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THIRD READING

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Bill No: SB 881  
Author: McNerney (D), et al.  
Amended: 5/14/26  
Vote: 21

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SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 3/25/26  
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26  
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

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**SUBJECT:** Income taxation: credits: voluntary contributions: food bank  
donations

**SOURCE:** Author

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**DIGEST:** This bill extends the January 1, 2027, sunset date on the New Donated Fresh Fruit or Vegetables Credit to January 1, 2032, and extends the January 1, 2026, repeal date for the Emergency Food for Families Voluntary Tax Contribution Fund to January 1, 2037.

**ANALYSIS:**

Existing federal law:

- 1) Establishes the Emergency Food Assistance Program (EFAP), a federal program that helps supplement the diets of low-income Americans, including the elderly, by providing emergency food assistance at no cost.
- 2) Directs the U.S. Department of Agriculture (USDA) to provide 100% American-grown USDA Foods and administrative funds to states to support EFAP operations.

Existing state law:

- 1) Allows various income tax credits, deductions, exemptions, and exclusions.

- 2) Allows taxpayers to claim a deduction for charitable contributions made to qualified organizations.
- 3) Allows the New Donated Fresh Fruits or Vegetables Tax Credit (Credit), under the Personal Income Tax (PIT) and the Corporation Tax (CT) Laws, to qualified taxpayers in an amount equal to 15% of the qualified value of qualified donation items donated to food banks, as defined.
  - a) Defines “qualified donation item” to include the specified raw agricultural products, processed foods, and food items: fruits; nuts; vegetables; meat food product; poultry; eggs; fish; rice; beans; fruits, nuts, and vegetables in canned, frozen, dried, dehydrated, and 100% juice forms; cheese; milk; yogurt; butter; dehydrated milk; infant formula; vegetable oil; olive oil; soup; pasta sauce; salsa; bread; pasta; canned meats; and canned seafood.
  - b) Defines a “qualified taxpayer” as the person responsible for growing or raising a qualified donation item, or harvesting, packing, or processing a qualified donation item, provided that the person is not a retailer.
  - c) Defines “qualified value” by using the weighted average wholesale price, based on the taxpayer’s total same-grade wholesale sales of the donated items sold within the same month as the donation. If no wholesale sales occurred in the same month as the donation, then the qualified value is equal to the nearest regional wholesale market price based upon the same grade products for the same month as the donation, as published by the U.S. Department of Agriculture’s Agricultural Marketing Service.
  - d) Requires the food bank to provide a certificate to the taxpayer that includes specified information, including, but not limited to, the type and quantity of fresh fruits or vegetables donated, and the name of the qualified taxpayer.
  - e) Requires the qualified taxpayer to provide a copy of the certificate to the Franchise Tax Board (FTB) upon request.
  - f) Stipulates that the credit is nonrefundable, can be claimed on a timely filed original return, and may be carried over up to seven tax years.
  - g) Stipulates that a qualified taxpayer must reduce any deduction otherwise allowed under the PIT Law or the CT Law for the amount of cost paid or incurred by the qualified taxpayer for the Credit.
  - h) Sunsets the credit after the 2026 tax year.

- 4) Allows taxpayers to contribute money from their own resources in excess of the amount they owe in taxes to Voluntary Contribution Funds (VCF) by checking a box on their state PIT return.
  - a) Establishes 18 VCFs on the PIT Return.
  - b) Generally requires the FTB to remove a VCF due to a sunset provision or if the VCF fails to meet the statutory minimum contribution amount.
  - c) Generally requires FTB to annually determine whether estimated contributions to each VCF will exceed \$250,000 to remain on the PIT form.
  - d) Provides that after a taxpayer contributes to a VCF, the FTB deposits all contributions, minus its administration costs, into a fund named for the VCF.
  - e) Requires that VCFs meet certain best practices, such as: including “voluntary tax contribution” in the fund name, that the administering agency’s internet website to report specific data related to the usage of the amounts received from a VCF, and that the fund be repealed following January 1 of the seventh calendar year following the first appearance of the contribution on the tax return and be repealed as of December 1 of that year.
  - f) Establishes Emergency Food for Families VCF, formerly known as the EFAP check-off.
  - g) Provides that contributions to the EFAP check-off be allocated to the State Department of Social Services (DSS) for direct services provided by EFAP and may not be used for DSS’s administrative costs.
  - h) Repeals the Emergency Food for Families VCF on January 1, 2026.

This bill:

- 1) Extends the January 1, 2027, sunset date on the New Donated Fresh Fruit or Vegetables Credit to January 1, 2032.
- 2) Includes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.
- 3) Extends the January 1, 2026, repeal date for the Emergency Food for Families Voluntary Tax Contribution Fund to January 1, 2037.

## Background

*Donated Fresh Fruits or Vegetables Tax Credit.* In 2011, the Legislature passed AB 152 (Fuentes, Chapter 503, Statutes of 2011), which created the Donated Fresh Fruits or Vegetables Tax Credit (credit). The credit was equal to 10% of the cost of fresh fruits or vegetables donated by a qualified taxpayer to a California food bank and was authorized until tax year 2016.

In response to the credit's expiration, the Legislature enacted the New Donated Fresh Fruit or Vegetables Credit (SB 837, Committee on Budget and Fiscal Review, Chapter 32, Statutes of 2016). SB 837 established a similar credit to AB 152 under the Personal Income and Corporation Tax Law, but increased the previous credit's amount from 10% of the cost of fresh fruits or vegetables donated by the taxpayer to 15%. SB 837 authorized the credit for taxable years beginning on or after January 1, 2017, and before January 1, 2022. The credit was modified and expanded in 2019 and 2021, and the sunset was extended to January 1, 2027 (AB 614, Eggman, Chapter 431, Statutes of 2019; and AB 150, Committee on Budget, Chapter 82, Statutes of 2021).

