

Farm to Food Donation Tax Credit:

The Farm to Food Donation tax credit allows taxpayers to receive a 15% tax credit up to \$5,000, in addition to a federal deduction for a charitable contribution. ¹



A taxpayer qualifies for the tax credit only if:

1. The taxpayer produces the donated food²
2. The taxpayer donates the food to a registered emergency feeding organization (for a list of registered organizations check: <http://www.iowa.gov/tax/taxlaw/FarmToFoodOrganizations.pdf>)
3. The taxpayer did not receive compensation for giving the food to the Iowa emergency feeding organization
4. The donated food is in good condition and fit for human consumption³

Taxpayer Responsibilities:

1. Have your donation value determined by the food product's fair market value and fill this out on the authorized receipt. Attaching the valuation worksheet is highly recommended.
2. Receive a receipt authorized by the Department of Revenue from the emergency feeding organization that received the donation.
3. Send all receipts together (if multiple receipts collected throughout the year) to the Iowa Department of Revenue postmarked no later than January 15th of the following year.
4. The Department of Revenue will then send the taxpayer a tax credit certificate, which the taxpayer must include with their tax return.

Emergency Feeding Organization Responsibilities:

1. Fill out the donor's information on the receipt including: quantity of donated foods, date of donation, and name of emergency feeding organization.
2. Keep this information documented in a spreadsheet or other data base which tracks the issued receipts (with date, receipt number, authorized food bank name, and brief description of item donated).
3. Turn in spreadsheet no later than January 15 of the following tax year to the Iowa Department of Revenue.

1. For state income taxes, the taxpayer may choose to have either the tax credit or claim the charitable contribution deduction but may not choose both on state income taxes. See Iowa Code § 190B.01 through 190B.306 (2014) for more information.

2. There is no requirement that the producer is a commercial farmer; recreational gardeners also are eligible for the tax credit.

3. See 42 U.S.C. § 1791 (2014), The Bill Emerson Good Samaritan Food Donation Act.

Each taxpayer's situation is unique, and whether a charitable contribution deduction or the tax credit would be more beneficial to you depends on your unique situation.

Examples of tax savings for a:

\$1,000 donation:

2014 Tax credit for individual taxpayer or corporation:	\$150.00	
2014 Iowa Individual Tax Income Range: ⁴	<u>\$45,450-\$68,175</u>	<u>Over \$68,175</u>
Estimated state tax deduction for individual taxpayer:	\$79.20	\$89.90
2014 Iowa Corporation Tax Income Range:	<u>\$100,000-\$250,000</u>	<u>Over \$250,000</u>
Estimated state tax deduction for a corporation:	\$100.00	\$120.00

\$5,000 donation:

2014 Tax credit for individual taxpayer or corporation:	\$750.00	
2014 Iowa Individual Tax Income Range:	<u>\$45,450-\$68,175</u>	<u>Over \$68,175</u>
Estimated state tax deduction for individual taxpayer:	\$396.00	\$ 449.00
2014 Iowa Corporation Tax Income Range:	<u>\$100,000-\$250,000</u>	<u>Over \$250,000</u>
Estimated state tax deduction for a corporation:	\$500.00	\$600.00

\$55,000 donation:⁵

2014 Tax credit for individual taxpayer or corporation:	\$5,000 cap	
2014 Iowa Individual Tax Income Range:	<u>\$45,450-\$68,175</u>	<u>Over \$68,175</u>
Estimated state tax deduction for individual taxpayer:	\$4,356	\$4,939.00 ⁶
2014 Iowa Corporation Tax Income Range:	<u>Over \$550,000</u>	
Estimated state tax deduction for a corporation:	\$6,600.00	

*If the farm that produced the food is a Limited Liability Corporation, S corporation, partnership, estate or trust, individuals may only claim their percentage of interest or ownership in the partnership, etc. (e.g. if there are four partners, each with an equal share in the business, a \$150 tax credit would be split equally among the four, applying \$37.50 of the tax credit to each of the taxpayers' individual income taxes).



