

# Gift of Grain

Are you a **cash-basis farmer**? If so, a gift of grain to the church may result in **tax savings!**

## Tax Savings

Many farmers do not itemize deductions because the standard deduction has greatly increased over the years. Therefore, typical cash gifts to their church or charity do not save additional taxes. By contributing grain directly to a church or charity, the cash-basis farmer:

- Avoids tax on grain donated to the church.
- Still includes the cost of growing the grain in expenses which saves on self-employment tax, federal income tax and state income tax.



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## Making a Gift of Grain

Grain can be donated that was grown in the current or previous years' harvest any time during the tax year. The farmer can not sell the grain and order the proceeds to be sent to the church or charity. This would result in the transactions being considered a cash sale and cash donation since the farmer has not given up control of the property. Rather, the farmer must give up "control and dominion" over the grain. The farmer cannot provide advice to the church in regard to the sale of the grain.



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# Key Points to Consider

- 1. Timing:** Donate grain grown in the current or previous years' harvest.
- 2. Unsold commodity:** The gift should be from unsold crop inventory, with no prior sale commitment made on the gift.
- 3. Physical delivery:** Be sure the gift is farm commodities, not warehouse receipts, which could be considered a cash equivalent. The church or charity must be able to demonstrate "control and dominion" over the gifted property.
- 4. Give Up Control:** The farmer should instruct the elevator to gift the number of bushels of grain to the church. Afterward, the farmer should contact the church should be notified to expect the grain.
- 5. Documentation:** Either a properly executed warehouse receipt in the church's or charity's name, or a notarized letter of transfer for crops stored on the farm can be used. The original sales invoice should list the charity as the seller.
- 6. Storage & Transportation Costs:** After the transfer, the church or charity assumes all control, including the costs of storage, marketing and transportation. The church would then have the option to sell the grain.
- 7. Crop Share Leases:** Gifting will not work for a crop share landlord. A share of a crop received as rental payment is considered the equivalent of rental income.

*KMF is happy to assist individuals and churches in making gifts of grain. Please consider consulting with your professional advisers on how a gift would fit into your plans.*