



3.1 Determining fair market value of gifts in kind (non-cash gifts)

What is fair market value (FMV)?

Fair market value is normally the highest price, expressed in dollars that property 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.

Why is it important to understand the fair market value?

If a receipt is being issued for a gift in kind (non-cash gift), it must reflect the fair market value of the gift.

Registered charities must usually deduct the FMV of any advantages from the FMV of gifts to determine if there is an eligible amount of a gift for receipting purposes (see Split receipting).

When the FMV at the time of donation, of either a gift in kind or of an advantage cannot be determined, an official donation receipt cannot be issued.

The onus is on charities to ensure that the fair market value reflected on official donation receipts is accurate.

How does a registered charity determine the fair market value of a gift in kind?

Generally, if the fair market value of the property is less than \$1,000, a member of the registered charity, or another individual, with sufficient knowledge of the property may determine its value.

The person who determines the fair market value of the item should be competent and qualified to evaluate the particular property being donated.

If the fair market value is expected to be more than \$1,000, we strongly recommend that the property be professionally appraised by a third party (that is, someone who is not associated with either the donor or the charity).

If the property is appraised, the name and address of the appraiser must be included on the official donation receipt.

Important Note

If the property was donated within ten years of acquisition or was acquired through a tax shelter arrangement, the "deemed fair market value rule" may also apply.

What is an advantage and how does a registered charity determine the fair market value of an advantage?

An advantage is what a donor may receive in return for his or her donation (for example, a meal, tickets to a show), and it must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

Determining the fair market value of an advantage is similar to determining the fair market value of a gift in kind. However, while only donations of property can be receipted as gifts in kind, the fair market value of any type of advantage (for example services, accommodation, meals) must be taken into consideration when determining the eligible amount of a gift for receipting purposes.

If the value of the advantage is 80% or less of the fair market value of the donation, then a receipt may be issued for the difference (see Split receipting).

If the value of the advantage is greater than 80% of the value of the donation, no gift is deemed to have been made, and a receipt cannot be issued.

If the value of an advantage is not more than \$75 or 10% of the value of the donation, whichever is less, it is considered nominal (de minimis), and it need not be deducted from the amount of the gift for receipting purposes.

If the FMV of the advantage cannot be determined, a receipt cannot be issued.

Example:

An individual donates \$500 to a charity and, in appreciation, the donor receives two theatre tickets worth a combined value of \$90 from the charity. The following calculations are used to determine the eligible amount of the gift for receipting purposes:

- **Nominal threshold:** 10% of \$500 is \$50.
Therefore the advantage must be \$50 or less to be considered de minimis.
- **Advantage threshold:** 80% of \$500 is \$400.
Therefore the advantage must be less than \$400 for a receipt to be issued.

In this example, the advantage is not de minimis, and must be deducted from the value of the gift. However, the value of the advantage does not exceed 80% of the value of the donation, so a receipt can be issued.

The eligible amount for which a receipt can be issued is $\$500 - \$90 = \$410$.

