Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 881 (McNerney) – As Amended July 1, 2026

Policy Committee: Revenue and Taxation Vote: 7 - 0

Urgency: Yes State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill extends the sunset dates of the Donated Fresh Fruits and Vegetables Credit (Credit) and Emergency Food for Families Voluntary Tax Contribution Fund (Fund).

Specifically, this bill:

1) Extends, under the Personal Income Tax (PIT) Law and Corporation Tax (CT) Law, the authorization of the Credit by five years, until the taxable year beginning before January 1, 2032, and requires the Franchise Tax Board (FTB) to continue a related annual reporting requirement regarding utilization of the Credit until January 1, 2031.

2) Extends the requirement for the FTB to include the Fund on the PIT return for another seven years, until the taxable year beginning before January 1, 2033.

FISCAL EFFECT:

1) General Fund (GF) revenue loss of approximately $400,000 in fiscal year (FY) 2026-27, $900,000 in FY 2027-28, and $1 million in FY 2028-29 by extending the Credit. Additionally, GF revenue loss of approximately $8,000 in FY 2027-28 and annually thereafter by extending the Fund.

   By reducing state PIT revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the revenue loss (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

2) Minor and absorbable costs to the FTB to continue administering the Credit and Fund.

3) Likely absorbable costs to the Department of Social Services to continue allocating Fund money to the Emergency Food Assistance Program and reporting related data online.

COMMENTS:

1) **Purpose.** According to the author:

> 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…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.

2) **Background.** ***Credit.*** The Credit allows an agricultural producer or harvester, packer, or processor of a qualified donation item to donate fresh fruits and vegetables and certain shelf-stable foods to a qualified nonprofit (typically a food bank) in exchange for a credit worth 15% of the wholesale value of the items donated. According to 2024 tax year data from the FTB, over $10 million in value of donated goods have been made to qualified nonprofits each year since 2019.

   Fund. Existing law allows a taxpayer to donate an amount in excess of their PIT liability to one or more voluntary contribution funds (VCFs) listed on the PIT return. There were 18 VCFs listed on the 2025 return. Generally, a VCF remains on the PIT return until a statutory sunset date, but if the FTB determines the VCF fails to meet a $250,000 minimum contribution amount, the VCF is statutorily repealed and the FTB removes the VCF from the return. The Fund has historically been the VCF with the highest total annual contributions, receiving $579,131 in 2025 and an all-time high of $945,638 in 2021.

3) **Support and Opposition.** This bill is sponsored by the California Association of Food Banks and Californians Against Waste, which argue this bill "supports California's farmers, reduces food waste, lowers methane emissions from landfills, and helps food banks fight hunger by providing them with high-quality, low-cost California-produced foods." This bill is also supported by a large coalition of agriculture, environmental, and social service groups.

   This bill is opposed by the California Teachers Association (CTA), which describes this bill as "well intended," but states that "CTA does not support this approach, as it would reduce overall funding for education…Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures."

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