



Throwing Away Food & Money

How Feeding the Massachusetts Community Can Feed Your Bottom Line



Every day, businesses throw away thousands of pounds of food—and thousands of dollars—unnecessarily. Reducing wasted food can result in both avoided purchasing and disposal costs. Donating surplus food supports people facing food insecurity while also providing tax benefits and avoided disposal costs. Not only can reducing the amount of wasted food cut costs and benefit the environment, but it can also act as an excellent marketing opportunity for your organization.

Prevention & Reduction

There are a variety of strategies to [prevent wasted food](#), no matter the scale of your business. When less food is ordered, handled, and prepared there are additional areas where savings can be realized - such as staff time, equipment wear and tear, utility cost savings, and storage space. Repurposing surplus edible food can extend your investments in purchasing and engage kitchen staff to be creative. This can be as simple as using leftover fruits in smoothies, saving vegetable and bone scraps for broths, making croutons out of stale bread, and more. Extending the shelf-life of your investments can go a long way. These practices also help businesses comply with [Massachusetts' Commercial Food Material Disposal Ban](#).

Donation

Donation of wholesome food has financial benefits to the donor in addition to the social and community benefits. The financial benefits of food donation include both avoided disposal and hauling costs as well as tax deductions. Avoided disposal costs can add up, however, be sure not to use donation as a disposal method for unsafe food. Food donation organizations can work with donors to determine what items are acceptable. For more guidance on starting a food donation program, please see the [RecyclingWorks Food Donation Guidance](#).

Tax Deduction Calculations

According to the Harvard Food Law and Policy Clinic's (FLPC) [Federal Enhanced Tax Deduction for Food, a legal guide](#). If a donor meets qualifying requirements as described in the guide, they can calculate the following tax deductions:

C-Corps	Non C-Corps
<p>"The enhanced tax deduction allows eligible businesses to deduct the lesser of (a) twice the basis value of the donated food or (b) the basis value of the donated food plus one-half of the food's expected profit margin (i.e., the profit margin the donor would expect to capture if the food were sold at its fair market value)." The enhanced tax deduction can be up to 15% of the annual taxable income.</p> <p>1. Basis Value x 2 Or 2. Basis Value + (Expected profit margin/2)</p>	<p>Non C-corps can use the general deduction of their basis. If the store does not account for inventory and is not required to capitalize indirect costs, they can deduct 25% of the fair market value or retail price of the item up to 30% of taxable income.</p>

[Source: FLPC] Please consult your tax attorney for advice in your specific situation.

Potential donors already have the necessary information available to make these calculations because the ingredient and/or inventory costs are used to calculate retail pricing. For examples of tax deduction calculations, see the next page.

Diversion of the Remaining Food Scraps

After maximizing reduction and donation opportunities, there will be a remainder of food scraps that can be [separated for diversion](#) for animal feed, anaerobic digestion, or composting. Preventing, donating, and diverting wasted food can all result in reduced trash collection and disposal costs. However, in order for a business to realize these savings, they will need to work with their trash hauler to adjust their service levels for trash. For more guidance on effective contracting practices, please see the [RecyclingWorks Guidance for Businesses Contracting for Trash, Recycling, and Food Waste Services](#).

Resources:

- [RecyclingWorks MA Food Donation Guidance](#)
- [Comprehensive Guidelines for Food Recovery Programs](#)
- Harvard Food Law and Policy Clinic Fact Sheets:
 - [Liability Protection](#)
 - [Tax Incentives](#)
 - [Date Labeling](#)

[RecyclingWorks in Massachusetts](#) is a Massachusetts Department of Environmental Protection (MassDEP) recycling assistance program to help businesses and institutions reduce waste and maximize recycling, reuse, and food recovery opportunities. For no-cost technical assistance with preventing, donating, and/or diverting wasted food, contact the RecyclingWorks in MA hotline.

