



ENHANCED TAX DEDUCTION



If you meet the following criteria, you may be eligible for the federal enhanced tax deduction which allows you to deduct the smaller of the following two: (a) twice the basis value of the donated food or (b) the basis value of the donated food plus one-half of the food's expected profit margin.

**Please contact a tax preparer for questions and guidance

TAX DEDUCTION CRITERIA

1. The recipient food recovery organization or donee must be an IRC 501 (c) (3) organization and a public charity or a private operating foundation
2. The donee must give the donated food solely to the ill, the needy, or infants
3. The donee may not use or transfer the food in exchange for money, other property, or services
4. The donee must provide a written statement to donor stating that all requirements of IRC 170 (e) (3) have been met
5. The donated food must be in compliance with the Food, Drug, and Cosmetic Act (FDCA) and California Health and Safety Code (CHSC)

EXAMPLE TAX DEDUCTION CALCULATION

A grocery store donated potatoes with a fair market value of \$100. The basis value of these potatoes was \$30. The expected profit margin is the fair market value minus the basis value (\$100-\$30), which is \$70. Under the enhanced deduction, the grocery store is eligible to deduct the smaller of:

1. Basis value x 2 = \$30 x 2 = \$60 OR
2. Basis value + (expected profit margin/2) = \$30 + (70/2) = \$65

The enhanced deduction would be \$60. The enhanced deduction is substantially higher than the general deduction, which is limited to the basis value of \$30

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For more information on the Enhanced Tax Deduction:



<http://www.chlpi.org/wp-content/uploads/2013/12/Food-Donation-Fed-Tax-Guide-for-Pub-2.pdf>



[http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC§ionNum=17053.12.](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=RTC§ionNum=17053.12)