



# **The Virginia Tax Relief for Agriculture Industries in Need (TRAIN) Act**

The Greater Good Initiative  
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## POLICY BRIEF

### **The Problem**

Despite the coronavirus pandemic, most farms are producing at a normal rate. The issue facing farmers, as well as those who would be interested in purchasing their produce, is the shift in the supply chain. Farmers, whose primary buyers were restaurants, breweries, schools, and other institutions that closed as a result of the COVID-19 pandemic, are finding no option but to destroy their crops and prepare for the next cycle.<sup>1</sup> According to a National Sustainable Agriculture Coalition report, the value of lost crops is estimated to be 1.32 billion dollars by May 1st.<sup>2</sup> While this happens, groups such as food sites and grocery stores are experiencing increased traffic and higher demand. Online sites for grocery stores have seen a 233% increase in orders.<sup>3</sup> Food banks in Hampton Roads have reported shortages while experiencing far-higher-than-usual demand.<sup>4</sup> These shortages also come at a time when the same food sites have seen decreases in donations when compared year-to-date. Dairy production, one of Virginia's largest agricultural industries, has been particularly hard hit by the pandemic. Most milk products produced in the Commonwealth go to groups that are currently shut down. Farmers who previously sold to schools are finding it difficult to make the transition to whole-sale production and shipping.

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<sup>1</sup> Cagle, S. (2020, April 9). *'A disastrous situation': mountains of food wasted as coronavirus scrambles supply chain*. Retrieved April 24, 2020, from

<https://www.theguardian.com/world/2020/apr/09/us-coronavirus-outbreak-agriculture-food-supply-waste>

<sup>2</sup> National Sustainable Agriculture Coalition. (2020, March 23). *COVID-19 Economic Impact on Local Food Markets*. Retrieved April 24, 2020, from <https://sustainableagriculture.net/blog/covid-economic-impact-local-food/>

<sup>3</sup> Ritenbaugh, S. (2020, April 10). *Facing a surge in demand, grocery stores adapt pickup and delivery services*. Retrieved April 24, 2020, from

<https://www.post-gazette.com/business/money/2020/04/10/grocery-stores-pickup-delivery-services-demand-surge-coronavirus/stories/202004090048>

<sup>4</sup> Smith, D. (2020, April 4). *Hampton Roads food bank distribution sites running out of food, seeing thousands of newcomers*. Retrieved April 24, 2020, from

<https://www.13newsnow.com/article/news/health/coronavirus/food-bank-distribution-sites-running-out-of-food-and-seeing-thousands-of-newcomers/291-eb97f451-ed82-45bc-b742-723a40e57484>

## **The Solution**

To ensure that food is not unnecessarily discarded and can be transported to where it is in demand, emergency supply chains must be developed between farms and food donation sites. To incentivize the transfer of would-be-wasted food, the current tax code should be amended to provide increased deductions for farms during states of emergency. Currently, a farm that donates food can receive a federal deduction equal to the value of its production cost plus one-half market appreciation. In Virginia, farms that donate food to verified food banks receive a credit of 30% of the fair market value of the food donated to a limit of \$5000 (§ 58.1-439.12:12). These deduction policies must be altered in times of emergency to allow for increased production and transportation costs, as well as to scale for increased demand.

Taking into account the amount of surplus food currently being reported, as well as the incredibly high rate of need amongst food-insecure families, the clearest option is a stop-gap action that would temporarily incentivize increased food donations. In the event of a State of Emergency, the governor can, at his discretion, enact the proposed provision in the tax code. Donations of produce to food sites contributed during the defined emergency period would be deducted from state taxes at two-thirds of the fair market value of such food with a maximum deduction of \$10000, altering the values defined by the Virginia Food Crop Donations Tax Credit. In accordance with the current tax code, these deductions could be claimed in the next fiscal filing period after passage of this bill. Following the announced end to the State of Emergency, food donated for 30 days past the announcement date will still be deductible at these emergency levels. After this 30 day period, the tax deductible would revert to the previous rate and limit.

