



# Why Taxes Matter

The federal tax code has many specifications that affect nonprofits such as the Food bank. This includes the provision that allows the Food Bank to be a tax-exempt, charitable organization (501(c)3), as well as provisions that affect donations the Food Bank receives.

## History

This charitable deduction provision was first crafted in the tax code in 1917 at the brink of America's entry into World War I because of the concern that charities would not survive the war. Wealthy donors, it was believed, would be relieved of any disposable income by the cost of war taxes. Additionally, less support for charity by private individuals meant their functions would be assumed more and more by government. Lastly, proponents argued that charitable giving was an American value and should be encouraged.

In 1976, Congress added Section 170(e)(3) to the tax code to give companies an incentive to donate goods to charities, including food banks. This provides a critical means for food banks to source food that would otherwise be discarded by retailers, farmers, and restaurants.

## Why does the Food Bank care about taxes?

The federal tax structure is important to nonprofit organizations such as the Food Bank because we depend on donations from individuals and corporations for our operations and inventory. These donations can be deducted from federal tax returns, so it provides an incentive for people and companies to donate.

Section 170(e)(3) not only incentivizes food donations from food businesses and farmers, it also lessens food waste. Approximately 30-40% of food in the United States is thrown in the landfill. This is food that could instead be rerouted to feed hungry people.

Additionally, under Section 501(c)(3) of the tax code, the Food Bank is restricted in its political and lobbying activities. While we can provide education on and advocacy for certain public policy issues, we cannot engage in any political campaign on behalf of or in opposition to any candidate for public office. This is important because nonpartisan credibility is critical to the ability of nonprofits to work with elected officials of all parties to address community needs.

***Weakening or repealing any of these provisions in the federal tax code could have significant consequences for the Food Bank and its clients.***

