SENATE THIRD READING
SB 881 (McNerney)
As Amended July 1, 2026
2/3 vote. Urgency

SUMMARY

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

Major Provisions

1) Extends, under the Personal Income Tax (PIT) Law and the Corporation Tax (CT) Law, the authorization for the Donated Fresh Fruits and Vegetables Credit by five years, from taxable years beginning before January 1, 2027, to taxable years beginning before January 1, 2032.

2) Extends the requirement for the Franchise Tax Board (FTB) to include the Fund on the PIT return for taxable years beginning before January 1, 2033.

COMMENTS

1) *Tax credits for donated food*: The Donated Fresh Fruits or Vegetables Tax Credit was created in 2011 when the Legislature passed AB 152 (Fuentes), Chapter 503, Statutes of 2011. This credit was available under the PIT and CT Laws for tax years beginning on January 1, 2012 and before January 1, 2017. The credit was equal to 10% of the inventory cost of fresh fruits or vegetables donated by a qualified taxpayer to a California food bank. To be eligible for the credit, the qualified taxpayer was required to be the person responsible for planting the crop, managing the crop, and harvesting the crop from the land. In other words, the qualified taxpayer had a direct role in growing and cultivating the fruits and vegetables that were donated.

   The Donated Fresh Fruit or Vegetable Credit was significantly expanded by AB 614 (Eggman), Chapter 431, Statutes of 2019. First, AB 614 expanded the types of food products eligible for the credit beyond fresh fruit and vegetables to include donations of specified food items such as soup, bread, and canned meats; processed foods such as infant formula and olive oil; and raw agricultural products such as rice, beans, nuts, and various dairy items.

   Additionally, AB 614 expanded the definition of a qualified taxpayer to include those harvesting, packing, or processing a qualified donation item. This change made additional taxpayers involved in the food supply chain eligible for the credit. AB 150 (Committee on Budget), Chapter 82, Statutes of 2021, extended the credit's sunset from January 1, 2022 to January 1, 2027.

2) *Voluntary contribution fund*: Existing law allows taxpayers to contribute to one or more of 18 voluntary contribution funds on their PIT return. In an effort to promote a fair playing field, the Legislature enacted a series of requirements for new and extended Voluntary Contribution Funds (VCF). Specifically, Revenue and Tax Code (R&TC) Section 18873 was added by SB 1476 (Committee on Governance and Finance), Chapter 597, Statutes of 2016, to bring a degree of uniformity and improvement to the disparate VCF statutes. Consistent with these requirements, SB 881 extends the requirement for the FTB to include the Fund on

the PIT return for seven additional years, ensuring taxpayers can make voluntary contributions to support food assistance for needy families.

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 extends the existing 15% 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 Support

This bill is supported by the California Association of Food Banks, Californians Against Waste, and a coalition of "over 50 anti-hunger, anti-waste, anti-poverty, environmental advocates, and agriculture organizations", which note, in part:

Food banks are already serving over 6 million Californians a month across the state, before the implementation of H.R.1 – a notable increase from the 4.5 million they served during the height of the Covid-19 pandemic. While the need continues to increase, food banks are also receiving less federal assistance through the United States Department of Agriculture (USDA's) Emergency Food Assistance Program (TEFAP), which provides American-grown foods to food banks for distribution. Food Banks received over 40% less food in 2025 than the previous year.

Reducing food waste while meeting growing food assistance needs is a critical opportunity for California. By preventing edible food from being discarded and instead redirecting it to families in need, the state can address both environmental and social crises simultaneously. Promoting food donations is a proven strategy to reduce waste at the source, strengthen local food systems, and cut climate pollution.

With a greater need for food assistance than ever and the importance of reducing waste, the state needs to protect programs that are working. The farmer-to-food bank tax credit was first established in 2011 and provides farmers who donate California-grown and produced foods to food banks with a tax credit worth 15% of the market value of their donation. This helps farmers cover the cost of harvesting and donating highly nutritious foods, including fresh fruits, nuts, vegetables, starches, proteins, and more.

Often, the foods donated are high-quality but too imperfect for grocery stores. The tax credit makes it possible for farmers to harvest this food rather than having it go to waste in the field. On top of quality and waste reduction, this program enables food banks to access these foods at an extremely low cost compared to other food sources. Typically, these foods cost food banks an average of 15 cents per pound in transportation costs to procure.

Arguments in Opposition
This bill is opposed by the California Teachers Association (CTA), which notes, in part:

> 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.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

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 Franchise Tax Board (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.

VOTES

SENATE FLOOR: 39-0-1
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Niello

ASM REVENUE AND TAXATION: 7-0-0
YES: Gipson, Sanchez, Carrillo, DeMaio, McKinnor, Quirk-Silva, Michelle Rodriguez

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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