

Farm to Food Donation Tax Credit  
See Iowa Code § 190B.01 through 190B.306 (2014).

*The following is for informational purposes only and does not constitute legal advice. For specific tax questions or concerns please consult a tax professional such as an attorney or accountant.*

## **Taxpayer**

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### **To qualify all of the following must apply:**

1. The tax payer must produce the donated food commodity. This includes any food products grown or raised on a farm or by a gardener. Food products from cattle, chicken, hogs, etc. are donations that are eligible for the tax credit, so long as the food product itself is donated to the pantry and distributed to Iowan's in need. Local or home gardeners are also eligible for the tax credit.
2. The taxpayer must give the donated food commodity to an Iowa Food Bank or Iowa emergency feeding organization, recognized by the Iowa Department of Revenue.
3. The tax payer shall not receive compensation for the transfer. This includes any form of compensation, even if the food is sold at a discounted price to the emergency feeding organization. Any form of compensation for the food given to the Food Bank disqualifies the taxpayer from being eligible for the tax credit.
4. The donated food commodity cannot be damaged or out-of-condition and declared to be unfit for human consumption. The donor will be waived of all civil and criminal liability unless the donor acted with gross negligence when donating the food. For example, the donor would have had to donate something that a reasonable person would suspect is unfit for human consumption because of the appearance of rotting, spoiling, or other visible signs that would indicate the food should not be consumed. *See* § 22(b)(2) of the Bill Emerson Good Samaritan Food Donation Act (42 U.S.C. 1791 (b)(2)). However, food products that are often considered unmarketable solely because of their appearance, age, freshness, grade, size, surplus, or other conditions are still allowed to be donated and are not considered to be unfit for human consumption.
5. The tax payer claiming the tax credit shall provide documentation supporting the tax credit in the form and manner required as stated below.

### **Documentation required by the tax payer:**

1. The tax payer must receive an authorized receipt from a registered Iowa Food Bank or Iowa emergency feeding organization for the donation.
2. All authorized receipts must be sent together, if multiple donations are made throughout the year, to the Iowa Department of Revenue.
3. All authorized receipts from January 1- December 31 of one year shall be postmarked no later than January 15 of the following year. (January 1-December 31, 2014 donation receipts must be postmarked by January 15, 2015).

4. The Iowa Department of Revenue will then issue the taxpayer a tax credit certificate that he/she must then claim on his/her tax return. A letter will be sent upon verification to the taxpayer confirming the amount of the tax credit and a tax credit certificate number. The tax credit certificate must be included with the taxpayer's tax return for the year which it is used to claim the tax credit, and the certificate must contain the taxpayer's name, address, tax identification number and the amount of the tax credit.

**The taxpayer must complete the following on a receipt:**

1. Taxpayer's information including:
  - a. Name and address
  - b. Tax identification number (usually social security number)
  - c. Fair market value price of the donation.

**How to value your donation:**

Donation valuation must be consistent with §170(e)(3)(C) of the Internal Revenue Code.

It is the donor's responsibility to value their donation. The Iowa Department of Revenue recommends the donor utilizes the valuation worksheet provided with the receipts given by the registered organization. The value of the donation is specified by the donor and must reflect the market value of the food at the time of the donation using the guidelines set forth in IRS regulation 1.170A-13(b) which requires: "the description of the donated item in detail reasonably sufficient under the circumstances" and "the fair market value of the item is one circumstance that will be taken into consideration in determining the value of the receipt."

Records of the method utilizing how fair market value of the item was determined (e.g. the price of 1 lb. of tomatoes at the farmer's market was \$3 is how FMV was determined) can be satisfied by filling out the state's producer commodity worksheet.

**Additional Information:**

- Only one tax credit certificate will be issued per tax payer per year.
- A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer claims the tax credit
- The credit is not transferable to any other person other than the taxpayer's estate or trust upon the death of the taxpayer.
- The credit is not refundable. If the tax payer's liability is zero, or the tax payer's liability will fall below zero because of the tax credit, a refund will not be given. Any tax credit that cannot be applied to the tax payer's liability of one tax year, because their liability falls below zero that year, may apply that tax credit to the following tax year for up to five years.

### **Tax Credit Worth:**

- 1. The tax credit is equal to 15 percent of the value of the commodities donated during the tax year for which the credit is claimed for up to a \$5,000.00 tax credit.

**Example:** A farmer donates 1,000 pounds of wholesale market tomatoes. If the market price for wholesale tomatoes is \$1.00/ lb., then 15% of the price of these tomatoes is \$1.00 lb. x 1,000 lbs. is a \$150.00 tax credit from a wholesale value of \$1,000.00.

