

**GOOD HARVEST:
VIRGINIA'S FOOD CROP
DONATION TAX CREDIT**

10.17.2017

WHAT TO EXPECT

- **Why this credit: food insecurity in Virginia**
 - *Dorothy McAuliffe, First Lady of Virginia*
- **Process of donation– farmer**
 - *Lindsay Reames, Asst. Secretary of Agriculture & Forestry*
- **Process of donation– food bank**
 - *Greg Knight, Blue Ridge Area Food Bank*
- **Filing guidelines**
 - *Kristen Collins, Virginia Department of Taxation*
 - *James Savage, Virginia Department of Taxation*
- **Q&A**

FOOD INSECURITY IN VA

- Agriculture is the Commonwealth's #1 economic sector
- Over 900 thousand Virginians are food insecure, many of whom are children and seniors

The Food Crop Donation Tax Credit was passed in 2016 to help bridge this gap.



DONATION PROCESS



- What crops are accepted
 - Edibles - Grains, fruits, nuts or vegetables
- Depending upon the item and quantity available for donation food banks may have PPO (pick and pack out) funds available to offset packaging costs, etc.

DONATION PROCESS

- **Contact local food bank to make delivery or pickup arrangements**
- **Food Bank will prepare and send FCD-2 certificate within 30 days of donation**



DONATION PROCESS

- How to find a food bank near you
 - Visit the Federation of Virginia Food Banks website vafoodbanks.org/
 - Use the Zip Code driven Food Bank Locator tool to find your local Virginia food bank.

Get Help

If you are in need of assistance, we can help. Get connected with your local food bank, and they will provide you with information on local resources. To find the food bank that serves your county, enter your address, city, or zip code into the Food Bank Locator below.

No Virginian should have to go hungry.

Address / Zip

Within 200 miles ▾

Find Locations



VA FEDERATION OF FOOD BANKS

- Blue Ridge Area Food Bank, Verona, VA
■ Phone: 540.248.3663
- Foodbank of Southeastern Virginia, Norfolk, VA
■ Phone: 757.627.6599
- Feeding America Southwest Virginia, Salem, VA
■ Phone: 540.342.3011
- Virginia Peninsula Foodbank, Hampton, VA 23661
■ Phone: 757.596.7188
- Capital Area Food Bank/Northern Virginia, Lorton, VA
■ Phone: 703.541.3063
- FeedMore (Central Virginia Food Bank), Richmond, VA
■ Phone: 804.521.2500
- Fredericksburg Area Food Bank, Fredericksburg, VA
■ Phone: 540.371.7666

FILING GUIDELINES

- During the year of donation:
 - Make qualifying donations.
 - Receive and keep FCD-2 certificates from food bank.
- During the following year:
 - Apply for your credit by submitting the FCD-1 application by or before **February 1**.
 - Receive a letter from the Department by April 1 notifying you of your approved credit amount.
 - File your income tax return to claim the credit.
 - ✓ Individuals/sole proprietorships must file Schedule CR.
 - ✓ Corporations must file Schedule 500CR.
 - ✓ Pass-through entities must file Schedule 502ADJ and Form PTE.

FILING GUIDELINES

■ Carryover Period

- This credit has a carry-forward feature.
- This feature allows you to carry-forward the credit up to the next five years if you do not currently owe enough Virginia income tax to benefit from the credit.
- This allows you to benefit from the credit in future years, even if you do not have a profitable year.

CALCULATING YOUR CREDIT

- The credit equals 30 percent of the fair market value of crops donated or \$5,000, whichever is less.
- The credit has an annual statewide cap of \$250,000.
 - If the amount of credits applied for is \$250,000 or less, you will be able to claim the full credit.
 - If the amount of credits applied for exceeds \$250,000, the Department will prorate all credits. You will receive a reduced credit.
 - For TY 2016, 12 farmers applied for \$35,000 in tax credits, so proration was not required.

EXAMPLE 1

- Anne is a farmer who donates pumpkins to a nonprofit food bank with a fair market value of \$1,000.
- Anne's expected credit is equal to \$300 ($\$1,000 \times 30\% = \300)
- Anne submits Form FCD-1 by February 1, requesting \$300 in credits.
- During the year of donation, farmers statewide applied for \$250,000 or less of credits.
- The Department notifies Anne no later than April 1 that she is approved for the full \$300 of credit for which she applied.
- Anne saves \$300 by claiming the credit on Schedule CR of her Virginia income tax return.

EXAMPLE 2

- Bob is a farmer who donates watermelons to a nonprofit food bank with a fair market value of \$20,000.
- Bob's expected credit is equal to the lesser of \$6,000 ($\$20,000 \times 30\% = \$6,000$) or \$5,000.
- Bob submits Form FCD-1 by February 1, requesting \$5,000 in credits.
- During the year of donation, farmers statewide applied for \$250,000 or less of credits.
- The Department notifies Bob no later than April 1 that he is approved for the full \$5,000 of credit for which he applied.
- Bob saves \$5,000 by claiming the credit on Schedule CR of his Virginia income tax return.

EXAMPLE 3

- Catherine is a farmer who donates corn to a nonprofit food bank with a fair market value of \$20,000.
- Catherine's expected credit is the lesser of \$6,000 ($\$20,000 \times 30\% = \$6,000$) or \$5,000.
- Catherine submits Form FCD-1 by February 1, requesting \$5,000 in credits.
- During the year of donation, farmers statewide applied for \$500,000 of credits.
- Since the statewide cap was exceeded, farmers receive 50% of the credit requested ($\$250,000/\$500,000 = 50\%$).
- The Department notifies Catherine no later than April 1 that she is approved \$2,500 in credits.
- She saves \$2,500 by claiming the credit on Schedule CR of her Virginia income tax return.

FEDERAL CHARITABLE DEDUCTION

- In addition to the state tax credit, food crop donations are likely eligible for a charitable contribution deduction on your federal return.
- The combined tax savings can be substantial.
- For example, a farmer in the top marginal federal tax bracket of 39.6% who donates food crops as food inventory with a fair market value of \$1,000 and a cost basis of \$0 may receive:

Federal Tax Savings	State Tax Savings	Total Tax Savings
\$198	\$300	\$498

RESOURCES

- Food Crop Donation Tax Credit Guidelines:
 - <https://www.tax.virginia.gov/food-crop-donation-tax-credit-guidelines>
- Food Crop Donation Tax Credit Application and Certification, Forms FCD-1 and FCD-2:
 - <https://www.tax.virginia.gov/sites/default/files/taxforms/credits/2016/fcd-1/fcd-2-2016.pdf>
- Virginia Federation of Food Banks:
 - <http://vafoodbanks.org/>
- Virginia Food Access Network:
 - <http://vfan.org/>
- Federal Charitable Deduction, Publication 526:
 - <https://www.irs.gov/forms-pubs/about-publication-526>

QUESTIONS

- *How can you find a local food bank?*
 - The largest food banks in VA are members of the [Federation of Food Banks](#). To find other organizations and food pantries in your community, visit the [Virginia Food Access Network](#).
- *When will perishable produce be added?*
 - Under the current law, only grains, fruits, nuts, and vegetables are accepted. The General Assembly may elect to expand this in future legislation.
- *Can you file multiple times in the same year?*
 - While you may file your forms in multiple applications, this does not make a difference in the credit limit– the \$5,000 limit is per person, not per application.

For additional help, call the Virginia Dept. of Taxation's Tax Credit Unit: (804)786-2992