



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 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

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.