STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: McNerney, et al. Bill Number: SB 881

SUBJECT

Credit for Donated Fresh Fruits or Vegetables; Voluntary Contributions for Emergency Food for Families

SUMMARY

This bill would do the following:

Provision No. 1 - Credit for Donated Fresh Fruits or Vegetables:

This provision, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), would extend the sunset date for the credit for donated fresh fruits or vegetables five years to taxable years beginning before January 1, 2032, and the repeal date to December 1, 2032.

Provision No. 2 - Voluntary Contributions for Emergency Food for Families (Fund):

This provision would, under the Administration of Franchise and Income Tax Laws (AFITL), extend the last year that the Fund would appear on the tax return from 2025 to the 2032 taxable year, subject to the estimated total contributions for the year meeting a minimum contribution amount.

REASON FOR THE BILL

The reason for the bill is to ensure that all Californian's have access to essential nutrition.

ANALYSIS

Economic Impact – Summary Revenue Table

Fiscal Year	2026-2027	2027-2028	2028-2029
Provision No. 1 - *Credit for Donated Fresh Fruits or Vegetables*	-$400,000	-$900,000	-$1,000,000
Provision No. 2 - *Voluntary Contributions for Emergency Food for Families*	-$0	-$8,000	-$8,000
Total $	-$400,000	-$908,000	-$1,008,000

ANALYSIS

Analysis Provision No. 1:

Credit for Donated Fresh Fruits or Vegetables (Bill Sections 2 and 4)

This provision would, under the PITL and CTL, modify the credit for donated fresh fruits and vegetables credit by extending the sunset date for five years from taxable years beginning before January 1, 2027, to taxable years beginning before January 1, 2032. Furthermore, the credit's repeal date would also be extended five years from December 1, 2027, to December 1, 2032.

The Franchise Tax Board (FTB) reporting requirements to the Legislature would also be extended five years, instead of becoming inoperative on January 1, 2026, the reporting would become inoperative on January 1, 2031.

Effective/Operative Date

As a provision of an urgency measure, this provision would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2026. The provision would be specifically operative for taxable years beginning before January 1, 2032.

Federal/State Law

Federal Law

There is no comparable federal tax credit.

Under current federal law, in general, a deduction is permitted for charitable contributions, subject to limitations dependent upon the type of taxpayer, the property contributed, and the donee organization. The amount of any deduction generally equals the fair market value of the contributed property on the date of the contribution.

State Law

California's PITL generally conforms to the federal rules relating to charitable contributions as of the specified date of January 1, 2025, but specifically does not conform to the enhanced deduction for a contribution of food inventory, which allows any taxpayer who engages in a trade or business to claim a deduction for donations of food inventory. The deduction under the PITL for charitable contributions of inventory is limited to 15% of the taxpayer's aggregate net income for such taxable year from which contributions of apparently wholesome food are made. Apparently wholesome food is defined as food intended for human consumption that meets all quality and labeling standards imposed by federal, state, and local laws and regulations even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions.

Additionally, the state's CTL does not adopt the general federal rules that allow enhanced deductions for corporate contributions of inventory and does not adopt the enhanced deduction for a contribution of food inventory. The deduction under the CTL for contributions of inventory is limited to the taxpayer's basis in the inventory, generally its cost, and may not exceed 15% of the corporation's net income. Any excess may be carried forward for up to five years.

For taxable years beginning on or after January 1, 2020, and before January 1, 2027, current state law allows a credit for donated fresh fruits and vegetables equal to 15% of the qualified value of the qualified donation of fresh fruits or fresh vegetables and other specified agricultural products or processed foods. The qualified taxpayer is required to provide to the food bank the qualified value of the qualified donation items and information regarding the origin of where the qualified donations items were grown, processed, or both grown and processed.

Upon receipt and acceptance of the donated items, the food bank provides a certificate to the qualified taxpayer. The certificate must contain a statement signed and dated by a person authorized by the food bank that the donation items are accepted. The certificate also contains the type and quantity of items donated, the name of the qualified taxpayer or qualified taxpayers, the name and address of the food bank, and, as provided by the qualified taxpayer, the origin of the donated items, and the qualified value of the donated items. Upon request of the FTB, the qualified taxpayer is required to provide a copy of the certification to the FTB.

