

## TIPS FOR MAKING GIFTS OF GRAIN

\_\_\_\_\_  
(Donor Name)

\_\_\_\_\_  
(Donor Address)

\_\_\_\_\_  
(City, State Zip)

Amount of Grain: \_\_\_\_\_

Type of Grain: \_\_\_\_\_

I wish to transfer the above grain to benefit:

\_\_\_\_\_  
(Parish, School or Diocesan entity Name)

\_\_\_\_\_  
(City)

\_\_\_\_\_  
(Signature)

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

\_\_\_\_\_  
Grain Elevator

\_\_\_\_\_  
Elevator Phone #

### Message to Grain Elevator operators:

Please call the number below to create an account and set up grain disposition instructions.

**Please send or fax this form along with the appropriate documentation to:**

### Stewardship Development Office

**Diocese of Rockford**

555 Colman Center Drive

P.O. Box 7044

Rockford, IL 61125

Phone (815) 399-4300

Fax (815) 399-5657

1. **Timing** Donate grain grown in a previous tax year. Make donation early enough in the year that there is no question that it came from the prior year's harvest.
2. **Unsold commodity** The gift should be from unsold crop inventory, with no prior sale commitment made prior to the gift.
3. **Physical delivery** Be sure the gift is farm commodities, not warehouse receipts, which could be considered a cash equivalent. The charity must be able to demonstrate "control and dominion" over the gifted property.
4. **Retention of control** The farmer should provide no guidance in the transfer agreement as to the retention or sale of the gifted commodity.
5. **Documentation** Either a properly executed warehouse receipt in the charity's name, or a notarized letter of transfer for crops stored on the farm. The original sales invoice should list the charity as seller.
6. **Storage & transportation costs** After the transfer, the charity should assume costs of storage, marketing or transportation.
7. **Crop share leases** Gifting will not work for a crop share landlord. A share of a crop received as a rental payment is considered the equivalent of rental income.
8. **Unfamiliarity of charity** Farmers should be aware that their church may not be well versed in receiving these gifts. Contact the Stewardship Development Office for assistance if needed.

## CHARITABLE GIFTS OF GRAIN

*Supporting Your Parish, Parish School, Central Catholic High School, or Diocese of Rockford and/or its entities*



Prepared by:  
Stewardship Development Office  
Diocese of Rockford

## WHY DONATE GRAIN DIRECTLY?

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For many cash basis farmers, significant tax savings can be achieved by donating crops grown in a previous tax year directly to their parish, parish school or other diocesan organization

### Tax Savings

Cash charitable contributions are deductible only as an itemized deduction from adjusted gross income which results in reducing federal income tax only. Many farmers do not itemize deductions because the standard deduction has greatly increased over the years.

By contributing crops to charity

- the cash-basis farmer avoids including the sale of the cash crop in income and...
- can still deduct the cost of growing the crop, which results in saving self-employment tax, federal income tax, and state income tax.

*However, to receive these savings, the transaction must be executed properly*

## GUIDELINES FOR DONATING CROPS

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### DONATE CROPS THAT WERE ONLY GROWN IN THE PREVIOUS TAX YEAR.

For example, fall harvested crops would be donated on or after Jan 1st.

Cash basis farmers deduct their growing costs in the year of production. In subsequent years, that crop has a ‘zero tax basis.’ Normally, a deduction for donated inventory can be taken to the extent of the “basis,” or cost of the inventory. For cash basis crops, the “old” inventory has no basis resulting in no charitable deduction. *But the value of the crop is never included in income and the costs have been deducted in the previous year.*

### CROP SHARE LAND LORDS CANNOT DO THIS

Shares of crop are a rental income that must be included in reportable income by the landlord.

### FARMER MUST MAKE A CHARITABLE “DONATION,” GIVING UP “DOMINION AND CONTROL” IN THE ASSET.

The typical procedure of a farmer delivering, selling and ordering the proceeds sent to the charity **does not work**. It can result in the transaction being considered a cash sale and cash donation since the farmer has not given up control of the property.

Instead, the property should be delivered and a warehouse receipt showing the charity as owner should be executed. The charity then would order the sale of the property, with the original sales invoice showing the charity as the seller.

The farmer should avoid advising the charity as to when to sell the crops, as that may be construed by the IRS as “retaining control.”

### DOCUMENTATION

The charity should retain in its files:

- A warehouse receipt or storage ticket in the charity’s name
- The original sales invoice showing the charity as the seller.
- If the crops are to be stored on the farm, a notarized letter of transfer can take the place of the warehouse receipt.

### PASSAGE OF RISK TO THE CHARITY

After the transfer, the church or charity should assume costs of storage, transportation and marketing and bear any risk of loss.

### USE OF PROFESSIONAL ADVISORS

The farmer should always consult with his or her professional tax or legal advisors to determine tax implication prior to making the gift. Because of rapid changes in tax law, information provided here may be obsolete.

**Note: Gifts of grain grown in the current year are welcome but do not incur the same tax advantages.**