## PRELIMINARY REPORT

### **What is the problem we're trying to fix?**

Currently, there is an excess of food that was produced during the early stages of the State of Emergency, which shut down schools, restaurants, and other institutions for extended periods of time. When this happens, food sites are hit hard; they experience greater demand and a deficit of supply. This is because programs like free or reduced meals are usually not accessible during crises in all parts of the state; some counties institute grab-and-go meals while others do not. Moreover, as seen during the COVID-19 pandemic, a loss of jobs results in many families forced to flock to food sites for their meals.<sup>5</sup> As a result of these factors, the demand for food will go up from people in strained socioeconomic backgrounds while the supply goes down, making it much harder to help everyone in need. This leads to a shortage of food available at food sites. The problem is not in producing enough food, but rather lowering the costs of transportation and distribution to such a degree that farmers will be encouraged to donate excess food instead of wasting it. Government actions such as increased tax deductions, the formation of emergency supply chains, and government supervision can promote donations by farmers. If none of these are implemented, it will be detrimental for food sites struggling in crises because it is cheaper for farmers to destroy their produce rather than transport it.

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<sup>5</sup> Aaron, C. (2020, April 30). *Food Needs Are Spiking: Drive-Thru Food Banks Pop Up*. Retrieved May 10, 2020, from <https://www1.cbn.com/cbnnews/us/2020/april/food-needs-are-spiking-drive-thru-food-banks-pop-up-operation-blessing-delivers-45-000-pounds-of-food>

### **What is the solution proposed?**

To ensure that food is not unnecessarily discarded, and food sites are able to support vulnerable communities, emergency supply chains must be developed between farms and food donation sites. As such, the current tax code should be amended to provide an additional provision that will automatically sanction increased deductions for a farm's food donations during a State of Emergency. This deduction would need to cover the cost of shipping foodstuff to donation sites. Currently, a farm that donates food can receive a federal deduction equal to the value of its production cost plus one-half market appreciation.<sup>6</sup> Meanwhile, the Commonwealth of Virginia gives farms who donate a credit of 30% of the fair market value of the crops up to a limit of \$5000.<sup>7</sup> The tax commissioner has a maximum of \$250,000 per fiscal year for this specific deduction, which, according to a statement from the Virginia Department of Taxation Policy Development Office, has not been exceeded since its passage in 2016. These policies must be altered during times of crises to facilitate the transportation of goods to match the growing demands of Virginia residents.

Taking into account the amount of surplus food reported and the high rate of need amongst food-insecure families, the clearest solution is a stop-gap measure that would temporarily allow for farmers to effectively donate with a higher ceiling for limitations. This would automatically begin once the governor enacts a State of Emergency. Thereafter, for its duration, charitable donations from agricultural groups to food sites would be deducted from

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<sup>6</sup> Harvard Food Law, & Food Recovery Project of the University of Arkansas. (2016, April). *Federal Enhanced Tax Deduction for Food Donations: A Legal Guide*. Retrieved April 24, 2020, from <https://www.nrdc.org/sites/default/files/food-donation-federal-tax-deduction-guide-201803.pdf>

<sup>7</sup> Virginia Department of Taxation. (2016, December 16). *Food Crop Donation Tax Credit Guidelines*. Retrieved April 24, 2020, from <https://www.tax.virginia.gov/sites/default/files/inline-files/FoodCropDonationTaxCreditFinalGLs.pdf>

state taxes at two-thirds of market appreciation with a maximum contribution of \$10000. In accordance with the current tax code, these deductions could be claimed in the next fiscal period after the passage of this bill. Following the announced end of the State of Emergency, food donated for 30 days past the announcement date would still be deductible at these emergency levels. Following the conclusion of this sunset period, all food donations will return to being tax-deductible at the normal rate and amount.

### **Why was this specific issue chosen?**

The agriculture industry of Virginia has an annual \$70 billion economic impact, providing over 334,000 jobs. Based on a 2017 report, production agriculture employs over 54,000 farmers and workers, generating \$3.8 billion in total output. Additionally, value-added industries, those dependent on farm-commodities, retain more than 69,000 workers. When employment and value-added figures for both agriculture and forestry are combined, they form 9.5% of the state's GDP.<sup>8</sup> Due to business and school closures, farmers have experienced a sharp decline in demand for their goods, which will impact incomes, forcing layoffs, as they continue to destroy unused crops. Already, farm bankruptcies have risen by 23% compared to previous years.<sup>9</sup>

Feeding America predicts that the country could see a 46% growth in Americans struggling to find enough healthy food on a daily basis, and state that they will need \$1.4 billion

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<sup>8</sup> Virginia Department of Agriculture and Consumer Services. (n.d.). *Virginia Agriculture Facts & Figures*. Retrieved May 8, 2020, from

<https://www.vdacs.virginia.gov/markets-and-finance-agriculture-facts-and-figures.shtml>