### **Example of How This Will Affect Your Taxes**

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

- You as the donor have the option of choosing either the tax credit or claiming the donation as a charitable contribution deduction on your state income taxes. You may not use both the tax credit and the charitable contribution deduction for state income tax purposes. If a tax credit is filed with your state income tax return, the amount of the contribution for which the tax credit is claimed is not allowed to also be claimed as an itemized deduction in determining your taxable income for state income tax purposes.
- If you use the tax credit, you may still apply the donations as a charitable contribution deduction on your **federal** income taxes if your tax situation allows for the deduction on your federal income taxes.
  - *If you chose the tax credit to be applied to your state income taxes, and wish to use the donation as a deduction on your federal taxes, make sure you obtain two receipts, one for each, or make a copy of the tax credit receipt for your federal income taxes.*

#### **Choosing the Tax Credit:**

- The tax credit can be applied to corporate and individual income taxes.
- Essentially, the tax credit is applied toward the taxes you owe based on your taxable income. So a \$1,000 credit would be applied to reduce the amount of taxes you owed by \$1,000. The tax credit is subtracted directly, dollar for dollar, from the amount of taxes you owe.<sup>1</sup>
- If you are a Limited Liability Company, S corporation, partnership, estate or trust, you must claim the credit based upon your share in the partnership, etc. by receiving that percentage of the credit to be applied toward your income from the farm. For example, if the farm that produced the donated food is a partnership, and there are four partners all with equal shares of 25% in the farm, a \$150.00 tax credit would be divided by their shares, and \$37.50 of the tax credit would be applied to each of the four partners' individual state income taxes.

### **Choosing to Claim the Donation as a Charitable Contribution Deduction**

- In contrast a tax deduction reduces your taxable income, which is used to calculate your tax liability.<sup>2</sup>
- A deduction is an expense or an amount of money which lowers your taxable income. When all allowable deductions are subtracted, this is known as your adjusted gross income. The adjusted gross income number determines the amount of taxes you owe.<sup>3</sup>
- Claiming the donation as a tax credit, rather than a charitable contribution, is different because a charitable contribution is an itemized deduction and only reduces your taxable income and the value of the deduction differs based on your marginal tax rate, which rises with income.<sup>4</sup>
- Deductions cannot reduce your taxable income below zero.
- You can only benefit from itemized deductions to the extent they exceed your standard deduction. You are only permitted to take the higher of your standard or itemized deductions – but not both.

#### **Iowa Income Tax Standard Deduction (Iowa Code § 422.9 (2014)):**

- You may only claim the higher deduction
- Standard deduction for Iowa income taxes are:
  - \$1,230 for a married person who files separately or a single person
  - \$3,030 for a married couple who file a joint return, a surviving spouse, or a head of household.
- The amount of all your itemized deductions (not just deductions from charitable contributions but all allowable itemized deductions) would need to exceed the standard deduction.
- If your itemized deductions do not exceed your standard deduction, then the deduction for a charitable contribution would not impact or be applied to your taxable income.

#### **Example: Tax credit v. Charitable Donation Deduction<sup>5</sup>**

A tax credit of 15% of the donation value, for a \$1,000 donation, would be a tax credit of \$150, and would save you \$150 on your taxes. On the other hand, tax deductions lower your taxable income based on the percentage of your marginal tax bracket. For instance, if you are in a 10% tax bracket, a \$1,000 charitable donation deduction reduces your taxable income by \$100.00 ( $0.10 \times \$1,000 = \$100$ ). Any deduction that can be taken on your federal tax return can also be taken on your state tax return. The tax credit cannot additionally be a tax deduction on your state taxes, but can still be a deduction on your federal taxes. Federal marginal tax rates differ from state tax rates.

## Deducting Charitable Donations (26 U.S.C. § 170):

### Corporate Income Taxes

Taxable income is determined in accordance with Iowa Code § 422.33-422.35 (2014) and in accordance with the Internal Revenue Code:

- A corporation can deduct the full amount of any charitable donation as long as:
  - “The board of directors authorizes a charitable contribution during any taxable year, and payment of such contribution is made after the close of such taxable year and on or before the 15th day of the third month following the close of such taxable year.”
  - The total deductions for any taxable year shall not exceed 10 percent of the corporation’s taxable income.

### Individual Income Taxes (Iowa Code § 422.9 (2) (2014)):

- You can deduct the full amount of any and all charitable donations made during the year, so long as the deductions are not more than 50% of your adjusted gross income. For example, if your adjusted gross income is \$100,000 for the year, you can deduct donations up to \$49,999 for the total amount you donated throughout the course of the year.
- For any one-time donation over \$5,000 you are required to have a qualified appraisal report submitted with your tax return. Donations under \$5,000 may equal the equivalent of more than \$5,000, and all that is then needed for donations of \$250-\$4,999 is a receipt.
- When the donation is claimed as an itemized deduction, other itemized deductions are combined with that deduction, and all itemized deduction limitations apply.



