

# Donate Surplus Wholesome Food

with the

*Food Donation Connection*

# Harvest Program

**A socially responsible and simple alternative  
to throwing away surplus food**



In Partnership With

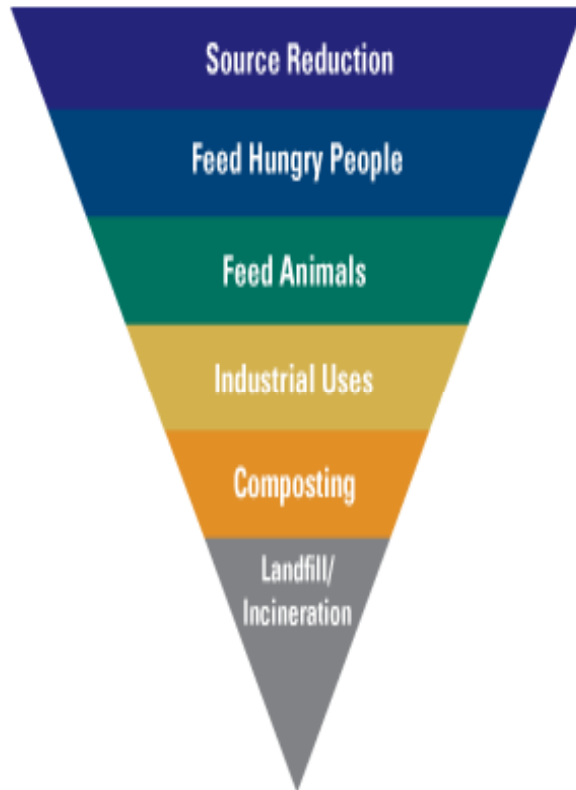


# You Can Help

- **WHY** – Hunger in America is a serious issue
  - In 2008 49.1 million of your neighbors experienced hunger
  - Meanwhile, restaurants waste millions of pounds of wholesome food
  
- **HOW** - Donate your leftover surplus food
  - Simple alternative to throwing away food
  - Needy in your local community benefit
  - “Good Samaritan Laws” provide limited liability protection
  - There are experienced food recovery agencies in your community
  
- **BENEFIT** – Your neighbors and your business
  - Surplus reduction over time – gain efficiencies
  - Food to needy, not landfills – feed those less fortunate
  - Meet “Green” Initiatives – reduce carbon footprint
  - Earn a potential incremental tax benefit – Up to twice cost

# Reducing/Recovering Surplus Food

## Food Waste Recovery Hierarchy



- Source Reduction – Reduce the volume of food waste generated
- Feed People – Donate extra food to food banks, soup kitchens and shelters
- Feed Animals – Provide food to farmers
- Industrial Uses – Provide fats for rendering and food discards for animal feed production
- Composting – Convert food scraps into a nutrient rich soil amendment

US EPA has developed a food waste recovery hierarchy to illustrate how productive use can be made of excess food. The hierarchy emphasizes practices that provide the greatest ecological, economic, and social benefits, with disposal as the last option.

# The Donation Process



Submit to FDC:  
Fax Mail  
email FTP  
Web Browser

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# Enhanced Tax Deduction for Food Donations

## C corporations

In 1976 Congress enacted Section 170(e)(3) to encourage donations by allowing **C corporations** to earn an **enhanced tax deduction** for donating selected surplus property, including food.

The enhanced deduction is equal to  $\frac{1}{2}$  of the donated food's appreciated value, with the limitation that the total deduction cannot exceed twice the donated food's basis cost. The IRS may challenge the value of donated surplus food.

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# Enhanced Tax Deduction

## Non-C corporations

**Katrina Emergency Tax Relief Act (KETRA)** of 2005 temporarily allowed *any trade or business* to apply the enhanced deduction for contributions through December 31, 2005

**Pension Protection Act** of 2006 extended **KETRA** to December 31, 2007

**Emergency Economic Stabilization Act** of 2008 extended non-C corp. enhanced deduction to December 31, 2009

**Tax Relief, Unemployment Insur. Reauthorization, and Job Creation Act of 2010** extended **KETRA** to December 31, 2011

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# Enhanced Deduction Amount

## Current Law for C Corporations \*

The enhanced deduction is equal to the lesser of:

- Basis plus one-half the item's appreciated value  
or
- Two times cost

Fair Market Value may be challenged by the IRS.

# Enhanced Deduction Example

## Food Item

Menu Price	\$10.00
Food Cost and Direct Labor (Cost)	<u>3.25</u>
Gross Profit	6.75
One-half the Gross Profit ( $\frac{1}{2}$ GP)	3.38
Total Deduction (Cost + $\frac{1}{2}$ GP)	6.50
<b>(But not to exceed two times cost)</b>	

# Tax Savings Example

<b>Example Benefit Food Item</b>	<b>Product Sold</b>	<b>Surplus Not Donated</b>	<b>Surplus Donated</b>
<i>Sales revenue</i>	\$10.00	\$ .00	\$ .00
<i>Base cost (food &amp; direct labor)</i>	3.25	3.25	3.25
<i>Gross margin / (loss)</i>	6.75	(3.25)	(3.25)
<i>Enhanced tax deduction</i>	--	--	(3.25)
<i>Total income/(deduction) before tax</i>	6.75	(3.25)	(6.50)
<i>Tax (assumes combined federal and state tax rate of 37%)</i>	(2.50)	1.20	2.40
<i>Gross margin/(loss) after tax</i>	\$4.25	\$(2.05)	\$(.85)

***In this example, donating reduces after tax cost of surplus food by 59%.***

# Restaurants Donating Food



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# Prepared Food Donation Impact

- ✓ **Proven** program – 18 year history
- ✓ **Variety** of food and consistent supply
- ✓ **Local** availability – Readily accessible
- ✓ **Immediate** impact on the lives of people
- ✓ **Positive** impact on environment
- ✓ **Free** to hunger relief organizations
- ✓ **Tax Incentive** Congressional intent to encourage

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# Why FDC?

- **Industry leader in coordinating prepared-food donations**
- **Provide unique service to foodservice donors**
- **Founded in 1992, over 18 years experience**
- **ServSafe® certified trainers on staff**
  
- **Donations coordinated:**
  - *50 states and Canada, developing UK and Australia*
  - *14,000 contributing restaurants*
  - *6,500 recipient agencies*
  - *Nearly 200 million pounds since 1992*
  - *25 million pounds in 2009*

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# How is FDC Funded?

## If you save nothing, we are paid nothing

- FDC charges a 15% fee of the incremental tax savings
- Warehouse/DC donations are 7.5% of incremental tax savings
- When FDC provides food safe bags the fee is adjusted
- Our fee is paid from your tax savings, using money you would not have had if you were not donating

## Harvest is a self-funded program

**Our model allows FDC to provide food to agencies  
without charging or competing for funding**



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# Food Donation Connection

- **Vision - Let nothing be wasted.**
- **Mission - Expand our global network linking available sources of surplus food to those in need through existing charitable organizations. Grow our company in a manner that provides a level of profitability necessary to carry out our vision.**
- **Strategy - Provide an economic benefit, corporate goodwill, and community involvement to contributing businesses who donate surplus food.**

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# Steps to Start a Harvest Program

1. **Donor Operations Review**
2. **Process Documentation and Set-up**
3. **Donation Testing**
4. **Enhanced Tax Deduction Analysis**
5. **Harvest Program Expansion**