<sup>9</sup> FarmProgress. (2020, May 11). *Farm bankruptcies rise 23%*. Retrieved May 8, 2020, from <https://www.farmprogress.com/farm-business/farm-bankruptcies-rise-23>

in resources to cover a 30% increase in their operating costs.<sup>10</sup> This is occurring at a time when 1 in 10 people and 1 in 8 children struggle with hunger in Virginia,<sup>11</sup> and an estimated 30 to 40% of the U.S. food supply is wasted — equivalent to an annual \$161 billion.<sup>12</sup> As unemployment due to mass layoffs and loss of income are expected to rise, food banks have experienced unprecedented growth in demand, as seen in the Greater Boston Food Bank's 50% increase compared to this time last year.<sup>13</sup> Therefore, new supply chains must be created in order to connect heavily affected producers to distribution sites in order to support a growing food insecure population.

### **What were the broad questions that guided research into this issue?**

*Why are farms not donating excess food?* Farmers are not distributing food surpluses due to economic restrictions. The current supply chain does not allow farmers to directly distribute food to food banks and charitable organizations. Oftentimes, distribution processes between food sites and farmers can be extremely costly - involving labor and transportation expenses in addition to the usage of third-party handlers. Under restrictions in the food-processing industries and lack of demand from large retailers, farmers have almost no choice but to throw away their produce.

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<sup>10</sup> Ebbs, S. (2020, April 15). *Farmers and food banks grapple with broken food supply chains*. Retrieved April 24, 2020, from

<https://abcnews.go.com/Politics/farmers-food-banks-grapple-broken-food-supply-chain/story?id=70137720>

<sup>11</sup> Feeding America. (2019). *What Hunger Looks Like in Virginia*. Retrieved May 9, 2020, from

<https://www.feedingamerica.org/hunger-in-america/virginia>

<sup>12</sup> Cagle, S. (2020, April 9). *'A disastrous situation': mountains of food wasted as coronavirus scrambles supply chain*. Retrieved April 24, 2020, from

<https://www.theguardian.com/world/2020/apr/09/us-coronavirus-outbreak-agriculture-food-supply-waste>

<sup>13</sup> Nanos, J., & McGrane, V. (2020, April 12). *Volunteer shortages, surging demand: Mass. food banks say this is unlike any other point in history* - *The Boston Globe*. Retrieved May 9, 2020, from

<https://www.bostonglobe.com/2020/04/12/business/food-banks-see-surge-need-amid-coronavirus-crisis/>



*Where is the need for food the greatest?* The need for food is greatest in communities with strained socioeconomic backgrounds. Food sites in Hampton Roads, for instance, are reporting higher rates of visitors than seen even during peak times prior to this pandemic.<sup>14</sup> COVID-19 has not only strained the resources available to marginalized communities, but has also increased the unemployment rate, causing people with limited finances to struggle.<sup>15</sup> Food banks have struggled to keep their inventories stocked amidst this demand.<sup>16</sup>

*What can the government do temporarily to help businesses and citizens?* The government needs to increase the incentives and allowances of tax credits for farmers who are donating their produce. They also need to further reform the supply chain so that direct distribution between farmers and food banks can be conducted without burdensome overhead costs.

### **What is the relevance of this to the Commonwealth and its citizens?**

With a food insecurity rate of 10.6%, Virginia has close to 900,000 citizens who do not know where their next meal is coming from on any given day.<sup>17</sup> Around 250,000 of these people are children. Since the COVID-19 pandemic has started, the food industry has been hit especially hard, and several individuals and families are accumulating food waste. This waste is

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<sup>14</sup> Smith, D. (2020, April 4). Hampton Roads food bank distribution sites running out of food, seeing thousands of newcomers. Retrieved April 24, 2020, from <https://www.13newsnow.com/article/news/health/coronavirus/food-bank-distribution-sites-running-out-of-food-and-seeing-thousands-of-newcomers/291-eb97f451-ed82-45bc-b742-723a40e57484>

<sup>15</sup> Waddell, S. R. (2020, April 13). *Regional Matters*, April 13, 2020. [https://www.richmondfed.org/research/regional\\_economy/regional\\_matters/2020/rm\\_04\\_13\\_2020\\_ui\\_claims\\_va](https://www.richmondfed.org/research/regional_economy/regional_matters/2020/rm_04_13_2020_ui_claims_va).

