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Charitable Contributions of Food

A New PATH – Produce/Agriculture Industry

March 24, 2016

A presentation prepared for Feeding America and its nation-wide network of food banks

Introductions

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Executive Summary

Key Concept	2005 – 2015	2016 ⟶
Calculation of the enhanced deduction	ATB (defined below) of the food **plus** one-half of the difference between FMV (defined below) and the ATB; but the total deduction may not exceed twice the ATB of the food.	No change.
Limitation on the enhanced deduction for charitable contributions of food	For C corporations, may not exceed 10% of taxable income. For taxpayers other than a C corporation, may not exceed 10% of aggregate net income.	For C corporations, may not exceed 15% of taxable income. For taxpayers other than a C corporation, may not exceed 15% of aggregate net income
Fair Market Value (“FMV”)	The price that the taxpayer would have received if the food was sold in the usual market. No guidance for determining the FMV of food not sold in the usual market.	The price that the taxpayer would have received if the food was sold in the usual market. For food which is not sold by the taxpayer due to internal standards, the price at which the same or substantially the same food is sold by the taxpayer at the time of the charitable contribution or in the recent past.
Adjusted Tax Basis (“ATB”)	The inventoriable carrying cost of the donated food at the time of the charitable contribution. No guidance for cash basis taxpayers, those that do not account for inventories, or off-spec food that does not receive an allocation of carrying costs under the inventory method used by taxpayer.	The inventoriable carrying cost of the donated food at the time of the charitable contribution. If the taxpayer does not account for inventories and is not required to capitalize indirect costs to the food, the taxpayer may elect to treat the ATB of donated food as 25% of the FMV.

Calculation of the Enhanced Charitable Contribution Deduction

Charitable Contributions — Enhanced Deduction

- Certain charitable contributions of inventory to a qualified organization may qualify for an enhanced deduction.
- The enhanced charitable contribution deduction is generally equal to the adjusted tax basis ("ATB") of the inventory **plus** one-half of the built-in gain (i.e., difference between the ATB and fair market value ("FMV") of the contributed inventory).
  - However, the enhanced deduction may not exceed twice the ATB of the inventory.
- The enhanced deduction results in a permanent difference between book and tax, because book has no similar concept.

Food Donations by Non-Corporate Taxpayers

- Prior to 2005, the enhanced deduction for charitable contributions of inventory, including food, applied only to C corporations.
- In 2005, Congress enacted the "Katrina Emergency Tax Relief Act of 2005" to provide emergency tax relief for persons affected by Hurricane Katrina.
- The Act amended the existing inventory donation rules, adding the first explicit reference to charitable contributions of food and extending the enhanced deduction to non-C corporation taxpayers for qualifying donations of food.
  - Initially, only applicable to charitable contributions of food made from August 28, 2005 until December 31, 2005.
- Since 2005, the provision extending the enhanced deduction for charitable contributions of food to non-C corporation taxpayers has been extended several times.

Benefits For Taxpayers That Donate Food

Example:

- A corporate food manufacturer has excess food with an ATB basis of $30 and an FMV of $50.
- The taxpayer is able to demonstrate that the food can be sold in the open market at its usual selling price in quantities that would constitute meaningful sales.
- The manufacturer has the opportunity to contribute the food to a qualified domestic charity, where the FMV remains $50 if used before expiration.

Benefits For Taxpayers That Donate Food

Example, cont.:

- If the food is contributed to a qualified charity and used for a qualified purpose, the manufacturer would be entitled to an enhanced charitable contribution deduction of $40, which results in a cash benefit of $16, calculated as follows:

Donation of Food	
FMV	50
ATB	30
Enhanced Deduction (ATB + ½ built-in gain)	40
	x 40%
After-Tax Value of Charitable Deduction	**16**

- This result is dependent on the FMV of the food and the individual facts of the food donated.

Limitation Rules

Percentage Limitation Rules for Charitable Contributions

- In general, corporations are allowed to deduct charitable contributions to the extent that the deduction does not exceed 10% (up to 15% for food, as discussed later) of the corporation's taxable income for the year.
- An individual is limited to 50% of adjusted gross income for charitable contributions of property or money to qualified public charities.
  - A qualified donee includes Feeding America and its nation-wide network of food banks.
- 20% and 30% limitations apply to certain contributions, depending on the type of property contributed and to type of donee organization (such as private foundations).

