



**SF 437** – Food Bank Tax Credits and Appropriations (LSB 2205SZ)  
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 Fiscal Note Version – New

**Description**

**Senate File 437** creates a new tax credit for qualified food commodity donations to Iowa food banks and similar organizations. To qualify for the tax credit, the food commodity must be intended for human consumption and donated by the food producer. The food must be donated to a qualified food bank or an emergency feeding organization. Qualified food commodities include but are not limited to milk, eggs, vegetables, fruits, nuts, syrup, honey, dairy products, meat, and poultry products.

The tax credit is first available for tax year 2014 and each tax year is equal to the lesser of 15.0% of the value of the qualified food commodity donated, or \$5,000. The tax credit is not refundable, but any unused credit may be carried forward for up to five additional tax years. Any donation value that is claimed for the purpose of the tax credit is not allowed as an itemized deduction for state income tax purposes.

Beginning in FY 2014, this bill also creates an annual \$2.0 million standing appropriation to the Department of Human Services (DHS) to support an Iowa-Food link to Food-Bank Initiative.

**Assumptions**

Based on discussions with food banks and other organizations that qualify under this Bill, and using fruit and vegetable prices provided by the U.S. Department of Agriculture, the Iowa Department of Revenue estimates that just over one million pounds of qualified food commodities will be donated to Iowa food bank organizations by Iowa producers each year, and those donations will have a value of \$2.3 million. Due to increases in donations and food inflation, this annual amount is assumed to increase 5.0% per year. For tax year 2014, the value of the tax credit, less the disallowed deduction value, is estimated to be \$230,000.

Based on the redemption pattern of other tax credits, it is projected that each year's food donations will be redeemed through tax returns in the following percentages:

• 56.6% - tax year of donation	• 8.0% - third tax year	• 3.6% - fifth tax year
• 24.5% - second tax year	• 4.8% - fourth tax year	• 2.5% - sixth tax year

**Fiscal Impact**

The net General Fund revenue reductions associated with redemption of the new food commodity donation tax credit are projected to be:

• FY 2015 = \$ -130,000	• FY 2018 = \$ -243,000
• FY 2016 = \$ -193,000	• FY 2019 = \$ -264,000
• FY 2017 = \$ -221,000	• FY 2020 = \$ -283,000

The General Fund impact in future fiscal years will be similar to FY 2020.

The appropriation in Section 5 of this bill will increase General Fund appropriations by \$2.0 million per year. The appropriation will be utilized by the DHS to support the activities of Iowa food banks and similar organizations and purposes. The DHS will provide administration of the new program with existing staff.

**Source**

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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