

SUMMARY ANALYSIS OF AMENDED BILL

Author: Eggman, et al. Analyst: Jessica Deitchman Bill Number: AB 1577
Related Bills: See Prior Telephone: 845-6310 Introduced Date: May 27, 2016
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Agriculture Product Donation to Food Bank Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), recast the existing Donated Fresh Fruits or Vegetables Credit (Fruits and Vegetables Credit) as an Agriculture Product Donation to Food Bank Credit (Agriculture Product Donation Credit).

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 27, 2016, amendments added coauthors and modified the provisions of the credit, sunset date, and repeal date. Except for the "Effective/Operative Date," "This Bill," and "Economic Impact" sections, the department's analysis of the bill as amended April 27, 2016, still applies. The "Fiscal Impact" section has been updated to discuss department costs.

EFFECTIVE/OPERATIVE DATE

This bill would become effective on January 1, 2017, and would be operative for qualified donation items that are accepted by a food bank located in California for taxable years beginning on or after January 1, 2017, and before January 1, 2022.

THIS BILL

This bill would, under the PITL and the CTL, recast the existing Fruits and Vegetables Credit as an Agriculture Product Donation Credit.

This Agriculture Product Donation Credit would be allowed to a qualified taxpayer that donates to a food bank any qualified donation items that are accepted by that food bank located in California.¹ The credit would be equal to 10 percent of the qualified value of the qualified donation items, but in no event would this amount be less than the amount that otherwise would

¹ Under Chapter 5 (Commencing with Section 58501) of Part 1 of Division 21 of the Food and Agricultural Code.

have been calculated under the Fruits and Vegetables Credit (Chapter 503 of the Statutes of 2011).

“Qualified donation item” would mean fresh fruits or fresh vegetables and the following raw agricultural products or processed foods:

- “Fruits, nuts or vegetables,” as defined in Section 42510 of the Food and Agriculture (F & A) Code.
- “Meat food product,” as defined in Section 18665 of the F & A Code.
- “Poultry,” as defined in Section 18675 of the F & A Code.
- “Eggs,” as defined in Section 75027 of the F & A Code.
- “Fish,” as defined in Section 58609 of the F & A Code.

“Qualified donation item” may also be any of the following foods as defined in Section 109935 of the Health and Safety Code:²

- Rice.
- Beans.
- Fruit, nuts, and vegetables in canned, frozen, dried, dehydrated, and 100 percent juice forms.
- Any cheese, milk, yogurt, butter, and dehydrated milk, meeting the requirements of Division 15 (commencing with Section 32501) of the F & A Code.
- Infant formula, subject to Section 114094.5 of the Health and Safety Code.
- Vegetable oil and olive oil.
- Soup, pasta sauce, and salsa.
- Bread and pasta.
- Canned meats and canned seafood.

“Qualified taxpayer” would mean the person responsible for planting a crop, managing the crop, harvesting the crop from land, growing or raising a qualified donation item, or harvesting, packing or processing a qualified donation item.

“Qualified value” would mean either of the following:

- The qualified value calculated by using the weighted average wholesale sale price based on the qualified taxpayer’s total like grade wholesale sales of the donated item sold within the calendar month of the qualified taxpayer’s donation.
- If no wholesale sales of the donated item have occurred in the calendar month of the qualified taxpayer’s donation, the qualified value would be equal to the nearest regional

² Which defines “food” as “any article used or intended for use for food, drink, confection, condiment, or chewing gum by man or other animal, or any article used or intended for use as a component of any of the items previously listed.”

wholesale market price for the calendar month of the donation based upon the same grade products as published by the United States Department of Agriculture's Agricultural Marketing Service, or its successor.

The donor would provide to the food bank the qualified value of the donation items and information regarding the origin of where the donation items were grown, processed, or both grown and processed.

Upon receipt and acceptance of the donation items, the food bank would provide a certificate to the donor. The certificate would contain a statement signed and dated by a person authorized by the food bank that the donation items are accepted, as specified. The certificate would also contain the type, grade, and quantity of items donated, the name of the donor or donors, the name and address of the food bank, and, as provided by the donor, the origin of the donated items, and the qualified value of the donated items.

The credit allowed by this section must be claimed only on a timely filed return.

The Franchise Tax Board would continue to report to the Legislature on or before December 1, 2014, and each December 1 thereafter until January 1, 2021, but the report would now include the estimated value of the qualified donated items and the origin of the qualified donation items.

This credit would be repealed on December 1, 2022.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1577 As Amended May 27, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)		
2016-17	2017-18	2018-19
-\$0.45	-\$0.9	-\$1.1

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

Using data on food bank donations, it was estimated that qualified taxpayers made \$9 million in qualified donations in 2014. The estimate is adjusted to reflect changes in the economy over time and results in an estimated \$10 million of food donations in 2017. The estimate assumes the

expanded credit would increase donations by 10 percent bringing total donations to \$11 million in 2017. Applying the credit rate of 10 percent results in estimated credits generated of \$1.1 million. Using the current Fruits and Vegetables Credit data, it is estimated that 75 percent of the credit would be used in the year generated and the remaining 25 percent would be used over the next five years. Because taxpayers must reduce the deduction for qualified donations by the credit amount, an offsetting gain is applied to account for the decrease in reported deductions, resulting in a net \$800,000 loss for taxable year 2017.

The tax year estimates are split between personal income taxpayers and corporate taxpayers, converted to fiscal-year estimates, and then rounded to arrive at the estimates shown in the above table.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

LEGISLATIVE STAFF CONTACT

Jessica Deitchman
Legislative Analyst, FTB
(916) 845-6310
jessica.deitchman@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Gail Hall
Legislative Director, FTB
(916) 845-6333
gail.hall@ftb.ca.gov