*New Donated Fresh Fruit or Vegetables Credit Report.* Pursuant to Section 41 of AB 150, FTB has issued annual reports on the New Donated Fresh Fruits or Vegetables Credit. According to their December 2025 report, taxpayers reported approximately \$10.1 million in donations in tax year 2022, \$10.7 million in 2023, and \$10.8 million in 2024. Between 2022 and 2024, \$4.4 million in Donated Fresh Fruit or Vegetable Credits offset tax liability on 1,356 tax returns.

*EFAP.* The program is for low-income people who meet established federal income guidelines and whose households reside in the service area. The Food, Nutrition, and Service agency of the USDA administers EFAP at the federal level. All 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam administer the program at the state level. The amount made federally available for EFAP food purchases for fiscal year (FY) 2026 is \$465.2 million. Additionally, \$94.3 million is available for State agencies to convert to administrative funds. California will receive approximately \$65,247,313.09 from EFAP for food purchases and administering food bank programs for FY 2026.

**FISCAL EFFECT:** Appropriation: Yes Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, FTB estimates that this bill would result in General Fund revenue losses of \$400,000 in 2026-27, \$908,000 in

2027-28, and \$1.008 million in 2028-29. FTB's total administrative costs have yet to be identified.

**SUPPORT:** (Verified 5/16/26)

California Association of Food Banks (Co-Sponsor)  
Californians Against Waste (Co-Sponsor)  
350 Bay Area Action  
350 Humboldt  
Alena's Lab Kitchen  
American Pistachio Growers  
Bayview Senior Services  
Berkeley Food Network  
California Avocado Commission  
California Citrus Mutual  
California Farm Bureau  
California Food and Farming Network  
California Fresh Fruit Association  
California Rice Commission  
California Table Grape Commission  
California Tomato Growers Association  
California Walnut Commission  
Careit  
Center for Ecoliteracy  
Central California Food Bank  
City and County of San Francisco  
City of Long Beach  
City of Woodland  
CleanEarth4Kids.org  
Climate Action California  
Climate Reality Project - Silicon Valley Chapter  
Community Action Partnership of San Bernardino County  
Crop Swap LA  
Dr. Bronner's  
Elders Climate Action, SoCal Chapter  
Families Advocating for Chemical & Toxics Safety  
Farm Habit  
Farm2People  
Farmlink Project; the  
Food for People, the Food Bank for Humboldt County  
FoodCycle

FoodRecovery.org  
Franciscan Workers of Junipero Serra, dba Dorothy's Place  
Fullwell  
G.R.A.C.E. Social and Medical Services  
Global Alliance for Incinerator Alternatives  
Grower-Shipper Association of Central California  
HiBhaChi  
Hunger Action Los Angeles, Inc.  
Jacobs & Cushman San Diego Food Bank  
Loaves & Fishes Family Kitchen  
Los Angeles Climate Reality Project  
Los Angeles Food Policy Council  
Los Angeles Regional Food Bank  
Lutheran Office of Public Policy - California  
Mojave Desert and Mountain Recycling Authority  
Natural Resources Defense Council  
No Time to Waste  
Office of Kat Taylor  
Replate  
Resource Connection Food Bank; the  
Resource Renewal Institute  
Sacramento Food Bank & Family Services  
Salinas Valley Recycles  
San Diego Food System Alliance  
San Francisco Bay Physicians for Social Responsibility  
San Francisco-Marin Food Bank  
San Luis Obispo Food Bank  
Santa Cruz Climate Action Network  
Second Harvest Food Bank of Orange County  
Second Harvest Food Bank Santa Cruz County  
Second Harvest of Silicon Valley  
Sierra Harvest  
Sierra Orchards  
Solana Center for Environmental Innovation  
StopWaste  
Western Growers Association  
White Pony Express - Food Recovery  
Yuba Sutter Food Bank

**OPPOSITION:** (Verified 5/16/26)

California Teachers Association

**ARGUMENTS IN SUPPORT:** According to the author, “SB 881 enables farmers, growers, and food producers to provide fresh fruits, vegetables, nuts, and more to food-insecure families and receive tax credits for donating surplus food to food banks. California farmers and growers are among the most productive in the world, and yet far too many Californians go hungry each year. This bill reauthorizes California’s Farmer to Food Bank Tax Credit, extending a successful program that provides farmers, growers, and food producers with a state tax credit when they donate excess, safe-to-eat food to California food banks. Specifically, SB 881 bill extends the existing 15 percent tax credit for qualified food donations through 2032. SB 881 also extends the Emergency Food for Families Voluntary Tax Contribution Fund, ensuring Californians can continue to voluntarily contribute to food banks through their tax returns. Together, these provisions strengthen California’s food safety net at a time when many Californians are struggling to put food on the table.”

**ARGUMENTS IN OPPOSITION:** According to the California Teachers Association, “In fiscal year 2025-26, the Department of Finance estimated a \$94 billion dollar loss in general fund revenue due to existing tax expenditures. This is revenue that would have otherwise gone to the General Fund, of which approximately 40% would have gone toward the Proposition 98 minimum guarantee. Once tax credits are passed with a simple majority, it takes a two-thirds vote of the Legislature to repeal them. While we understand that some of these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.”

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5/16/26 12:17:50

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