



Gifting Agricultural Commodities through the Nebraska Community Foundation

There are tax advantages for farmers and ranchers when they make gifts of grain or livestock to charity. Many Nebraska farmers and ranchers have found that they can save significant taxes by contributing commodities such as corn or cattle to their community foundation fund instead of selling the commodities and making a cash contribution.

When an agricultural producer transfers legal ownership of the commodity to a charity before it is sold, the producer will not have taxable income from a sale, thus minimizing taxes. The producers are still able to deduct the entire cost of the production of that commodity on Schedule F. Tax savings may be realized on federal income tax, state income tax and self-employment tax, depending on the producer's specific circumstances.

For example, by making a gift of 1,000 bushels of corn when the market price is \$3.00 and the cost of production is \$2.00, a farmer would avoid recognizing taxable income of \$1,000 (\$1/bushel) because the corn was contributed to charity rather than sold, while still receiving a deduction for the costs of production. A typical farmer who does not itemize deductions on Schedule A might reduce his federal income tax by \$150 (15% X \$1,000), his state income tax by \$60 (6% X \$1,000) and self-employment (social security) tax by \$141 (15.3% X \$1,000 X 92.35%) for a total tax savings of \$351.

Producers should check with their accountants to determine whether a contribution of commodities is appropriate to their tax situation.

Please notify the Nebraska Community Foundation if you would like to make a gift of commodities, as there are specific procedures that need to be followed to obtain the desired tax treatment of a gift of grain or livestock to a community foundation fund.

- ◆ There must be documented evidence of transfer of title
- ◆ The foundation must be in control of the sale

See **Steps to Make a Charitable Gift of Grain** or **Steps to Make a Charitable Gift of Livestock** for the steps for making a gift of commodities.

For assistance with a gift of commodities contact one of the following:

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