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) + ½ profit if sold at FMV.
- Deduction can be no more that 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