FEEDING AMERICA™ Formerly named America's Second Harvest

Calculation Sheet: Enhanced Tax Deduction for All Business Taxpayers under the Emergency Economic Stabilization Act of 2008 (Public Law 110-343)

Main Provisions

- The special enhanced tax deduction for C corporations stays the same under the new law.
- Further, the special enhanced tax deduction is extended to ALL business taxpayers engaged in a trade or business; ALL business taxpayers are eligible to claim the enhanced deduction for contributions of food inventory.
- For qualified farmers and ranchers, the total value of the food donated **can** exceed 10% of the taxpayer's net income for the 2008 calendar year.
- For most S corporations, except farmers and ranchers, the total value of food donated may not exceed 10% of the taxpayer's net income for the calendar year.
- Note: taxpayers using the cash method of accounting are not eligible for the special enhanced tax deduction.

Sample Calculation: Special Enhanced Tax Deduction

A. The sum of one-half of the unrealized appreciation (fair market value minus cost equals appreciation) plus the taxpayer's cost, but

B. Not in excess of twice the cost of the contributed property as described in IRC Section 170(e)(3).

Selling Price (Fair Market Value) of Product

$4.00

Cost (Basis) to Produce Product

$1.00

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Gross Profit

$3.00

One-half of $3.00 equals $1.50. The maximum deduction can never exceed two times cost ($2.00). Therefore, gross profit is limited to $1.00.

Total charitable deduction:

$2.00

For additional information about the special enhanced tax deduction and how food donors can utilize the deduction, please consult your tax counsel. For further information about the Emergency Economic Stabilization Act, please contact Carrie Calvert or Matthew de Ferranti at (202) 546-7001.

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