

Enhanced Tax Benefits for Donated Food Inventory

General Rule

Taxpayers are allowed a deduction for charitable contributions of food inventory to a qualifying I.R.C. § 501(c)(3) organization equal to the fair market value ("FMV") of such food inventory. (not to exceed twice cost)

Enhanced Deduction

All C and non-C corporations can claim an enhanced charitable contribution deduction for food inventory donated to a qualifying I.R.C. § 501(c)(3) organization for the care of the ill, the needy, or infants.

- Deduct from taxable income COG (Cost of Goods) + $\frac{1}{2}$ profit if sold at FMV.
- Deduction can be no more than 2X's the CO
- All donations over \$250 in value require a receipt from non-profit organization.

Sample Tax Deduction Calculation

Sample Enhanced Benefit Calculation:

The sum of one-half of the unrealized profit (fair market value minus cost of goods sold = unrealized profit) plus the taxpayer's COG, but not in excess of twice the cost of the contributed property. If cost is unknown, taxpayer can use 25% of FMV to calculate it.

Example:

Selling price (FMV) = \$2.00

Cost of goods sold = \$.50

Unrealized profit = \$1.50

Donation tax benefit for donors: $\$.75 + \$.50 = \$1.25$ (1/2 unrealized profit + COGS)

Note: The maximum deduction can never exceed 2 x COGS. So the \$1.25 donation is adjusted down to \$1.00 (2x COGS)

Source: Feeding America, Deloitte Development LLC, 2013

