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Testimony 5.3.2011 before Joint Tax Credits

SB691 is about a tax credit designed in 1977 to encourage crop gleaning and donation. This is a desirable policy goal, and was important in its time.

> Oregon's tax credit is for 10% of wholesale market price and is set at an appropriate level, were it the only benefit available. But since 2008, a huge improvement has been in place on the federal tax level, a benefit that passes through to the Oregon return and that surely provides ample encouragement. (This benefit was available only to C-corps prior to 2008).

Today, because of recent changes in the federal law, donating crops of marginal in value can be more beneficial to the farmers than harvesting, packing and transporting the same produce to market, according to a GAO report.

Farmers will deduct:

- All growing costs on Schedule F which will pass through to the Oregon return, and
- The Federal deduction for food contributions – which cannot exceed twice the cost of production, and will pass through to the Oregon return.

Oregon's tax credit is likely no longer increasing donations. Only 75-85 taxpayers use the tax credit each year, and they likely would donate anyway, either because they are the kind of people who would donate without any subsidies, or because they've added up the subsidies and seen that food "donations" are actually sound business transactions.

The federal deduction was improved in 2008. Prior to this 2008 increase in the appeal of donating crops, our tax credit had merit. Now, it is simply not needed. Donating crops has become a profitable strategy.

The website of the Oregon Food Bank does a good job of explaining the federal benefits.

We judge this tax credit unnecessary, and one you should allow to sunset without any heart burn.