

Farmers:

This information is designed to provide a brief summary of the financial benefits and “rules” of making gifts of grain to charitable organizations.

Charitable gifts of commodities can be made by all types of farmers, including those that operate as sole proprietors, partnerships, corporations or landlords with a crop share lease agreement.

Gifts of grain, if done properly, can be rewarding for both the farmer and the charity. By gifting the grain directly to the charitable organization, the income from selling the grain is not reported on the farmers tax return. The proceeds from the sale go directly to the charitable organization that is exempt from paying taxes. Depending on the circumstances, a farmer can save \$434 in taxes by giving \$1,000 worth of grain rather than a check for \$1,000 to the charitable organization. These tax savings assume the farmer is in the 25% federal income tax bracket and subject to full social security tax on the sale of the crops. Your individual tax benefit may vary.

To receive the tax breaks and comply with tax code rules and regulations, there must be a gift of the commodity to the charitable organization with the charitable organization taking on the risks and rewards of ownership of the grain. Also, another item that should not be overlooked is that if you have given a security interest in your crop to a bank, you will need to get a partial release from them in order to have clear title to the grain you wish to give away.

To assist in the documentation of a gift of grain, attached is a form that can be used to notify both the charitable organization and the elevator and also document the release of a security interest, if necessary.

Remember, making gifts of commodities to charitable organization is relatively easy once you’ve sorted through the qualifying rules that are typically different for each type of farmer. Please contact your tax advisor for details about the specific tax benefits you could receive by participating in this unique method of charitable giving.

## Commodity Letter of Intention

To: \_\_\_\_\_  
Donee (insert name of church or other charitable organization)

From: \_\_\_\_\_  
Donor name

Subject: Contribution of commodity

This is to inform you that on \_\_\_\_\_ donor(s) delivered or will deliver  
(insert date of transfer)

\_\_\_\_\_ of \_\_\_\_\_ to the \_\_\_\_\_ Elevator  
(insert quantity) (insert type of commodity)

located in \_\_\_\_\_ for the express purpose of contributing it to the donee.

\_\_\_\_\_  
Signature of donor Date

Lending Institution release of security interest:

\_\_\_\_\_ does hereby  
(Name and address of lending institution)

release \_\_\_\_\_ of \_\_\_\_\_ from the security given lender by  
(insert quantity) (insert type of commodity)

above. \_\_\_\_\_ for the contribution of the commodity as described  
(name of donor)

\_\_\_\_\_  
Signature of Lending Institution Officer Date