



# Role of Food Banks in New State Tax Credit for Produce Donations

California Association of Food Banks

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## Background and Benefits

In 2011, California Association of Food Banks (CAFB) sponsored AB 152 to create a state tax credit for 10 percent of the inventory costs of fresh fruits and vegetables California growers donate to California food banks. Growers can claim the tax credit for donations made on or after January 1, 2012.

## Who Qualifies for the Tax Credit?

California growers donating California-grown fresh fruits or fresh vegetables to a food bank located in California are eligible for the tax credit. The new law defines an eligible grower as the person responsible for planting, managing, and harvesting the donated crop from land. The credit is not available for produce donated from a personal non-commercial garden or crop, or from stock at a store or restaurant.

## How Does the Tax Credit Work?

Starting in 2012, California state tax returns will include a field for California growers to claim the credit for fresh produce donations to California food banks. CAFB, or in some cases an individual food bank, will provide a certificate of donation to growers that may be requested by the Franchise Tax Board. Growers are responsible for determining the inventory costs of the donation and providing that estimate to the food bank, along with information on the origin of the product. Eligible growers claiming qualified donations will receive a credit against their state tax liability equal to 10 percent of the inventory costs of the donated product. This state donation tax credit is separate from the deduction already allowed to taxpayers on their federal returns for general donations to a charitable organization.

## When and How Does a Food Bank Issue a Certificate of Donation?

If the product is received through CAFB's Farm to Family program, the individual food bank does **not** have to issue the certificate of donation. For all donations made through the Farm to Family program, CAFB will be responsible for providing certificates of donation to growers.

If an individual California food bank receives a direct donation of fresh fruits or fresh vegetables from a California grower, the food bank will need to provide a certificate of donation to the grower which the grower may need to provide to the Franchise Tax Board. In this case, the following steps should be taken:

1. Growers making donations to an individual food bank must determine the inventory costs of the donation and provide that estimate to the food bank, along with information on the origin of the product.
2. The food bank will provide a certificate of donation. The certificate issued by the food bank should include the type and quantity of produce donated and the estimated value and origin (as provided by the grower), along with a statement signed and dated by a designated person from the food bank receiving the donated produce. Additionally, the certificate should include the name of the donor and the name and address of the food bank. Contact CAFB for a sample certificate.
3. Qualifying growers claiming the credit will receive a credit against their state tax liability equal to 10 percent of the inventory costs of the donated produce. The certificate of donation may be requested by the Franchise Tax Board.

## What is the Food Bank's Role in Assisting a Grower with Tax Questions?

Food banks should urge all growers interested in claiming the state tax credit to work with a professional tax advisor to help answer questions about calculating and claiming the credit. While informing growers about the tax credit is highly encouraged, food banks should not assist growers in determining the inventory costs or tell growers specifically how much of a tax credit they will receive.

## What Else Can Food Banks Do?

Food banks can promote the tax credit as an additional incentive to encourage more donations from growers. Contact CAFB for a document promoting the tax credit to California growers. In soliciting crop donations, food banks are encouraged to connect growers with CAFB's Farm to Family program, which is set up to efficiently handle the collection, shipping, documentation, and distribution of donated produce throughout California. For all donations made through the Farm to Family program, CAFB will be responsible for providing certificates of donation to growers. If a food bank receives a donation independent of the Farm to Family program, the food bank will need to provide the grower with a certificate.

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