Giving a Gift of Grain

Giving (Grain) Today... Growing Tomorrow

Additional Questions

Can a crop sharing arrangement benefit from this technique?

No, shares of crop are considered rental income and must be reported as such.

Can I store the grain on my farm, not deliver it to an elevator, and still make a gift to the Community Foundation?

Yes, you should prepare a notarized letter of grain transfer to the Community Foundation in place of the elevator’s warehouse receipt.

Can farm corporations benefit in the same way as the farmer who is a sole proprietor?

The benefits described in this brochure apply to calendar year-cash basis sole proprietorships. Corporations are not treated the same way from a tax perspective. Ask your tax professional to see if your farm operation can benefit from a charitable gift.

Will the gifted grain count as income in government payments limitation caps?

No, the gift of grain won’t count as income in your government payments limitation calculation.

You can help grow the future.

The Community Foundation was created by and for local citizens to improve the quality of life in area communities. We exist to improve the quality of life for our citizens now and forever.

- Vision: Enhancing quality of life through philanthropic giving
- Mission: To build relationships between donors and community needs
- Core Values: Service with accountability, integrity, quality, respect, and transparency

Disclaimer: The content included in this brochure is for informational purposes only and does not constitute legal or tax advice. Please consult your professional advisor for legal and tax advice specific to your situation.
Growing the future with the Community Foundation

Your crops are your livelihood, your life. You prepare, you plant, you nurture and it grows. That’s what we do with the charitable gifts entrusted to the Community Foundation and we invite you to grow the future of our community with us.

Why Donate Grain to the Community Foundation?
Donating a gift of grain to the Community Foundation is a simple way to make a lasting difference. The value of the grain can be used to start an endowed fund in the name of your family, for a specific nonprofit organization important to you or support the overall charitable causes in the area. No matter what type of endowment fund you choose to establish or support, you can be sure that your gift of grain is growing the future of the local area.

How You Benefit
By giving grain to the Community Foundation, you avoid including the sale of the grain in your farm income. Although a charitable income tax deduction is generally not available to you, the avoidance of declaring it as income is a significant benefit. You deduct the cost of growing the crops, which typically results in saving self-employment tax, federal income tax and state income tax. You can benefit even if you don’t itemize your deductions and take the standard deduction.

How it Could Work
When you donate a gift of grain it will benefit your community forever. Here is an example of a $10,000 gift of grain:

<table>
<thead>
<tr>
<th>Taxable income without the Charitable Gift</th>
<th>Taxable income with the Charitable Gift</th>
</tr>
</thead>
<tbody>
<tr>
<td>$35,000 Other income from farming</td>
<td>$35,000</td>
</tr>
<tr>
<td>$10,000 Income from grain sale</td>
<td>$0</td>
</tr>
<tr>
<td>$45,000 Total taxable Income*</td>
<td>$35,000</td>
</tr>
</tbody>
</table>

*You pay employment, federal income & state income tax based on adjusted gross income (less typical exemptions, deductions, etc.).

NOTE: Crops produced for sale in a farming operation are considered "ordinary income property." The deduction for a gift of ordinary income property to a charitable organization is limited to the lesser of fair market value or cost basis. Typically, the cost basis has already been deducted from income as the costs of producing the crops; thereby commonly the cost basis is zero (0), making the gift, in effect, non-tax deductible.

As each individual farmer’s situation is different, you should consult your professional advisor for legal and tax advice on how a gift of grain to the Community Foundation may apply to your circumstances. Nothing in this brochure should be construed as providing you with legal or tax advice.

If you would like to donate a gift of grain your local elevator will provide the appropriate donation form.

How to Complete Your Gift
Following these specific steps will help ensure you receive intended tax benefits from a gift of grain.

NOTE: If you deliver the grain, sell it and order the proceeds sent to the community foundation, you won’t be eligible for the tax benefits described in this brochure.

1. Let the Community Foundation know of your intended gift of grain. The gift should be from unsold crop inventory with no sale commitment made prior to the gift.
2. The Community Foundation will set up an account at the elevator.
3. Deliver the grain to the elevator in the community foundation’s name.
4. Have the elevator send a warehouse storage receipt or settlement statement to the Community Foundation that shows the Community Foundation as the owner of the grain.
5. The Community Foundation will provide you with a receipt for your gift. You don’t have to declare this amount of grain as income to your farming operation, consequently there is no tax deduction for this gift.
6. After the gift, the Community Foundation is responsible for storing and/or transporting the grain and for the risk of loss.
7. Do not try to control where or when the community foundation sells the grain. This is to ensure you do not have “dominion or control” over the grain once the gift is made, which could disallow the gift for tax purposes.
8. The Community Foundation will sell the grain and receive the sale proceeds. Any sales invoice will name the Community Foundation.