



## **HB 1541 The Federal “Enhanced Tax Deduction for All Business Taxpayers” works for farmers and food processors**

### **The carrot example**

I am growing carrots. My cost to grow, harvest and transport them to market was \$400 per ton. Here I am at market with one ton unsold; no one wants the last of my load. However, if I drive it over to the Food Bank, I can donate it. Alternatively, I can drive it to the dump and pay \$150 to dump it, or take it back to the farm and plow it back into the field.

The most I can claim under the Enhanced Tax Deduction for all Business Taxpayers is my cost of \$400, plus two times that cost for my assumed-donated profit. So  $\$400 + \$800 = \$1200$  is the most I can claim as a charitable contribution. However, I am also limited by the real market value.

I sold the rest of my carrots for \$1000 per ton, thus I can claim \$1000.

If the real market value had instead been \$1400 a ton, I can claim only \$1200.

Now I have a choice about what to do with my excess ton of carrots:

- Drive to the dump, pay the dump fee and add that \$150 to my \$400 costs for the year. This will reduce my profits for tax purposes by \$150.
- Drive it back to the field and spend money disking it into the ground, again this cost will reduce my taxable income by my additional cost, say \$120, some of it the excess gas with the loaded truck, and some hiring it spread and disked under in the field.
- Drive to the Food Bank where they will process those carrots within the day. I'll still show my \$400 costs as an expense, but I'll also deduct \$1000 as a charitable donation.

Whichever choice I make will be reflected on my federal tax forms. When I fill out my state tax forms, I'll pick up the Federal Adjusted Gross income number from the federal 1040 and figure my state taxes. Thus the farmer already gets a generous tax treatment, just as does the baker, grocer, food processor, or restaurant owner who donates his day old, excess, to top quality food to the Food Bank.