The credit is nonrefundable and cannot reduce the following taxes:

- Alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries).
- Minimum franchise tax (corporations, S corporations, and limited liability companies treated as corporations).
- Annual tax (limited partnerships, limited liability partnerships, and limited liability companies classified as partnerships).
- Built-in gains tax (S corporations).
- Excess net passive income tax (S corporations).

The credit must be claimed on a timely filed original return, and any excess credit may be carried over for up to seven years, until exhausted.

The FTB is required to report certain information relating to the use of the credit for donated fresh fruits or vegetables to the Legislature on or before December 1, 2019, and each December 1 thereafter. This reporting requirement becomes inoperative on January 1, 2026.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 353 (Alvarado-Gil, 2025/2026) under the PITL and CITL, would, similar to this bill, extend the credit for agriculture product donations to food banks for five years. SB 353 was held in the Assembly Revenue and Taxation Committee without further action.

AB 150 (Assembly Committee on Budget, Chapter 82, Statutes of 2021), amongst various provisions, under the PITL and CTL, modified the credit for agricultural product donations to food banks by extending the operative date by five years, and extended the FTB's Section 41 reporting requirement for five years.

SB 240 (Eggman, et al., 2021/2022) and AB 2243 (Eggman, 2019/2020), under the PITL and CTL, would have modified the credit for agriculture product donations to food banks by extending by five years the date the credit becomes inoperative. SB 240 did not pass out of the Senate Appropriations Committee by the required deadline, and AB 2243 did not pass out of the Assembly Revenue and Taxation Committee by the required deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB anticipates minimal costs to implement this provision of the bill.

ECONOMIC IMPACT

Revenue Estimate

This provision of the bill would result in the following revenue loss:

Estimated Revenue Impact of SB 881
Assumed Enactment after June 30, 2026

($ in Millions)

Fiscal Year	Revenue
2026-2027	-$0.4
2027-2028	-$0.9
2028-2029	-$1.0

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

Analysis Provision No. 2:

Voluntary Contributions for Emergency Food for Families (Bill Section 3)

This provision would extend the last tax year the Fund would appear on the tax return from 2025 to the 2032 taxable year, and the repeal date from December 1, 2026, to December 1, 2033, subject to the estimated total contributions for the year meeting the minimum contribution amount.

Effective/Operative Date

As a provision within an urgency measure, this provision would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2026. The provision would be specifically operative for taxable years beginning before January 1, 2033.

Federal/State Law

Federal Law

No comparable provision in federal law.

State Law

Current state tax law allows taxpayers to make monetary contributions to certain specified voluntary contribution funds when they have available funds (payments and credits) that exceed their current year tax liabilities. In addition, taxpayers contributing to any of the specified funds are allowed to deduct those contributions on their state income tax return for the year in which the contribution is made.

Generally, the voluntary contribution funds remain on the tax return until they are either repealed by operation of law or fail to meet a minimum contribution amount. The FTB is required to make the determination by September 1 of each calendar year, beginning on the second calendar year the fund appears on the tax return, as to whether estimated contributions to the fund will be less than the minimum contribution amount for that calendar year.

If the FTB estimates that contributions to a fund will fail to meet the minimum contribution amount for a calendar year, that fund would generally remain in effect until January 1 of that calendar year and would then be repealed on December 1 of that calendar year.

The following requirements generally apply to new or extended voluntary contribution funds:

- The words “voluntary tax contribution” must be included as part of the name of the fund.
- The administering agency’s internet website must report specific data related to the usage of the amounts received via voluntary contribution.
- The minimum contribution amount is $250,000.
- A voluntary tax contribution remains in effect only until January 1 of the seventh calendar year following the first appearance of the contribution on the tax return and would then be repealed as of December 1 of that year.

Article 14 of Chapter 3 of Part 10.2 of the Revenue and Taxation Code (RTC) containing the Emergency Food for Families Voluntary Tax Contribution Fund provisions will be repealed on December 1, 2026.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 61 (Hertzberg, Chapter 723, Statutes of 2017) renamed the Emergency Food Assistance Program fund as the Emergency Food for Families Voluntary Tax Contribution Fund and extended the repeal date.

