



# Federal Tax Incentives for Produce Donors

## Why Donate?

Your produce donations help end hunger and provide essential support to neighbors experiencing food insecurity while also playing a vital role in reducing food waste. Every contribution strengthens community, creating a network of care and resilience. Plus, you can receive valuable tax benefits, making your gift impactful in more ways than one.

## Tax Benefits

When you donate wholesome food to a qualified 501(c)(3) nonprofit, you may be eligible for an enhanced tax deduction. This deduction rewards generosity while giving perfectly good food a second chance. The amount you can claim is calculated as the lesser of two figures: twice your cost basis or your cost basis plus half of your expected profit margin.

For example, if it costs you \$30 to grow produce with a Fair Market Value (FMV) of \$100, your deduction would be either \$60 (twice the cost basis) or \$65 (cost basis plus half the profit margin), whichever is smaller.

There are limits to keep in mind: the enhanced deduction can be claimed up to 15% of your taxable income for food donations. If you don't meet the enhanced criteria, you can still claim a general deduction equal to your cost basis. For general deductions, the limits are 30% of taxable income for non-C corporations and 10% for C corporations (refer to [www.irs.gov](http://www.irs.gov) for more information and your tax advisor).

Farmers using the cash basis method have an additional option — they may use 25% of the FMV as their cost basis for donated crops. This flexibility makes it easier for growers of all sizes to participate in food donation programs while benefiting from meaningful tax savings.

## Liability Protection

When you donate food in good faith, you are protected under the Bill Emerson Good Samaritan Food Donation Act, which was strengthened by the Food Donation Improvement Act of 2023 (refer to [www.feedingamerica.org/ways-to-give](http://www.feedingamerica.org/ways-to-give) for more information). These laws ensure that donors are not held civilly or criminally liable for damages that might arise from the donation of “apparently wholesome” food, if the donation is made without gross negligence or intentional misconduct.

It also extends to direct donations to individuals, not just through nonprofit organizations. In short, these laws give you peace of mind that your generosity will not expose you to unnecessary legal risk, provided you act responsibly and in good faith.

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**Second Harvest Food Bank Santa Cruz County**

800 Ohlone Parkway, Watsonville, Ca. 95076 | 831-256-7021 | [thefoodbank.org](http://thefoodbank.org)

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## Sample Calculations

### Large-Scale Example: 40,000 Pounds of Apples

Cost basis: \$0.20/lb → Total cost = \$8,000

Fair Market Value (FMV): \$0.50/lb → Total FMV = \$20,000

Enhanced deduction options:

1. Twice cost basis:  $2 \times \$8,000 = \$16,000$

2. Cost basis +  $\frac{1}{2}$  profit margin:  $\$8,000 + \frac{1}{2}(\$20,000 - \$8,000) = \$8,000 + \$6,000 = \$14,000$

Deduction = lesser of the two → \$14,000

### Small-Scale Farm Example: 500 Pounds of Zucchini

Cost basis: \$0.40/lb → Total cost = \$200

Fair Market Value (FMV): \$1.00/lb → Total FMV = \$500

Enhanced deduction options:

1. Twice cost basis:  $2 \times \$200 = \$400$

2. Cost basis +  $\frac{1}{2}$  profit margin:  $\$200 + \frac{1}{2}(\$500 - \$200) = \$200 + \$150 = \$350$

Deduction = lesser of the two → \$350

## Steps to Maximize Your Impact

1. Partner with Second Harvest Food Bank Santa Cruz County for streamlined donation processes.
2. Request and keep written receipts with details of your donation.
3. Ensure compliance with local food safety laws.
4. Plan donations as part of your annual tax strategy.

## Questions about food donations?

Contact the food sourcing team at 831-256-7021 or [inboundlogistics@thefoodbank.org](mailto:inboundlogistics@thefoodbank.org) to make an appointment.

*Disclaimer: Second Harvest Food Bank Santa Cruz County provides receipts for tax deductions; please consult tax advisor for specific guidance based on donor's tax structure.*

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