

Food Tax Deductions

Overview

We all have customers who order pizzas and end up not picking them up, orders get mixed up, food packaging is damaged or you have a surplus of food for the week. The money that you have already invested does not have to be a total loss. As a franchisee there are numerous ways you can ensure maximum tax deductions for your business.

It is important to remember each time you donate a pizza, you are already receiving a deduction of roughly 60% (your cost of goods sold) already. I.E. you are already deducting the inventory and production costs of the food. This discussion is about the partial deduction available above and beyond the roughly 60% you will automatically deduct.

You can receive an additional tax deduction for donating excess or expiring food inventory and/or donating prepared food to an organization that qualifies under section 501(c)(3). The IRS outlines three specific requirements that must be met in order to receive the donation deduction for food inventory.

Specific Requirements	<ul style="list-style-type: none"> • The food must be used solely for the purpose of caring for the ill, needy or infant • The food can not be in exchange for money, other property, or services or other value (such as marketing) • You must obtain a written statement from the organization stating they will comply/operate within these guidelines
Other Considerations	<ul style="list-style-type: none"> • The organization can not be a private non-operating foundation • The food must satisfy the requirements set forth by the Federal Food, Drug and Cosmetic Act • You can only deduct 50% of the Gross Profit
What This Means for You	<ul style="list-style-type: none"> • If you meet the requirements above, coordinate with a local charity organization that is willing to take the food and provide a receipt for the product they have been given
Preparing Your Team	<ul style="list-style-type: none"> • Discuss a way to track these non-cash transactions in PULSE • Develop a procedure that your employees can follow to ensure the food is packaged and ready for the organization to pick up

This document was produced to recap complex tax law as it relates to a Domino's Pizza business. This document is not intended to be, nor should it be construed as constituting the opinion of, or tax advice with regard to specific case or transaction. You should seek professional counsel as this relates to your specific situation.

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