



Food Donation Tax Benefit Overview

	Federal Tax Deduction	California Tax Credit
Policy	Reduces a tax payer's gross income	Reduces a tax payer's liability.
Eligible products	All fit and wholesome food donated to charity food relief organizations (e.g. 501c3 like CAFB).	Only wholesome produce (fresh fruits and vegetables) donated to charity food relief organizations.
Amount of tax benefit	$\text{Cost} + \frac{\text{Fair Market Value} - \text{Cost}}{2}$ Donation cannot exceed 2x cost Cash Basis Growers: can use 25% of FMV to determine cost. $\frac{\text{FMV} \times 2}{25\%} = \text{deduction}$	15% of the donation's wholesale value, based on recent like grade sales.
Valuing the product (sample calculations on reverse)	<p>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).</p> <p>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.</p> <p>There are separate rules for determining the cost of goods sold for cash and accrual accounting methods.</p>	<p>For all donors, regardless of accounting method:</p> <p>The qualified value shall be calculated by using the weighted average wholesale price based on the qualified taxpayer's total like grade wholesale sales of the donated item sold within the calendar month of the qualified taxpayer's donation.</p> <p>If you have no sales in the month of the donation, you can use the USDA Agricultural Marketing Service pricing information.</p>
Documentation required	CAFB will provide all donors with a single receipt that includes all relevant state and federal information.	
Tax form	IRS Form 8283	CA FTB Form 3811 (2015)
Timing	Donors must file claims in an on time filing for the tax year of the donation.	
Carryforward period	5 years	6 years
Expiration	Never, permanently extended	12/31/2026 (CAFB will seek to extend)



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.*

	Cash Basis	Accrual Basis
Wholesale value of donated produce	\$10	\$10
Federal Deduction		
• Fair market value	\$10	\$10
• Cost of goods sold	\$2.5 (Cash uses 25% FMV if cost is unknown)	\$6 (Accrual donors use actual inventoried carrying costs; \$6 is an example)
• Appreciation	\$7.5	\$4
• Initial calculation ((1/2* Appreciation) + cost)	$(7.5/2) + 2.5 = 6.25$	$(4/2 + 6) = 8$
• Final Federal Deduction (cannot exceed 2* Cost)	\$5	\$8
Federal deduction estimated post-tax value (using an estimated blended federal & state tax rate of 40%)	\$2	\$3.2
State Tax Credit (15% wholesale)	\$1.5	\$1.5
PPO fee for harvesting costs	.90	.90
Total per unit benefit	\$4.40	\$5.60

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