<sup>16</sup> Aaron, C. (2020, April 30). *Food Needs Are Spiking: Drive-Thru Food Banks Pop Up*. Retrieved May 10, 2020, from <https://www.1cbn.com/cbnnews/us/2020/april/food-needs-are-spiking-drive-thru-food-banks-pop-up-operation-bleeding-delivers-45-000-pounds-of-food>

<sup>17</sup> Federation of Virginia Food Banks. (n.d.). *Farms to Food Banks*. Retrieved April 24, 2020, from <https://vafoodbanks.org/programs/fresh-food-for-va/>

due to panic buying as many more people are staying at home daily. According to Maximo Torero, the chief economist of the UN Food and Agriculture Organization, “Individuals should only buy what they need in order to avoid food waste”.<sup>18</sup> This topic is very important for people to understand as marginalized communities rely on food stamps and it might be harder for them to buy food when prices go up due to increased demand and a lowered supply. The food insecurity rate of the Commonwealth is significantly high and will continue to increase in times of crises. Food sites see an increase in demand for food and a decrease in supply. This problem can be immediately remedied through donations by local farmers.

### **Why is this an issue that requires a governmental response?**

\_\_\_\_ Without a governmental response, farms do not have regulated measures to distribute their excess produce. It is inherently cheaper for farmers to destroy their food surpluses, and food sites do not have the means to meet the increasing charitable demand for their services. Although consumer demands shifted to rely on grocery stores for their goods, the agricultural sector’s supply chain was not as quick. For example, livestock producers are required to move their livestock upon the closure of meat processing facilities.<sup>19</sup> This waste of goods can only be prevented with government intervention in the supply chain and distribution processes. The governmental response should specifically focus on not only providing financial incentives for farmers to give out their surpluses, but also facilitating a supply chain between farmers and food

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<sup>18</sup> Harvey, F. (2020, March 26). *Coronavirus measures could cause global food shortage, UN warns*. Retrieved May 16, 2020, from <https://www.theguardian.com/global-development/2020/mar/26/coronavirus-measures-could-cause-global-food-shortage-un-warns>.

<sup>19</sup> Jackson, K. (2020, April 14). *Meat producers are warning of potential food shortages. Here's what you need to know*. Retrieved May 16, 2020, from <https://www.today.com/food/meat-factories-are-shutting-down-across-country-will-there-be-t178527>.

sites in which they would conduct business together while eliminating overhead and transportation expenses and the usage of third-party distributors.

**What are the arguments for the creation of the policy response that will be proposed?**

Increasing the amount for which Virginian farms can receive a tax credit for donating crops would ensure that two current issues affecting the Commonwealth will not arise in future crises. First, increasing the incentives and allowance of tax credit received when donating crops to food sites will provide extra monetary relief to small farmers. In times of emergency where the economy is forced to scale back industries, the proposed policy will allow farmers to maintain some form of business until typical produce supply chains can begin to recover. Second, incentivizing farms to donate to food banks will ensure excess supply does not go to waste, as we have already seen around the Commonwealth and in other states.<sup>20</sup> As shelves go empty at many crucial food banks, this will put more stress on Virginia's marginalized communities and displaced workers. Incentivizing the creation of a supply chain between farmers and food banks will help mitigate the effects of food insecurity that already affect many Virginians in the status quo.

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<sup>20</sup> Rago, G., & Albiges, M. (2020, April 17). *With demand down during coronavirus, some farmers have to let crops die in the field*. Retrieved May 10, 2020, from <https://www.pilotonline.com/news/health/vp-nw-coronavirus-farming-hampton-roads-20200416-x32hga3qnneg7i623f7ilf5uru-story.html>

### **What is the basic form of our policy response?**

Currently, under § 58.1-439.12:12 (B) farms that donate food to verified food banks can receive a credit of 30% of the fair market value of the food donated to a limit of \$5000.<sup>21</sup> The current tax code should be amended to provide for an additional provision:

*For the period of a State of Emergency, between the governor's announcement and 30 days following the governor's announcement of the end of the declaration, any person engaged in the business of farming as defined under 26 C.F.R §1.175-3 that donates food crops grown by the person in the Commonwealth to a nonprofit food bank shall be allowed a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 for the next taxable year of donation. During this specific period, the person shall be allowed a credit in an amount equal to two-thirds of the fair market value of such food crops donated by the person to a nonprofit food bank but not to exceed an aggregate credit of \$10,000 for all such donations made by the person during such year.*

Once the governor enacts a State of Emergency, this provision would immediately be available to the governor. He would be able to institute it at his discretion, allowing increased deductions and limits for Virginian farmers on donations until the conclusion of a 30 day sunset period following the governor's announcement of the end of the State of Emergency. After such a period, the tax deduction and limits will revert to the original code already in effect.