Limitation Rules for Food Donations

- The general 10% limitation for C corporations remains unchanged for charitable contributions of non-food inventory and is reduced by the amount of charitable contributions of food.
- For C corporations, charitable contributions of food are subject to a limitation of 15% of taxable income for tax years beginning after December 31, 2015.
- The charitable contributions of food provisions added in 2005 initially allowed for an enhanced deduction of up to 10% of a non-corporate taxpayer’s aggregate net income for donations of food from any trade or business of the taxpayer.
  - The taxpayer’s aggregate net income includes the net income from all trades or businesses from which such charitable contributions were made for the year.
- For tax years beginning after December 31, 2015, the PATH Act increased the 10% limitation to 15% of aggregate net income from all trades or businesses from which such charitable contributions of food were made for taxpayers other than C corporations.

Determining the Fair Market Value

Valuation of Donated Goods Prior to 2015 Legislative Changes

- The valuation of food requires special consideration as most food will naturally spoil and deteriorate with time.
- The Regulations provided that the FMV is the price that the taxpayer would have received if the food was sold in the usual market.
- The 2015 legislation now provides for a safe harbor for determining the FMV of food.

2015 Legislative Updates – Fair Market Value Safe Harbor

- When a taxpayer donates “apparently wholesome food” after December 31, 2015, the FMV is determined by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the charitable contribution (or, if not so sold at such time, in the recent past).
- “Apparently wholesome food” is food that meets all quality and labeling standards imposed by Federal, State, and local laws and regulations but may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions.
- A taxpayer may choose not to sell “apparently wholesome food”:
  - Solely by reason of internal standards of the taxpayer,
  - Lack of market or similar circumstances, or
  - By reason of being produced by the taxpayer exclusively for the purpose of transferring the food to a qualified organization.

Determining the Adjusted Tax Basis

Charitable Contributions — Adjusted Tax Basis

- Generally, the ATB of the property is the direct cost of the property plus any indirect costs required to be allocated to the property.
- For donations made prior to December 31, 2015, farmers and other cash method taxpayers who have no ATB in crops raised or produced are not able to benefit from the enhanced deduction.
- For charitable contributions made after December 31, 2015, if the taxpayer does not account for inventories under section 471 (general rule for inventories) and is not required to capitalize costs under section 263(A) (capitalization and inclusion in inventory costs of certain expenses), which would otherwise provide the taxpayer with an identifiable ATB in the food, then:
  – The taxpayer may elect to <u>treat the basis</u> of any “apparently wholesome food” as = (0.25) x (FMV of the “apparently wholesome food”).
- Revenue Estimates of similar legislative proposals governing donated food suggest that tax savings to donors from this Safe Harbor will be approximately $24 million per year.

Enhanced Deduction for Cash Method Taxpayers

- Example:
  - Many farmers are cash basis method taxpayers. Because they likely deduct all costs that would be inventory costs, they have no basis in the food they grow or raise.
  - Prior to the enactment of the ATB Safe Harbor rule that allows farmers to treat the basis of the food as 25% of the FMV, farmers were not eligible to take an enhanced deduction for any donated food.

Donation by Farmer before December 31, 2015		Donation by Farmer after January 1, 2016	
FMV	40	FMV	40
ATB	0	ATB	10
Enhanced Deduction	0	Enhanced Deduction	20
	x 40%		x 40%
After Tax value of Charitable Deduction	**0**	**After Tax value of Charitable Deduction**	**8**

Timing and Valuation Considerations

Timing of Donations

- Consideration should be given to the effect of timing on the fair market value of food.
- Even a small delay in the timing of donation could have a substantial impact on the subsequent cash flows.
- It is often advantageous for companies to donate in the present, rather than waiting, thereby locking in current FMV to avoid future declines in value.

Timing of Donations

Donate Now or Donate Later?

Donation (Present)		Donation (60 days later)	
FMV	50	FMV*	30
ATB	20	ATB	20
Enhanced deduction	35	Enhanced deduction	25
	x 40%		x 40%
After-Tax Value of Charitable Deduction	14	After-Tax Value of Charitable Deduction	10

*Assumed change in FMV

Fair Market Value Considerations

- Companies should consider the cash flow implications and potential benefits of donating food in the present that would otherwise likely remain on the shelf until future sale at a lower FMV.
- The following scenario illustrates a hypothetical fluctuation in the FMV of food over a span of 60 days.
- Everything else held constant, the significant reduction in FMV would result in a higher cash inflow from a present donation than would be derived from a future sale.

