

## Receipting: Deemed Fair Market Value

### *Introduction (Slide 1)*

This learning module provides information on:

- ❖ The rules around deemed fair market value (FMV);
- ❖ When do you apply the deemed FMV rule;
- ❖ How to determine deemed FMV for gifts-in-kind;
- ❖ What are the exceptions to the rule; and
- ❖ Where can you find additional information on deemed FMV.

### *The Rules (Slide 2)*

The deemed fair market value rules apply if:

- ❖ the gift was donated after December 5, 2003
- and**
- ❖ the gift was acquired by the donor as part of a tax shelter arrangement
- or**
- ❖ the gift was acquired less than three years before the time of the donation
- or**
- ❖ the gift was acquired less than ten years before the time of the donation and one of the main purposes of the acquisition was to gift the property to a Registered Charity or other qualified donee.

### *Gifts-In-Kind (Slide 3&4)*

For gifts-in-kind that are not acquired under a tax shelter arrangement, the deemed FMV rules generally apply to tangible personal property such as art, collectibles, jewelry, antiques.

The deemed FMV of the gift-in-kind is the lesser of:

- ❖ the gift's fair market value
- or**
- ❖ the cost to the donor
- or**
- ❖ in the case of capital property, its adjusted cost base, immediately before the gift was made.

### **Example:**

In October, 2008 your Charity receives an oil painting. The donor has an appraisal dated August, 2008 with a value of \$1,000.

Your Charity should ask:

- ❖ Did the donor buy the painting within the last three years?
- ❖ If yes, how much did he pay for it (cost)?

Let's say he bought it for \$300 in July, 2006. This is within three previous years. Therefore, the deemed fair market value rule applies. This means a tax receipt can be issued for \$300 and not \$1,000, the appraised value.

### *Exceptions (Slide 5)*

The deemed fair market value rule does not apply to gifts such as:

- ❖ gifts made as consequence of a taxpayer's death
- ❖ inventory
- ❖ real property situated in Canada
- ❖ Certified Cultural Property
- ❖ gifts of certain publicly traded securities
- ❖ Ecologically Sensitive Gifts

For a complete listing, go to P113 "Gifts and Income Tax" at:

[www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html](http://www.cra-arc.gc.ca/E/pub/tg/p113/p113-e.html)

### *More Information (Slide 6)*

Information on fair market value (FMV) can be found at [www.charitycentral.ca/site/?q=node/53](http://www.charitycentral.ca/site/?q=node/53)

### *Notice (Slide 7)*

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.