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<sup>21</sup> Virginia Law: Legislative Information System. (2016). Title 58.1. Taxation. Retrieved April 24, 2020, from <https://law.lis.virginia.gov/vacode/title58.1/chapter3/section58.1-439.12:12/>

### **What ongoing questions might you have?**

*What is the impact of ensuring that food banks are stocked rather than grocery stores or supermarkets?* While grocery stores are also experiencing high demand, food banks are seeing a significant spike in new visitors. According to Karen Joyer, CEO of Virginia Peninsula Foodbank, over 60% of distributions during the pandemic have been to new people.<sup>22</sup> This can be attributed to the recent economic impacts within the retail and service industries. As stores and restaurants shut down, workers are forced to manage with lower income.

*Why should the provision remain in effect for 30 days after the Governor ends the State of Emergency?* In any crisis, returning to normalcy is not an instantaneous process. Like other states, the Commonwealth will be reopening all facets of life through a series of stages in order to ensure that cases of COVID-19 do not spike. In future situations, a 30 day sunset period will allow both farmers and food banks a grace period to progress towards normal operations. For example, even though the service industry will be allowed to reopen under Phase 1 of Forward Virginia, restaurants will still have to follow strict guidelines that essentially prohibit them from serving large groups of customers.<sup>23</sup> As a result, farmers will still not be able to reconnect with the industry in time for peak tomato and vegetable season in June and July.<sup>24</sup>

*Why the specific size of deduction?* By allowing the percentage of fair market value for which the deductible is determined to increase by approximately 36% and the allowance cap to

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<sup>22</sup> Aaron, C. (2020, April 30). *Food Needs Are Spiking: Drive-Thru Food Banks Pop Up*. Retrieved May 10, 2020, from <https://www1.cbn.com/cbnnews/us/2020/april/food-needs-are-spiking-drive-thru-food-banks-pop-up-operation-blessing-delivers-45-000-pounds-of-food>

<sup>23</sup> The Official Site of the Commonwealth of Virginia. (2020, May 9). *Forward Virginia Guidelines*. Retrieved May 10, 2020, from <https://www.virginia.gov/coronavirus/forwardvirginia/>

<sup>24</sup> Oliver, N., Vogelsong, S., & Stevens, A. (2020, April 16). *Beating the virus: Farmers markets and growers adjusting to COVID-19 restrictions*. Retrieved May 10, 2020, from <https://www.virginiamercury.com/2020/04/15/some-farmers-markets-and-growers-that-serve-them-chafe-at-covid-19-restrictions/>

increase by \$5000, farmers will be better able to cover production, transportation, and other logistical costs.

*Why not subsidize food banks?* Food banks have no feasible way of obtaining a food supply on their own. By incentivizing a supply chain with farmers who have excess supply in times of crisis, both food banks and farmers would benefit from the proposed provision.

## **POLICY PROPOSAL AND ANALYSIS**

### **What is the policy response to the problem that was chosen?**

In order to ensure a sufficient supply of foodstuffs at food sites and utilize the excess supply of farmed food, the supply chain between farms and food sites should be incentivized through increased tax deductions and limit ceilings on donations. In times of crisis, the first to be impacted are those that are already vulnerable. This includes those who are food-insecure or living paycheck-to-paycheck. Situations like the COVID-19 pandemic result in thousands of people losing their jobs and struggling to pay for life's basic necessities like shelter and food. At the same time, the people producing food are finding themselves with an excess supply as restaurants and other service-industry businesses shut down. The government should make sure that they are donating that food and not throwing it away. However, there are costs to consider when it comes to donation versus destruction. According to a report by the Guardian, it costs more to package, ship, and transport food than to throw it away. Any action that would encourage donation would have to mitigate those costs.

To incentivize this donation, farmers should be eligible for an increased tax deduction, which would be an increase to the current deductions already in place. This incentive would be ordered by the governor during a State of Emergency and last until 30 days after the end of the State of Emergency to allow farms to complete any ongoing shipments. A new provision would allow for emergency supply chains to be created in times of unprecedented circumstances, as we have seen with the COVID-19 pandemic. By allowing the governor to automatically enact this incentive unilaterally in a time of crisis, it is ensured that needless bureaucracy does not hinder needed action.