Fair Market Value Considerations

Donate Now or Sell Later? (FMV: Decrease)

Donation (Present)		Sale (60 days later)	
FMV	30	GR	6
ATB	10	ATB	10
Enhanced deduction	20	GI	(4)
	x 40%		x 40%
		After-Tax Value of Loss Deduction	1.60
After-Tax Value of Charitable Deduction	8	After-Tax Value of Loss Deduction Plus GR	7.60

Part Sale & Part Donation

- A charity may be willing to pay taxpayers the amount necessary to make up the difference between the revenue that a taxpayer would receive on the secondary market and the value of any tax deduction available to the taxpayer upon the charitable contribution of the food.
- The taxpayer may still be eligible for the enhanced charitable contribution deduction in this situation, however, the taxpayer’s charitable contribution deduction would be reduced because a portion of the transaction would be treated as a bargain sale charitable contribution.
  - The charity would be mathematically unable to pay the difference between the value of the tax deduction and the secondary market value of the food.

Part Sale & Part Donation

- If (1) a charitable organization pays a taxpayer less than the FMV for the food, and (2) the taxpayer intends to make a gift of the FMV in excess of the payment, a portion of the transaction is treated as a bargain sale.
- Effectively, the transaction is treated as two transactions: one transaction, the sale or exchange of a portion of the food and the other, a charitable contribution.
  - The taxpayer must determine the amount of ordinary income that would have been recognized had the contributed portion been sold at its FMV.
  - The basis of the contributed portion is equal to the portion of the ATB of the entire property that bears the same ratio to the total adjusted basis as the FMV of the contributed portion bears to the FMV of the entire property.

Part Sale & Part Donation

- If the taxpayer contributed property with a FMV of $100 and an ATB of $60, even if the charitable organization paid $99 for the property, the after tax effect of the transfer, including the charitable contribution deduction, would be income after taxes of $23.48, while a market sale would result in $24 of income after taxes.

Market Sale		**Bargain Sale of Charitable Contribution**		
		Portion treated as Sale (99%)	Portion treated as Contribution (1%)	Total
FMV	100	99	1	100
ATB	60	59.4	0.6	60
Revenue from Sale	100	99	0	99
Deduction for COGS	60	59.4	0	59.4
ATB + ½ of Gain	N/A	N/A	0.8	0.8
2x ATB	N/A	N/A	1.2	1.2
Enhanced Deduction	N/A	N/A	0.8	0.8
Taxable Income/ (Deduction)	40	39.6	(0.8)	38.8
Tax (Benefit) at 40%	16	15.84	(0.32)	15.52
Income (Loss) after Taxes	**24**	23.76	(0.28)	**23.48**

Qualified Charity and Substantiation Rules

Food Donations — A Qualified Organization

- In order for charitable contributions to qualify for the enhanced tax deduction:
  - The donee must be certified by the IRS as a tax-exempt IRC § 501(c)(3) organization, and must be either a public charity or a private operating foundation.
  - The donee's use of the property must be related to its tax-exempt purpose or function to care for the ill, the needy, or infants, and the donee must provide the donor with a written statement to this effect.
- If the donee transfers the contributed property for money, property, or services, the donor's deduction could be limited to its ATB in the contributed property.

Substantiation Requirements

- It is up to the taxpayer to substantiate the charitable contribution deductions claimed on a tax return.
- Generally, the following items regarding the contributed property should be documented:

  (1) Name and address of donee organization,

  (2) A detailed description of the property,

  (3) Date of the charitable contribution,

  (4) The fair market value of the property on the date the charitable contribution was made, and

  (5) The method used in determining FMV.
- Feeding America, for example, provides a letter that covers (1), (2), and (3) above.
  - Donated inventory is exempt from the general requirement that a donor attach a "qualified appraisal" to its tax return for certain property donations for which a deduction is claimed (see § 170(f)(11)(A)(ii)), but the donor still may be required to attach a Form 8283 "appraisal summary" to its tax return (see FAA 20113801F).