PROGRAM BACKGROUND

The Fund first appeared on the 1998 return as the Emergency Food Assistance Program before being renamed in 2018 to the Emergency Food for Families Voluntary Tax Contribution Fund. It is subject to the $250,000 minimum contribution amount that is adjusted annually for inflation. The following are the total annual contributions to this fund for the past three years:

2023	2024	2025
$579,131	$464,470	$455,440

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB anticipates minimal costs to implement this provision of the bill.

ECONOMIC IMPACT

Revenue Estimate

This provision of the bill would result in the following revenue loss:

Estimated Revenue Impact of SB 881
Assumed Enactment after June 30, 2026

Fiscal Year	Revenue
2026-2027	-$0
2027-2028	-$8,000
2028-2029	-$8,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

This provision of the bill would extend the tax years the Emergency Food for Families Voluntary Contribution Fund could appear on the return, from 2025 to 2032 taxable year, provided the required minimum contribution amount is met.

This estimate assumes the fund would receive contributions similar to prior years of approximately $400,000 each year. Approximately 35% of taxpayers who contribute to voluntary contribution funds itemize their deductions. It is estimated that the average tax rate for these taxpayers is 6%, resulting in an estimated revenue loss of approximately $8,000 annually.

Contributions would be made when the 2026 return is filed by April of 2027. Subsequently, the deduction for the contribution would be claimed when the 2027 return is filed by April 15, 2028; therefore, the revenue impact would occur in fiscal year 2027-2028.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS (All Provisions)

None noted.

SUPPORT/OPPOSITION (All Provisions)

Senate Floor Analysis, dated August 17, 2026

Support

California Association of Food Banks (Co-Source)
Californians Against Waste (Co-Source)
350 Bay Area Action
350 Humboldt
Alameda County Waste Management Authority
Alena's Lab Kitchen

American Pistachio Growers
Bayview Senior Services
Berkeley Food Network
California Avocado Commission
California Citrus Mutual
California Community Foundation
California Farm Bureau
California Food and Farming Network
California Fresh Fruit Association
California Rice Commission
California Table Grape Commission
California Tomato Growers Association
California Walnut Commission
Careit
Center for Ecoliteracy
Central California Food Bank
City and County of San Francisco
City of Long Beach
City of Woodland
CleanEarth4Kids.org
Climate Action California
Climate Reality Project - Silicon Valley Chapter
Community Action Partnership of San Bernardino County
Crop Swap LA
Dairy Institute of California
Dr. Bronner's
Elders Climate Action, SoCal Chapter
Families Advocating for Chemical & Toxics Safety
Farm Habit
Farm2People
Farmlink Project
Feeding San Diego
Food for People, the Food Bank for Humboldt County
FoodCycle
FoodRecovery.org
Franciscan Workers of Junipero Serra, dba Dorothy's Place
Fresh Produce and Floral Council
Fullwell
G.R.A.C.E. Social and Medical Services
Global Alliance for Incinerator Alternatives
Grower-Shipper Association of Central California
HiBhaChi
Hunger Action Los Angeles, Inc.
Jacobs & Cushman San Diego Food Bank
Loaves & Fishes Family Kitchen

Los Angeles Climate Reality Project
Los Angeles Food Policy Council
Los Angeles Regional Food Bank
Lutheran Office of Public Policy - California
Mojave Desert and Mountain Recycling Authority
Natural Resources Defense Council
NextGen California
No Time to Waste
Office of Kat Taylor
Replate
Resource Connection Food Bank
Resource Renewal Institute
Sacramento Food Bank & Family Services
Salinas Valley Recycles
San Diego Food System Alliance
San Francisco Bay Area Chapter Physicians for Social Responsibility
San Francisco-Marin Food Bank
San Luis Obispo Food Bank
Santa Cruz Climate Action Network
Second Harvest Food Bank of Orange County
Second Harvest Food Bank of Santa Cruz County
Second Harvest of Silicon Valley
Sierra Harvest
Sierra Orchards
Solana Center for Environmental Innovation
StopWaste
Western Growers Association
Westside Food Bank
White Pony Express - Food Recovery
Yuba Sutter Food Bank

Opposition

California Teachers Association

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	August 19, 2026	38	0
Assembly Floor	August 17, 2026	74	0
Senate Floor	May 19, 2026	39	0

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