**How will our policy proposal be implemented? What systems, agencies, and authority will need to be in place?**

Following the passage of this bill, the governor will have the authority to issue an order putting this legislation into effect. The conditions for triggering this measure are: an active State of Emergency, clear justification for such a measure, and a commitment to track the efficacy of the measure. The governor would be responsible for the formation of a commission responsible for the oversight of this policy if enacted. If it becomes apparent that the measure is inadequately addressing food scarcity in the Commonwealth, or there is evidence to suggest that farms or other entities are abusing the legislation, the governor will have a responsibility to reexamine the necessity of such action and alter course appropriately. By tracking the quantity of crops donated versus destroyed by farms as percentages of total crops produced, this ad-hoc body would be able to track the success or failure of the initiative.

Farmers will be made aware of this increased tax credit and they will be able to donate food immediately. They will have to keep receipts of these donations as per usual, but there would be no other work outside of what they would normally do for any order fulfillment or normal donation. Records in the state tax office must be kept for periods where this policy is ordered into effect and they must check their records before awarding a deduction to a farm that files for one.

**Why is this something that should be addressed at the state level?**

States have different tax codes and deductions already laid out; so to institute a broad-strokes policy shift on the federal level would not be feasible. Instead, the policy can be



tailored to individual states to ensure that these tax incentives are as effective as necessary. Additionally, states that have varying forms of agriculture would benefit from different types of incentives. Virginia has a unique necessity for a deduction of this amount, and thus there is a need to comprehensively cover all of the Commonwealth's agricultural industries. The state level remains the ideal level for this policy, at least for the scope of the Commonwealth. This is due to the level at which the current deductions exist. If this policy were passed at the county level, it would do little to offset the costs for a farm that transports its food around the state.

This need for food is not shared by all states during times of crises, and some states do not produce as much of their food as Virginia. A state that imports the majority of their food would not have as much need for a program that incentivizes local farmers to donate food. In that same vein, a state with a greater need for food donation, such as a state that produces a great deal of food that is no longer being purchased, may need a larger incentive than the one proposed for the Commonwealth.

#### **Are there alternative responses that should be taken into account?**

There is merit to the idea of either a direct government stimulus for farms or the government donating money or foodstuffs to food sites directly. It would bolster the agricultural industry and allow food sites to purchase the food they need to distribute. This policy, however, would have to be implemented on a case-by-case basis, as some situations may require different amounts of stimulus. In contrast, allowing the governor to automatically implement this emergency provision will provide comprehensive support for both farmers and food sites, regardless of the scale of the situation. These two solutions are not mutually exclusive, and both

could be implemented together, but, for the time being, the Commonwealth should be letting farms and food sites operate as usual, just with an added incentive to do so from the government. Acting as a catalyst for normal business additionally benefits the state economy by expediting the recovery process, as the keystone industries are already working at normal capacity, thus allowing other industries to return to their normal production rates in turn.

**Why is our proposed policy the appropriate response to the identified problem?**

The policy effectively solves two problems: excess food waste and a deficit of foodstuffs at food sites. It connects two groups that need one another and provides adequate incentive for farmers to complete these transactions. The alternative of giving food sites the monetary resources needed to purchase this food is not the most feasible or effective measure that can be taken. The food that farms are being forced to destroy could not be purchased on the open market; the farms simply do not have the contracts with grocery stores needed to get them into stores as soon as would be necessary. It would be far easier for farms to simply provide the food banks their excess produce for free, and in exchange, they would receive an increased deduction from the state government.

**What are the resources that will be needed to carry out this policy response?**

The government does not have a direct role in this process that would require resources during implementation. The only resource that the government will have to concern itself with is the lost revenue from taxes that will now be deducted by farmers. The issue is that there is no way to precisely calculate how much revenue that will be. Currently, the Food Crop Donation

Tax Credit allocates a state-wide cap of \$250,000. According to a Virginia Department of Taxation Policy Development Office Statement, this cap has not been exceeded since its passage, and this policy would more than likely stay below this cap.

**What criteria are we using to determine if our policy is successful?**

The measure of success will be two-fold: a decrease in the amount of wasted food and an increase in the number of people fed by food sites. If both of these events happen, it would be more than likely the result of this policy. Maintaining the same information networks that currently provide data on food waste and donation, Virginia can quantify the change in donation versus food waste, which is a clear indication of success. The government will have a straight-forward process of calculating how much food is donated as a result of this policy, as farms will be reporting these donations to the government in order to receive their deductions.

