

October 2008

**Important information about the Emergency Economic Stabilization Act of 2008 (Public Law 110-343):**

We are pleased to report that an enhanced tax deduction for all business taxpayers was included in the Emergency Economic Stabilization Act of 2008. The law includes tax incentives to foster increased donations of food and grocery products to food banks nationwide, including the Worcester County Food Bank.

**The law will extend an enhanced tax deduction for food and grocery product donations to all business taxpayers from January 1, 2008 to December 31, 2009, meaning that the law will be retroactive and available for product donations already made to the food bank this year.** The law enables all business taxpayers, including farmers, franchisees, ranchers and other small business owners, to take an enhanced tax deduction that is the sum of one-half of the unrealized appreciation (fair market value minus cost equals appreciation) plus the taxpayer's cost. The deduction cannot exceed two times the cost of the contributed property as described in IRC Section 170(e)(3). Farmers and ranchers who use the cash method of accounting do not qualify for the deduction. In addition, the Emergency Economic Stabilization Act does allow qualified ranchers and farmers to deduct more than 10 percent of their income for the 2008 calendar year, if they donate food that is worth more than that amount. Traditionally, business taxpayers have only been allowed to donate up to 10 percent of their income. Please see the following sample calculation example for further information about the deduction.

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

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
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Thank you for your support of the Worcester County Food Bank. Hopefully, this new tax incentive will benefit our generous donors and inspire new donors to join our efforts in Worcester County.

For additional information about the enhanced tax deduction and how food donors can utilize the deduction, please consult your tax counsel. Also, feel free to contact Jean McMurray or Lois Maitland Paire at the Worcester County Food Bank at 508-842-3663.