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1. See Elizabeth Rosen, ‘Tax credits vs. tax deductions,’ U.S. Tax Center, August 28, 2013, <<http://www.irs.com/articles/tax-credits-vs-tax-deductions>>.

2. See *id.*

3. See *id.*

4. See *id.*

5. See *id.*

## Emergency Feeding Organizations:

### Registration Process:

- IDR has an online registration tool (<https://www.surveymonkey.com/s/farmtofoodIDR> ).
- After completing the online registration the organization will be provided with the required forms from the Iowa Department of Revenue via email.
- To qualify for registration the organization must meet the definition of “emergency feeding organization” “food bank” or “food pantry” as defined by the Iowa Department of Human Services in § 441 -66.1 (234).

Organizations can also email contact John Good with IDR, or call (515) 725-2324 for registration assistance. Once an organization is registered, IDR will provide the organization with their authorized food donation receipts.

### Responsibilities for Registered Organizations:

- Once an organization is registered, the Iowa Department of Revenue will provide the organization with the required receipts.
- Fill out the following information on the donor’s receipt: receipt number, date of donation, emergency feeding organization code, emergency feeding organization name, description and amount of food commodity donated.
- Log donation in spreadsheet provided by the Iowa Department of Revenue including the following information: six digit food organization code, emergency feeding organization name, date of donation, receipt number, and quantity and description of food donation.
- Submit this spreadsheet which tracks the issued food donation receipts issued to the Iowa Department of Revenue **no later than January 15, 2015. If a receipt for a tax payer’s claim is not provided by the organization, the taxpayer’s claim will be denied.**

### Additional Information:

Sample receipt: <http://www.iowa.gov/tax/taxlaw/FoodTaxCreditReceipt.pdf>

### List of Registered Organizations:

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| 1. Food Bank of Iowa<br>2220 E 17 <sup>th</sup> Street<br>Des Moines, Iowa 50316       | 3. Food Bank of Sioux land<br>1313 11 <sup>th</sup> St #1<br>Sioux City, Iowa 51105 |
| 2. Des Moines Area Religious Council<br>1435 Mulberry Street<br>Des Moines, Iowa 50309 | 4. Food Bank of Southern Iowa<br>225 S Benton St.<br>Ottumwa, Iowa 52501            |

5. Jack Mary's Farm Stand  
502 5<sup>th</sup> Street  
Yorktown, Iowa 51656
6. Christian Culture Community  
2400 Towncrest  
Iowa City, Iowa 52240
7. Coralville Ecumenical Food Pantry  
203 1<sup>st</sup> Street  
Coralville, Iowa 52241
8. The Crisis Center of Johnson  
Country  
1121 Gilbert Ct.  
Iowa City, Iowa 52240
9. 29<sup>th</sup> Street Mission  
1260 29<sup>th</sup> Street  
Marion, Iowa 52302
10. First Lutheran Church  
1000 3<sup>rd</sup> Ave. SE  
Cedar Rapids, Iowa 52403
11. Foundation2 After Hours Food  
Pantry  
1540 2<sup>nd</sup> Ave. SE  
Cedar Rapids, Iowa 52403
12. Linn Community Food Bank  
310 Fifth Street SE  
Cedar Rapids, Iowa 52401
13. Metro Catholic Outreach  
420 6<sup>th</sup> St. SE Ste 120  
Cedar Rapids, Iowa 52401
14. Noah's Ark  
216 Commercial Street  
Central City, Iowa 52405
15. Olivet Neighborhood Mission  
230 10<sup>th</sup> Street NW  
Cedar Rapids, Iowa 52405
16. HACAP Food Reservoir  
1515 Hawkeye Dr.  
Hiawatha, Iowa
17. Northeast Iowa Food Bank  
1605 Lafayette St.  
Waterloo, Iowa 50703
18. Life Food Farm  
7719 E. Airline Hwy.  
Dunkerton, Iowa 50626
19. Benton County Food Pantry- Vinton  
301 First Ave.  
Vinton, Iowa 52349
20. Independence Area Food Pantry  
201 2<sup>nd</sup> Ave. NE  
Independence, Iowa 50644
21. River Bend Food Bank  
4010 Kimmel Drive  
Davenport, Iowa 52802
22. St. Stephen's Food Bank  
3145 Cedar Crest Ridge  
Dubuque, Iowa 52003