**What would happen if no action is taken by the government?**

Food scarcity for those who rely on food sites will only get worse. Food that cannot be sold by farms will continue to go to waste, and the impact of that waste on farms will have permanent effects on their ability to economically survive this pandemic and future states of emergencies. If farms are not provided some sort of short-term aid, many will face little choice but to shut down operations in order to eliminate cost burdens. This will do nothing but further damage the state economy and wellbeing of Virginians. There is a moral imperative to solving this crisis and preparing for future crises, as the only other choice is allowing those who cannot fend for themselves to suffer.

## CONCLUSION

Upon passage, the Tax Relief for Agricultural Industries in Need (TRAIN) Act will be an ever-present safeguard against the types of food-supply shortcomings that have become painfully apparent as a result of the COVID-19 pandemic. It provides the governor with the appropriate authority needed to incentivize donations to food sites, which mitigates both food waste by farms and food scarcity for impoverished Virginians. It requires common-sense oversight, a dedicated commission, and many of the other regulatory measures that have been the hallmark of successful crisis management. When states have been prepared in advance, they have shown an incredible capacity for handling otherwise unpredictable situations, and this act ensures that the Commonwealth of Virginia is economically and socially prepared for sudden crises.

It can be easy to overreact and over-legislate this issue. It can be appealing to see this crisis and jump to more extreme measures. However, policymakers must remember what comes next; what comes after this crisis when Virginia returns to normal life. Policies that drastically disrupts natural market forces will have long-lasting consequences that could potentially outweigh the benefits of the short-term fix. This act provides a balance that is imperative in feasible economic policy: it solves the problems at-hand without causing problems of its own.

Despite how it may feel now, this pandemic is a temporary issue, just like every other setback that the United States has faced and overcome. Temporary issues require temporary solutions, ones that provide short-term relief immediately and effectively. By enacting a policy that would enable the governor to temporarily adjust the tax code, immediately address an issue as it arises, and subsequently prevent the abuse of such a decision, the Commonwealth can secure a reliable supply of donated food for Virginians who need it most.

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## APPENDIX I

### Code of Virginia Amendments

#### Current Code:

§ 58.1-439.12:12. Food crop donation tax credit. (B)

For taxable years beginning on or after January 1, 2016, but before January 1, 2022, any person engaged in the business of farming as defined under 26 C.F.R. §1.175-3 that donates food crops grown by the person in the Commonwealth to a nonprofit food bank shall be allowed a credit against the tax levied pursuant to § [58.1-320](#) or [58.1-400](#) for the taxable year of the donation.

The person shall be allowed a credit in an amount equal to 30 percent of the fair market value of such food crops donated by the person to a nonprofit food bank during the taxable year but not to exceed an aggregate credit of \$5,000 for all such donations made by the person during such year.

#### Amended Code:

§ 58.1-439.12:12. Food crop donation tax credit. (B)

For taxable years beginning on or after January 1, 2016, but before January 1, 2022, any person engaged in the business of farming as defined under 26 C.F.R. §1.175-3 that donates food crops grown by the person in the Commonwealth to a nonprofit food bank shall be allowed a credit against the tax levied pursuant to § [58.1-320](#) or [58.1-400](#) for the taxable year of the donation.

The person shall be allowed a credit in an amount equal to 30 percent of the fair market value of such food crops donated by the person to a nonprofit food bank during the taxable year but not to exceed an aggregate credit of \$5,000 for all such donations made by the person during such year.

*For the period of a State of Emergency, between the governor's announcement and 30 days following the governor's announcement of the end of the declaration, any person engaged in the business of farming as defined under 26 C.F.R §1.175-3 that donates food crops grown by the person in the Commonwealth to a nonprofit food bank shall be allowed a credit against the tax levied pursuant to § 58.1-320 or 58.1-400 for the next taxable year of donation. During this specific period, the person shall be allowed a credit in an amount equal to two-thirds of the fair market value of such food crops donated by the person to a nonprofit food bank but not to exceed an aggregate credit of \$10,000 for all such donations made by the person during such year.*

## APPENDIX II

### Press Release



### **The Greater Good Initiative: “Tax Relief for Agricultural Industries in Need (TRAIN) Act” Ensures Security of Food Supply During Times of Crisis**

**FAIRFAX COUNTY, VA (May 18th, 2020)** — As the COVID-19 pandemic alters nearly every facet of normal life, it has become apparent that those hit hardest are those without a reliable supply of food. Food sites across the Commonwealth are experiencing far higher rates of demand for food, and at the same time are receiving fewer and fewer donations. On the supply side, farms are producing food at a normal rate, but some are sadly finding it difficult to sell off some of their crops, especially those who had previous contracts with schools, bars, and restaurants that closed as a result of this crisis. These farmers are facing a difficult choice between donating food that is desperately needed and destroying food that they cannot sell. What it comes down to is cost. It is cheaper for farms to not ship foodstuffs to food banks, even though most would if it were economically viable.