Substantiation Requirements

- Taxpayers are generally required to establish and document the ATB and FMV of contributed food on an item level, rather than using an average or estimate.
- The ATB should include all adjustments to the basis required for tax purposes.
- Companies should consider methods used to track ATB of donated food and whether all appropriate costs are captured.
- Companies should also consider who within the organization has primary responsibility for donating food and how easy it is to track the actual items donated (e.g., labeling and scanning systems).
- A higher ATB may lead to a higher charitable contribution tax deduction.

Questions?

Appendix

Limitation Rules

Limitation Rules for Food Donations

- The general 10% limitation for C corporations remains unchanged for charitable contributions of non-food inventory and is reduced by the amount of charitable contributions of food.
- For C corporations, charitable contributions of food are subject to a limitation of 15% of taxable income for tax years beginning after December 31, 2015.
- The charitable contributions of food provisions added in 2005 initially allowed for an enhanced deduction of up to 10% of a non-corporate taxpayer's aggregate net income for donations of food from any trade or business of the taxpayer.
  - The taxpayer's aggregate net income includes the net income from all trades or businesses from which such charitable contributions were made for the year.
  - For example, if a taxpayer is a 20% partner in a partnership that has net income of $100 and makes a $10 charitable contribution of food during 2015, that taxpayer is allocated $20 of income from the partnership and a $2 charitable deduction for the charitable contribution of food. The taxpayer is allowed an enhanced deduction of up to 10% of the $20 of net income from the partnership, so the taxpayer is allowed to take the entire $2 of the enhanced charitable deduction on his individual income tax return in 2015.

Limitation Rules for Food Donations

- For tax years beginning after December 31, 2015, the PATH Act increased the 10% limitation to 15% of aggregate net income from all trades or businesses from which such charitable contributions of food were made for taxpayers other than C corporations.
  - For example, if a taxpayer is a sole proprietor, a shareholder in an S corporation, and a partner in a partnership but only the sole proprietorship and the S corporation make charitable contributions of food, the taxpayer's deduction would be limited to 15% of the net income from the trade or business of the sole proprietorship and the taxpayer's interest in the S corporation.
  - If, however, the partnership also made a charitable contribution of food, the taxpayer would also be able to take into consideration the flow-through net income from the partnership for purposes of applying the 15% limitation.

Carryover Rules

- If the aggregate amount of the charitable contribution exceeds the limitation, the excess is treated as a charitable contribution in each of the five succeeding taxable years.
- If an individual is allocated, through his or her ownership of a pass-through entity, a charitable contribution of an amount of food and is not limited by the 15% limitation, such amount is then subject to the 50% contribution base limitation and any amount that exceeds the 50% base limitation can be carried over.
  – For example, the taxpayer in the previous example was entitled to take the full $2 of enhanced deduction and was not limited by the 15% limitation (or the 10% limitation if the charitable contribution was made in 2015.) If the taxpayer had already taken deductions for charitable contributions up to 50% of his adjusted gross income, the additional $2 can be carried over to the next five years.

Charitable Contributions vs. COGS Adjustment

- Because of the taxable income limitation, certain corporations making qualified charitable contributions may prefer to apply the general rules of IRC §170(e)(1) and Treas. Reg. § 1.170A-1(c), which allow for a deduction as part of cost of goods sold for property produced during the current year, rather than applying the provisions of IRC §170(e)(3) and Treas. Reg. §1.170A-4A(c) to claim an enhanced deduction.
  - This could be the case where, as a result of net operating losses, the charitable contribution carryover is expected to expire unutilized (because net operating losses carry forward up to 20 years rather than just 5 years for charitable contributions).
- IRS Notice 2008-90 provides that the IRS will not challenge a taxpayer's choice of applying, to a particular charitable contribution, the rules under either:
  1) IRC § 170(e)(3) and Treas. Reg. § 1.170A-4A(c), or
  2) IRC § 170(e)(1) and Treas. Reg. § 1.170A-1(c).
- CCA 201012061 clarifies that IRS Notice 2008-90 does not prevent IRS examiners from challenging any other issue (e.g., FMV).

