X 5H9	222288889RR0001
Charity name	Charity's Canadian address	Charity BN/Registration#
November 2, 2008	Ms. Song	
Date donation received:	Donated by: (first name, initial, last name)	
890 Somewhere Drive, City, PR H2X 6H9		
Donor address:		
Total amount of cash received by charity:	\$400.00	A
Value of advantage:	\$280.00	B
	(cash/fair market value of property)	
Eligible amount of gift for tax purposes:	\$120.00	C
	(line A minus line B)	
Date receipt issued: _____		
Location issued: _____		
Authorized signature: _____		
For information on all registered charities in Canada under the Income Tax Act please visit: Canada Revenue Agency www.cra.gc.ca/charities		

Notice (Slide 10)

Information in this module is provided for general educational purposes and not as legal or accounting advice. Consult a lawyer or accountant for professional advice.

Information is accurate as of January, 2009.

For changes after this date, consult Canada Revenue Agency.