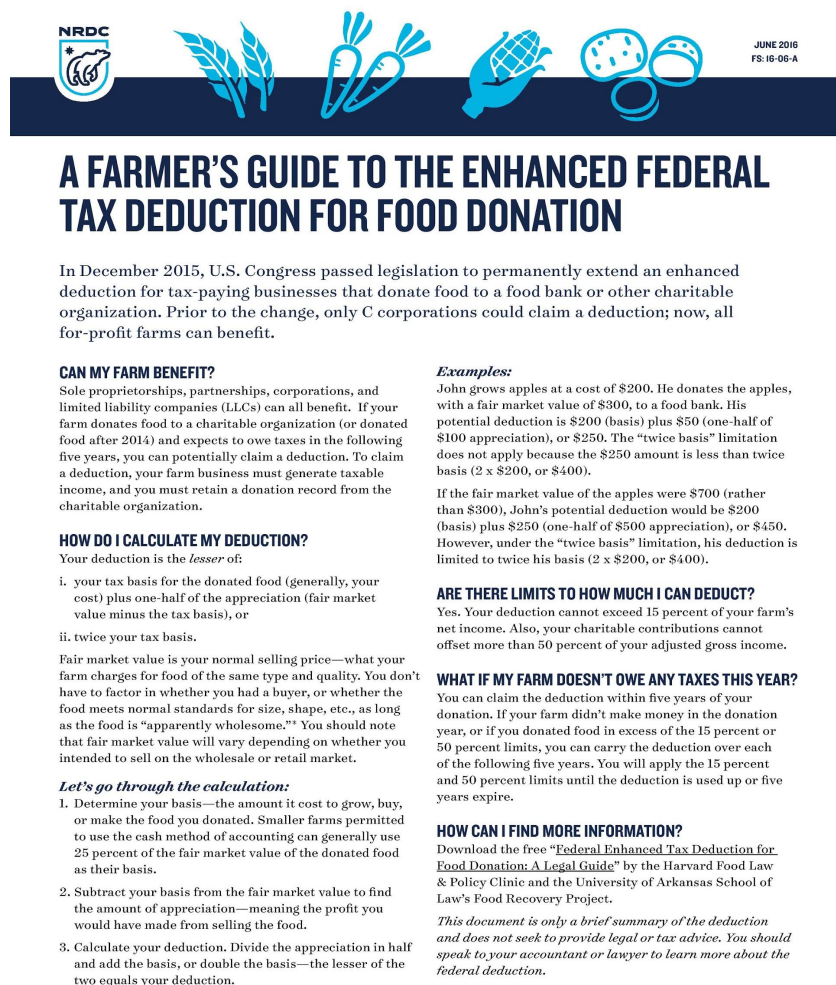
The Greater Good Initiative proposes the passage of an act that would prepare the Commonwealth for a future crisis similar to this one. Incentivizing charitable giving by farms through an increase in tax deductions means that, when faced with a choice between donation or destruction of unsold food, farms can afford to donate food that is desperately needed. By providing the Governor with the necessary authority and ensuring appropriate oversight of that authority, Virginia can ensure that, in times of crisis, everyone has access to enough food.

**About The Greater Good Initiative:** The Greater Good Initiative (GGI) is a youth-led, nonpartisan policy think tank working to create sustainable solutions to our nation’s most pressing issues. Currently focusing on addressing issues related to the COVID-19 pandemic in economic, public health, education, environmental, and civil rights sectors, GGI has coordinated with local, state, and federal legislators, policy professionals, and community leaders to craft realistic and effective policies that actively respond to the public’s greatest concerns.

## APPENDIX III

### Supplementary Materials

Figure 1: A Farmer's Guide to the Enhanced Federal\* Tax Deduction for Food Donation



Source: National Resource Defense Council

\*While this specific graphic refers to the Federal Tax Deduction for Food Donation, it is the same fundamental deduction at the state level, the only difference being the level of deduction and what code is being altered