Charitable Contributions of Food Under IRC § 170

	Section 170 (general rules)	Section 170(e)(3) (enhanced deduction) *
Loss Inventory		
Beginning Inventory	• § 170 deduction limited to FMV under Treas. Reg. § 1.170A-1(c)(1). • Reduce COGS by entire cost basis. Result: No deduction for built-in loss.	• § 170 deduction limited to FMV. • Reduce COGS by FMV of inventory under Treas. Reg. § 1.170A-4A(c)(3). Result: Taxpayer deducts FMV under §170 and remaining built-in loss recovered as COGS deduction.
Current Year Production /Purchases	• COGS deduction for entire cost basis, including built-in loss, allowed under Treas. Reg. § 1.170A-1(c)(4). Result: No § 170 deduction, but all costs (including built-in loss) recovered as COGS.	• § 170 deduction limited to FMV. • Reduce COGS by FMV of inventory under Treas. Reg. § 1.170A-4A(c)(3). Result: Taxpayer deducts FMV under §170 and remaining built-in loss recovered as COGS deduction. Note: Notice 2008-90 allows taxpayer to elect § 170 general rules to avoid IRC § 170(b) percentage limitation.
Gain Inventory		
Beginning Inventory	• § 170 deduction limited to cost basis under § 170(e)(1). • Reduce COGS by entire cost basis. Result: No deduction for built-in gain.	• § 170 deduction limited to FMV less ½ of built-in gain, but deduction not to exceed 2 x cost basis. • Reduce COGS by cost basis under Treas. Reg. § 1.170A-4A(c)(3). Result: Taxpayer deducts under § 170 entire cost basis plus up to ½ of built-in gain.
Current Year Production/ Purchases	• COGS deduction for entire cost basis allowed under Treas. Reg. § 170A-1(c)(4). Result: No deduction for built-in gain.	• § 170 deduction limited to FMV less ½ of built-in gain, but deduction not to exceed 2 x cost basis • Reduce COGS by cost basis under Treas. Reg. § 1.170A-4A(c)(3). Result: Taxpayer deducts under § 170 entire cost basis plus up to ½ of built-in gain.

*** IRS Notice 2008-90 allows taxpayers to make a separate election for each particular qualified charitable contribution to apply either the § 170 general rules or the § 170(e)(3) special rules, taking into consideration the taxpayer's percentage limitation on total charitable contribution deduction under IRC § 170(b). However, electing to apply the § 170(e)(3) special rules is contingent upon the taxpayer satisfying all of the requirements under that section, including the substantiation requirements of Treas. Reg. § 1.170A-4A(b)(4).**

Determining the Fair Market Value

Valuation of Donated Goods

- IRS Rev. Rul. 85-8
  - Note: this is a pharmaceutical example, but analyzes the same general rules that apply to food donations.
- Facts
  - Corporation Y is a pharmaceutical manufacturer.
  - Y manufactures products that are subject to a regulatory requirement that an “expiration date” be imprinted on the product or its container.
  - Shortly before the expiration date of products that previously were sold for 10x dollars, Y made a qualified charitable contribution of the products within the meaning of IRC § 170(e)(3)(A).
  - Y claimed an enhanced deduction computed by reference to the 10x dollars selling price for the same products when sold significantly before their expiration date.
  - At the time of donation, if Y would have sold the particular products approaching their expiration date in the usual market for such products, Y would have realized only 5x dollars.
  - Y’s ATB in the contributed products was 1x dollars.

Valuation of Donated Goods

- IRS Rev. Rul. 85-8 (cont.):
- Analysis
  - Treas. Reg. § 1.170A-1(c)(2) provides that if a taxpayer makes a charitable contribution of property at a time when the taxpayer could not reasonably have been expected to realize its usual selling price, the value of the gift is not the usual selling price but is the amount for which the quantity of property contributed would have been sold by the donor at the time of the charitable contribution.
  - If the taxpayer contributes property that is generally sold in the course of the taxpayer's business, the FMV of the property is the price that the taxpayer would have received had the contributed property been sold in the usual market.
  - Under the facts of Rev. Rul. 85-8, 5x dollars (selling price at the time of the charitable contribution) rather than 10x dollars (usual selling price) was determined to be the FMV of the donated products.

Valuation of Donated Goods

- IRS Rev. Rul. 85-8 (cont.):
- Holding
  - If Y had sold the property at its fair market value on the date of its charitable contribution, Y's amount of gain would have been 4x dollars.
  - Y must reduce the fair market value of its charitable contribution (5x dollars) by one-half of the gain (2x dollars).
  - Since the amount of charitable contribution that remains after the reduction (3x dollars) exceeds twice the basis of the contributed property (2x dollars), a further reduction of 1x dollars is necessary.
  - Pursuant to the reductions imposed by IRC § 170(e)(3), the amount of Y's charitable contribution is 2x dollars.

