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

Example 1: Single Ownership Farm
Taxpayer Category: LLC, S corporation, or Individual
Case Example: A married couple that files their taxes together is the sole owners of the farm that is donating food they have produced. They make donations throughout the year.

Their farm does not claim itemized deductions, but the standard deduction for their income taxes. Thus, they do not itemize charitable contributions on their income taxes. The donation if claimed as a charitable contribution deduction would not impact their state income taxes at all. Because they claim the standard deduction, they are not allowed to claim a charitable contribution as an itemized deduction. Thus, a receipt for a charitable contribution would not benefit the couple's state income taxes because they will not be able to claim it on their state income taxes.

In contrast, the tax credit reduces their liability dollar for dollar, and so long as their income tax liability does not fall below zero they can claim the credit on their income taxes. For example, if the farm's donation is valued at $600, they will receive a tax credit for 15% of the donation value, or $90.00. A charitable contribution deduction for the $600 donation would be $0.00 benefit to them on their state income taxes. In contrast, the tax credit would be applied as if they had paid the $90.00 they owe in taxes already.

The couple can apply this $90.00 to their income taxes that they file together, and it will reduce their taxes by $90.00.

Example 2: Co-owned Farm
Taxpayer Category: LLC, S corporation, or Partnership
Case Example: Two owners who file their taxes separately both have an equal share of ownership in the farm. Each owner files and pays their state income taxes separately, based on their individual taxable income from their share of the farm's income. Some of the food produced on their farm they decide to donate, as they often have in the past, having claimed the donations as charitable contribution deductions, applying the amount to their total itemized deductions on their individual state income taxes. Now they want to take the tax credit instead of the deduction.

Claiming the tax credit instead of the deduction will benefit the owners. They have donated $1,000 in food they produced over the year to an emergency feeding organization. The tax credit value ends up being $150.00 compared to their itemized deduction for their income range, which would be approximately $89.90, based on the highest income tax bracket range. The credit is then split between the two owners, equally, because they have equal shares in the farm. Each then can reduce their taxable income dollar for dollar by $75.00 each.

Example 3: Farm Compensated for Food: Plant a Mile
Taxpayer Category: Either a Corporation, LLC, S corporation or Partnership
Case Example: A farm owner is participating in the Plant a Mile program through Buy Fresh Buy Local, a project of Drake University. Through Plant a Mile, a volume of the farm's produce is being bought for the Des Moines Area Religious Council (DMARC) at a discounted rate. DMARC is a registered emergency feeding organization with the Iowa Department of Revenue, and distributes the food through their food pantry network.

The farm is compensated for the produce at $0.50/lb. for their 1000 lbs. of tomatoes, equaling a payment of $500.00 for the tomatoes. The farm is compensated for the food and therefore, may not claim the food as part of a tax credit, so long as they are paid any amount at all for the food. If the farm claimed the tax credit instead of the Plant a Mile compensation with the fair market value at $3.00/lb. for the tomatoes equaling a retail value of $3,000 for a 1000 lb. donation, they would receive a tax credit of $450.00. They would not benefit more if they took the tax credit over the Plant a Mile payment.

Example 4: Grain Cash Donation
Taxpayer Category: Corporation, LLC, S corporation, Partnership
Case example: A farmer takes his grain to be sold to the local elevator, and then has the payment for the grain donated to DMARC in the form of a check written out to DMARC. The farmer is not eligible for the tax credit because he did not donate the actual food commodity to DMARC. The donor must actually give the food commodity to the emergency feeding organization to be eligible for the tax credit. Also in this case the farmer donated field corn which is not eligible for the tax credit because it is not an edible commodity. Another example would be a farmer who donates a whole cow to the emergency feeding organization. The actual cow would not qualify as a donation eligible for the tax credit. If the farmer donated the packaged beef from the cow to the emergency feeding organization the famer would then qualify for the tax credit.

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

Drake University Law School

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

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.