

# FOOD BANK



**OF CENTRAL  
& EASTERN  
NORTH  
CAROLINA**

## Tax Benefits

### Allowable Deductions for Charitable Donations of Ordinary Income Property\*

The general rule since 1969 states that a taxpayer who contributes appreciated inventory or certain other ordinary income property is permitted a charitable deduction only for an amount equal to the taxpayer's basis in the contributed property, not its fair market value.

In the 1976 Tax Reform Act, Congress further refined the statute to allow corporate donors an increased deduction, under certain circumstances, for contributions of ordinary income property to a public charity or to a private operating foundation.

Under IRC Section 170(e)(3), a corporation is entitled to a deduction with respect to a contribution to a public charity or to a private operating foundation of appreciated property described in IRC Section 1221(1) and (2). That is, certain types of ordinary income property in an amount equal to:

A. The sum of one-half of the unrealized appreciation (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) (B).

Selling Price.....	\$4.00
Cost.....	\$1.00
Expected Gross Profit.....	\$3.00
One-half of expected gross profit (\$3.00) equals	\$1.50
The maximum deduction can never exceed two times the cost (\$2.00)	
Therefore, gross profit is limited to.....	\$1.00
Total charitable deduction.....	\$2.00

**\*Donors are advised to consult with their tax advisor in applying the appropriate deduction.  
GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2001 HOUSE BILL 411\***



Short Title: Tax Credits for Gleaning/Donation of Produce. (Public)

(full bill) <http://www.ncga.state.nc.us/Sessions/2001/Bills/House/PDF/H411v1.pdf>

**SECTION 4.** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read: **§ 105-151.14A. Credit for donation of fresh produce.**

(a) A taxpayer who donates fresh produce after harvesting, or who donates fresh produce that has been packaged or otherwise prepared for market, to a nonprofit organization during the taxable year is allowed a credit against the tax imposed by this Part equal to ten percent (10%) of the market price of the fresh produce donated. This credit may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except tax payments made by or on behalf of the taxpayer. In order to claim the credit allowed under this section, the taxpayer must add the market price of the donated produce to taxable income as provided in G.S. 105-134.6(c). Any unused portion of the credit may be carried forward for the succeeding five years.

(b) The following definitions apply in this section:

- (1) 'Fresh produce' means fruits and vegetables that have been subjected to only minimal, if any, processing.
- (2) 'Market price' means the average wholesale price for the particular kind of fresh produce in the nearest local market for the month in which the produce is donated.
- (3) 'Nonprofit organization' means an organization to which charitable contributions are deductible from gross income under the Code."

**SECTION 5.** This act is effective for taxable years beginning on or after January 1, 2001.

**Please call or email with questions or donations...**

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