

Example

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

Taxable income without the Charitable Gift		Taxable income with the Charitable Gift
\$35,000	Other income from farming	\$35,000
\$10,000	Income from grain sale	\$0
\$45,000	Total taxable Income*	\$35,000

*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.

The Greater Manhattan Community Foundation is a non-profit 501(c) (3) organization — EIN #48-1215574, incorporated in the State of Kansas.

Giving a Gift of Grain

*Giving (Grain) Today...
Growing Tomorrow*



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.

Guidelines for Charitable Gifts of Grain

How it Works:



Farmer completes the Community Foundation Gift of Grain Notification Form. Farmer then delivers agricultural commodity to the elevator or bin.

Farmer asks elevator to transfer X bushels of grain to the account of the Community Foundation.

The Community Foundation receives warehouse receipt and pays any subsequent ownership costs such as storage, etc.

The Community Foundation authorizes sale of the commodity, collects the proceeds, and deposits the income into the charitable fund as designated by the farmer.

Farmer saves money on taxes. Gift allows Farmer to avoid counting the sale as income and paying the associated self-employment tax, while production costs may still be deductible.

Tips for Making Gifts of Grain to Benefit Your Community Through the Community Foundation

- **Timing.** Gifts of grain to charity can be made from the current or previous year's harvest.
- **Unsold commodity.** The gift must be from unsold crop inventory with no prior sale commitment. A farmer will gift the grain to the Community Foundation (CF*), or designate a specific charitable fund within the Foundation.
- **Physical delivery.** Be sure the gift is farm commodities, not warehouse receipts, which could be considered a cash equivalent. The CF must be able to demonstrate "control and dominion" over the gifted property.
- **Retention of control.** Farmers cannot offer guidance in the transfer agreement as to retention or sale of the gifted commodity.
- **Documentation.** The transaction must be well-documented to show the CF as owner of the grain. A Gift of Grain Notification Form and a properly executed warehouse receipt in the Community Foundation's name must be completed. The original sales invoice for the gift of grain must list the CF as the seller.
- **Storage and transportation costs.** After the transfer of ownership of the grain, The CF assumes the risks of storage, marketing & transportation costs, as well as price risk.
- **Crop share landlords.** Crop share landlords cannot gift grain. Shares of crop are rental income that must be reported as income on their tax return.
- **Tax outcomes.** Costs associated with growing the crops may not be deductible if those costs are incurred in the same year as the year of the donation of the grain. Therefore, gifts made from the prior years' unsold crop inventory may offer the best tax results. Tax outcomes are also impacted by whether a farmer does cash or accrual accounting. See your tax advisor to determine if this is the best course of action for your circumstances.
- **Storing grain on farm.** Grain can be stored on a farm rather than being delivered to an elevator and still be gifted to the CF. A notarized letter of grain transfer should be prepared and delivered to the CF. This will take the place of a warehouse receipt.
- **Farm Corporations.** 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.
- **Government payments limitation caps.** The gift of grain will not count as income in government payments limitation caps calculation.

*CF: Community Foundation

Always consult your professional tax or legal advisor to determine the tax implications for your situation prior to making a gift. This document contains guidelines to assist in the mechanics of making a charitable gift of agricultural commodities and is not to be construed as specific tax advice.