This tax credit is nonrefundable. Taxpayers will not receive a refund from the tax credit if their tax liability falls below zero. The tax credit can be carried forward to the next tax year for up to five years if the tax credit or the full amount of the tax credit cannot be applied because the taxpayer's liability falls below zero.⁷

4. The deduction estimates are based on the 2014 Iowa Tax Rate Schedule. See Iowa tax rate schedule at <http://www.iowa.gov/tax/forms/1378914.pdf> for tax rate percentages and additional income ranges that can claim the credit. All income ranges are eligible to receive the tax credit.

5. The total amount of charitable contribution deductions for a corporation in a taxable year shall not exceed 10 percent of the corporation's taxable income. See 26 U.S. Code §170 (2014); Iowa Code §422.33, §422.35 (2014). To receive the full charitable contribution deduction for a donation of \$55,000 the corporation's taxable income would need to be at least \$550,000.

6. Iowa Code §422.9 (2014) allows individual income tax deductions for charitable contributions that are deductible expenses for tax purposes under the Internal Revenue Code for federal tax purposes. 26 U.S. Code §170 allows charitable contributions that are up to 50% of the taxpayer's individual income to be deducted (income here would need to be at least \$110,000 to allow for a complete charitable contribution deduction of \$55,000).

7. If a taxpayer's total donations in a tax year exceed the \$5,000 tax credit, receipts that would make the tax credit in excess of the \$5,000 may not be carried over into the next tax year. Donations and receipts from one tax year may only apply to that specific tax year (e.g. receipts from 2014 may only be applied in 2014; receipts that provide a tax credit of more than \$5,000 will not be carried over in 2015). See <http://www.iowa.gov/tax/taxlaw/farmtofood.html#te>; Iowa Department of Revenue (2014).

Sample of Valuation worksheet that is recommended:⁸

Commodity	Weight			Price per Pound		Value of Donation
	Lbs.	Oz.				
Wholesale Tomatoes ⁹	1,000		x	\$1.00	=	\$1,000.00
Farmer's Market Retail Value Tomatoes ¹⁰	100		x	\$3.00	=	\$300.00
Farmer's Market Retail Value full sized farm eggs	60 dozen			\$5 a dozen		\$300.00



A taxpayer donates 100 pounds of fresh farmer's market retail tomatoes. If the fair market value price for fresh market tomatoes is \$3.00/ lb., then 15% of the price of these tomatoes is a tax credit of \$45.00 from a retail value of \$300.00.



She/he then donates 1,000 pounds of wholesale tomatoes. If the fair market value price for fresh market tomatoes is \$1.00/ lb., then 15% of the price of these tomatoes is a tax credit of \$150.00 from a retail value of \$1,000.00.



She/he then donates 60 dozen farmer's market retail value full sized farm eggs. If the fair market value for the eggs is \$5.00 a dozen, then 15% of the price of these eggs is a tax credit of \$45.00 from a retail value of \$300.00.

\$ The total of her/his donations is a tax credit in the amount of \$240.00. She/he must submit all her/his receipts together to receive the tax credit certificate.



Drake University Agricultural Law Center | 2507 University Ave. | Des, Moines IA 50311
| (515) 271-4956 | matt.russell@drake.edu |

The above information is for informational purposes only and does not constitute legal advice. For specific tax questions or concerns please consult a tax professional.

This document was prepared for the Drake University Agricultural Law Center by Kelly Nuckolls, J.D. Candidate 2016, Drake University Law School, while working as an intern in the Drake Agricultural Law Center during the summer of 2014.

8. A sample valuation worksheet and additional information on the Farm to Food tax credit can be found at <http://iowa.gov/tax/taxlaw/farmtofood.html>.

9. Value must be at the fair market value the product is normally sold at as stated in 26 C.F.R. § 1.170A-13(b). Tomatoes produced on farms to be sold to wholesalers must be valued at the price they would be purchased by the wholesaler.

10. If the food products donated are produced for retail sale at a Farmer's Market, this price may be used. See 26 C.F.R. § 1.170A-13(b).