

GUIDELINES FOR CHARITABLE GIFTS OF GRAIN

Taxpayers should always consult with their tax preparer to determine the tax implication prior to making a gift. The following is not to be construed as specific tax advice. These are guidelines to assist in the mechanics of making charitable gifts of agricultural commodities.

- The farmer can exclude the sale of the cash crop from income and deduct the cost of growing the crop. There is no deduction for a charitable contribution.
- Available for cash basis farmers.
- Crop share landlords cannot gift grain. Shares of crop are rental income that must be reported as income on their tax return.
- The farmer must give up “dominion and control” of the commodity.
- The farmer cannot sell the grain and order the proceeds to be sent to the charity. This would result in the transaction being considered a cash sale and cash donation since the farmer has not given up control of the property.
- The farmer should not provide guidance to the charity regarding the sale of the commodity.
- The charity assumes the risk after the transfer. These risks include storage, transportation and marketing costs as well as price risk.
- The transaction must be well documented to show the charity as the owner (i.e. commodity is delivered and a warehouse receipt executed to the charity, or notarized letter of transfer for crops stored on the farm).
- Grain can be donated in the year of production or a subsequent year.
- Grain can be gifted at any time during the tax year.
- The gift should be from unsold crop inventory. No sale commitment should be made prior to the gift.
- The charity should retain the warehouse receipt and the original invoice showing the charity as the seller.

Steps

- Farmer delivers grain to the elevator (or bin).
- Farmer asks elevator to transfer X number of bushels to charity (executes notarized letter of transfer to charity from farm storage).
- Charity receives warehouse receipt and pays any subsequent ownership costs such as storage, etc (farmer may bill charity for storage, transportation, etc of farm stored commodities).
- Charity authorizes sale and collects proceeds from commodity.
- Farmer includes production expenses on tax return (in year paid) but not the sale of gifted bushels. The farmer does not take a charitable contribution itemized deduction on the amount of the sale.