EXAMPLE: GROCERY STORE*

Avoided Disposal Cost

An average grocery store compactor load is 7.5 tons of mixed waste or = 15,000 lbs. RecyclingWorks MA estimator tool lists 63% of grocery store waste is wasted food.

$$15,000 \text{ lbs} \times 0.63 = 9,450 \text{ lbs}$$

Of the wasted food, CET has observed approximately 20% of wasted food is wholesome and edible and can be safely donated instead of discarded. $9,450 \times 0.2 = 1,890$ lbs. With avoided disposal of 1,890 lbs at each pickup at a tip rate of \$100/ton, the grocery store avoids paying \$94.50.

If this occurs every week, $\$94.50 \times 52 \text{ weeks} = \$4,914.00$ is the avoided disposal cost per year for the donated food. Switching to on-call pickup service maximizes capacity and reduces haul charges. Removing 1,890 lbs per week would avoid one haul every eight weeks based on donated food alone.

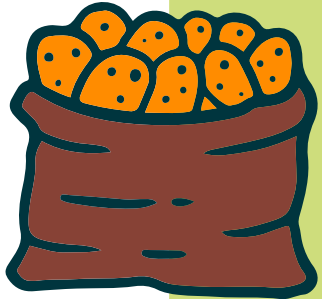


Calculating the Federal Enhanced Tax Deduction for Food**

Example: A C-corp grocery store donates potatoes with a fair market value of \$100. The basis value of these potatoes was \$30. The expected profit margin is the fair market value minus the basis value ($\$100 - \30), which is \$70. Under the enhanced deduction, the grocery store is eligible to deduct the smaller of:

- (a) Basis Value $\times 2 = \$30 \times 2 = \60 , or
- (b) Basis Value + (expected profit margin/2) = $\$30 + (\$70/2) = \$65$

The enhanced deduction would be \$60. The enhanced deduction is substantially higher than the general deduction, which is limited to the basis value of \$30. [Source: Harvard Food Law and Policy Clinic (FLPC)]



Approximating the Value of Donated Food: Based on the Feeding America 2024 Auditor's Report, their average fair value of donated food was \$1.97/lb. Using this figure for the grocery store, the value of the donated food could be about \$3,723 per week which could equal \$193,611 per year.

**For example only: considerations and limitations apply. Please consult your tax professional for your specific tax situation.*

***Source: Harvard Food Law and Policy Clinic*

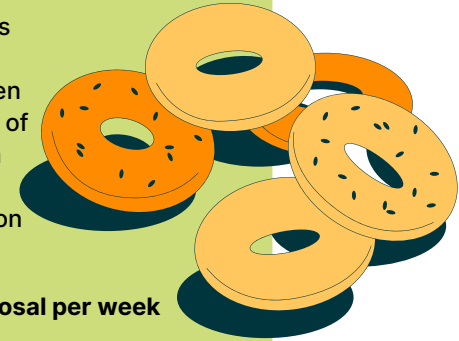
EXAMPLE: LOCAL BAGEL SHOP*

Avoided Disposal Cost

If a bagel shop has 4 dozen extra bagels per day, the bagels could be donated. Let's estimate that the volume of a dozen bagels is a gallon, equating to 4 gallons of food daily. This would total 28 gallons a week in avoided disposal, allowing the bakery to reduce its disposal in 32-gallon carts, by 1 cart.

$$4 \text{ gallons} \times 7 = 28 \text{ gallons avoided disposal per week}$$

At $\$20/\text{cart} \times 52 \text{ weeks}$, the bakery would avoid paying **\$1,040.00** per year.



Calculation of Potential Tax Deduction

For a non-C-corps such as this bakery, the following estimate can be used. If a bagel costs \$0.25 to make and can be sold for \$2.00, the basis deduction would be \$0.25 per bagel.

If the store does not account for inventory and is not required to capitalize indirect costs, it can deduct 25% of the fair market value.

$$0.25 \times \$2.00 = \$0.50 \times 48 \text{ bagels} = \$24.00$$

In this example, if the bakery donated 48 bagels per week, they may be able to deduct the higher value of 25% of the value or \$24.00 per week for 52 weeks which could equal **\$1,248.00 per year**.



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