# Food Donation Tax Benefit Overview

<table>
<thead>
<tr>
<th>Federal Tax Deduction</th>
<th>California Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy</strong></td>
<td>Reduces a tax payer’s gross income</td>
</tr>
<tr>
<td><strong>Eligible products</strong></td>
<td>All fit and wholesome food donated to charity food relief organizations (e.g. 501c3 like CAFB).</td>
</tr>
<tr>
<td><strong>Amount of tax benefit</strong></td>
<td>Cost + (Fair Market Value – Cost) (\div 2) Donation cannot exceed 2x cost</td>
</tr>
<tr>
<td></td>
<td>Cash Basis Growers: can use 25% of FMV to determine cost.</td>
</tr>
<tr>
<td></td>
<td>FMV (\times 2) = deduction</td>
</tr>
<tr>
<td></td>
<td>25%</td>
</tr>
<tr>
<td><strong>Valuing the product</strong> (sample calculations on reverse)</td>
<td>For all donors, Fair Market Value is the price that the taxpayer would have received if the food was sold in the usual market (could be wholesale or retail).</td>
</tr>
<tr>
<td></td>
<td>Changes to federal deduction in 2015 give the donor the right to determine FMV without regard to: lack of market, internal quality standards, mislabeling, or other defects in product or packaging, or food produced solely for the purpose of donating. FMV is the price at which the same or substantially the same food is sold at the time of the donation or in the recent past. See the separate federal tax brochure. USDA Agricultural Marketing Service pricing information can also be used.</td>
</tr>
<tr>
<td></td>
<td>There are separate rules for determining the cost of goods sold for cash and accrual accounting methods.</td>
</tr>
<tr>
<td><strong>Documentation required</strong></td>
<td>CAFB will provide all donors with a single receipt that includes all relevant state and federal information.</td>
</tr>
<tr>
<td><strong>Tax form</strong></td>
<td>IRS Form 8283</td>
</tr>
<tr>
<td><strong>Timing</strong></td>
<td>Donors must file claims in an on time filing for the tax year of the donation.</td>
</tr>
<tr>
<td><strong>Carryforward period</strong></td>
<td>5 years</td>
</tr>
<tr>
<td><strong>Expiration</strong></td>
<td>Never, permanently extended</td>
</tr>
</tbody>
</table>
Estimating the per-unit benefit of donations to the Farm to Family Program

These scenarios assume 1 unit of 10 pounds of donated produce worth $10 on the wholesale market, and that the taxpayer would be eligible for both the federal deduction and the state credit.*

<table>
<thead>
<tr>
<th></th>
<th>Cash Basis</th>
<th>Accrual Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale value of</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>donated produce</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Federal Deduction**

<table>
<thead>
<tr>
<th></th>
<th>Cash Basis</th>
<th>Accrual Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair market value</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>$2.5</td>
<td>$6</td>
</tr>
<tr>
<td>(Cash uses 25% FMV if cost is unknown)</td>
<td></td>
<td>(Accrual donors use actual inventoried carrying costs; $6 is an example)</td>
</tr>
<tr>
<td>Appreciation</td>
<td>$7.5</td>
<td>$4</td>
</tr>
<tr>
<td>Initial calculation ((1/2* Appreciation) + cost)</td>
<td>(7.5/2) + 2.5 = 6.25</td>
<td>(4/2 + 6) = 8</td>
</tr>
<tr>
<td>Final Federal Deduction (cannot exceed 2* Cost)</td>
<td>$5</td>
<td>$8</td>
</tr>
</tbody>
</table>

**Federal deduction estimated post-tax value (using an estimated blended federal & state tax rate of 40%)**

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<tr>
<th></th>
<th>Cash Basis</th>
<th>Accrual Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2</td>
<td>$3.2</td>
</tr>
</tbody>
</table>

**State Tax Credit**

<table>
<thead>
<tr>
<th></th>
<th>Cash Basis</th>
<th>Accrual Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>(15% wholesale)</td>
<td>$1.5</td>
<td>$1.5</td>
</tr>
</tbody>
</table>

**PPO fee for harvesting costs**

<table>
<thead>
<tr>
<th></th>
<th>Cash Basis</th>
<th>Accrual Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.90</td>
<td>.90</td>
</tr>
</tbody>
</table>

**Total per unit benefit**

<table>
<thead>
<tr>
<th></th>
<th>Cash Basis</th>
<th>Accrual Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$4.40</td>
<td>$5.60</td>
</tr>
</tbody>
</table>

*These are simplified examples and do not constitute tax advice.