

## Benefits of Gifting Grain to Charities

- Lower the donor's adjusted gross income – because the donated grain is not treated as a sale, as it would be if cash from grain sales proceeds were donated instead – the donation will not be reported as income, *and* the costs of producing the grain are deductible as business expenses on Schedule F
- Because there will not be a charitable deduction to report, taxpayer can take advantage of the standard deduction along with the reduced farm income
  - No charitable deduction is reported by the taxpayer, so the married farmer who has less than \$24,000 of Itemized Deductions (i.e., medical expenses (on a limited basis), state and local taxes, charitable giving, and mortgage interest on a house), can take advantage of the \$24,000 Standard Deduction along with the reduced farm income from gifting the grain.
  - Example: Jack and Jill Corngrower have always donated \$10,000 to their local community foundation every year. This year, their total itemized deductions (before donation to the community foundation) were \$18,000. Jack and Jill's adjusted gross income before itemized deductions is \$120,000.
    - Donating cash: Jack and Jill sell 1,250 bushels of grain at a market price of \$8.00 per bushel, making their total income \$130,000. They donate the sale proceeds, \$10,000, to the community foundation. Now, their total itemized deductions are \$28,000. Their taxable income is now \$102,000.
    - Donating grain: Jack and Jill donate 1,250 bushels of grain to their local community foundation on a day when the market price is \$8.00 per bushel. Jack and Jill's adjusted gross income is still \$120,000, because the donation of the grain is not treated as a sale of the grain. They take the standard deduction of \$25,100. Jack and Jill's taxable income is \$94,900 – \$7,100 less than if they sold the grain and donated cash.
- Up to 37% federal income tax savings, plus state income tax savings, depending on the donor's income
  - Example – donating cash: Jack and Jill sell 1,250 bushels of grain at a market price of \$8.00 per bushel, making their total income \$130,000. They donate the sale proceeds, \$10,000, to the community foundation. Now, their total itemized deductions are \$28,000, making their taxable income is now \$102,000. The federal tax value of Jack and Jill's donation of cash is \$696 – 24% tax on the additional \$2,900 in deductions above the standard deduction that they receive.
  - Example – donating grain: Jack and Jill donate 1,250 bushels of grain to the community foundation on a day when the market price is \$8.00 per bushel. Jack and Jill's adjusted gross income is still \$120,000. Their itemized deductions of \$18,000 are less than the standard deduction, so they take the standard deduction of \$25,100. Jack and Jill's taxable income is \$94,900. They save \$1,704 more in taxes by donating grain instead of cash.
- 15.3% self-employment tax savings - since the donation does not result in taxable income from the sale of grain, the donation saves self-employment taxes.
  - Using the examples above, the Corngrowers save \$1,530 in self-employment taxes by donating grain instead of selling it then donating cash.