Valuation of Donated Goods

- The *Lucky Stores* case:
- Facts
  - A taxpayer regularly sold four-day-old bread at full retail price on Sundays during the years in issue.
  - The taxpayer made donations of four-day-old surplus bread and other “aged” bakery products to food banks.
  - The food banks qualified as permissible charitable donees under IRC § 170(e)(3)(A).
  - The taxpayer computed its enhanced deduction by reference to the full retail price of the bread.

Valuation of Donated Goods

- The *Lucky Stores* case (cont.):
- Analysis
  - The IRS made several arguments against the taxpayer using the full retail price of the four-day-old bread as the FMV:
    - Bread is a rapidly perishable food with a short shelf life
    - It is common "industry practice" to pull bread after three days
    - Other grocery chains sold aged bread at a 50% discount on discount racks or in thrift stores
- Holding
  - The U.S. Tax Court rejected all of the IRS' arguments, noting that bread was not legally required to be sold by a certain date and held that the FMV of the four-day-old bread was the full retail price because Lucky Stores actually sold four-day-old bread for that price.

Valuation of Donated Goods

- A comparison of the *Lucky Stores* case and Rev. Rul. 85-8:
  - The pharmaceutical products described in Rev. Rul. 85-8 required an expiration date, presumably by law, and the products were not allowed to be sold after such date.
  - In the *Lucky Stores* case, the expiration date was not a legal requirement, and the product was allowed to be sold after the expiration date.
  - Facts such as legally required expiration dates should be considered when determining whether FMV actually is the usual selling price of the inventory.

Valuation of Donated Goods

- IRS FAA20113801F
- Facts
  - Corporation A manufactures and sells food products to wholesalers.
  - The corporation deducted a charitable contribution for its donation of food.
  - Corporation A determined the FMV for the donated food by using the cost of the food plus a mark-up.
  - All of the donated food was within 110 days of its “best by” date when donated.
  - The “best by” date was developed internally and emphasized on Corporation A’s website.
  - There was no appraisal to substantiate the value of the donation, and no Form 8283 was filed validating the contributed value.

Valuation of Donated Goods

- IRS FAA20113801F (cont.):
- Analysis
  - The Form 1120 instructions require corporate taxpayers to attach Form 8283 to their Federal income tax returns if their charitable contributions of non-cash inventory exceed a $5,000 threshold.
  - Taxpayers may not value donated food approaching expiration date at its wholesale selling price unless the taxpayer can prove that the food could have been sold in the open market at that price in quantities that would constitute meaningful sales
  - Taxpayers must account for certain trade discounts and valuation allowances when determining the FMV of donated food.

Valuation of Donated Goods

- IRS FAA20113801F (cont.):
- Analysis
  - The taxpayer improperly relied on the usual selling price when valuing the food as the taxpayer could not have reasonably expected to attain this price so close to the products' "best by" date.
  - Although the "best by" dates were not legally required at a state or federal level, the taxpayer emphasized the importance of the "best by" date on its website and recommended that consumers dispose of products that reach this date. As established in Rev. Rul. 85-8 and confirmed in this FAA, products approaching expiration ("best by" dates) are not typically sold in the market at their usual selling price.
  - Additionally, the taxpayer did not account for certain vendor allowances.
- Holding
  - Corporation A is not entitled to a deduction due to the fact that it failed to file the required Form 8283 and did not show that the omission was made in good faith. Additionally, Corporation A is not entitled to a deduction due to its failure to properly value the contributed food.

Scope of Presentation

This presentation is not intended to be a formal opinion of tax consequences, and accordingly, it may not contain a full description of all the facts or a complete analysis of all relevant tax issues and authorities. The analysis and conclusions discussed are based on our understanding of the facts, assumptions, information, and documents referenced herein, as well as current tax laws and published tax authorities in effect as of the date of this presentation, which are subject to change. If the facts or assumptions described herein are incorrect or change, or the tax laws change, our analysis and conclusions would likewise be subject to change. Deloitte Tax LLP assumes no obligation to update this presentation for any future changes in tax law, regulations, or other authorities. This presentation addresses only the specific tax matters and tax consequences discussed herein and no other federal, state, or local tax matters of any kind were considered. This presentation is solely for the benefit of the intended recipient and may not be relied upon by any other person or entity.

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