

**“The deep rewards of giving go to those who give out of a concern for others, and take pains to see that their giving is wisely done...”**

F. Emerson Andrews  
(1902-1978)  
American author



## PLANNED GIVING WITH THE UNIVERSITY OF IOWA FOUNDATION GIFTS OF GRAIN

### GIVE GRAIN DIRECTLY AND SAVE TAXES

For donors who actively engage in farming on a cash basis, significant tax savings may be achieved by donating grain directly to the University of Iowa Foundation rather than selling the grain and donating cash.

#### HOW IT WORKS

Cash gifts to a charity are deductible only if a donor itemizes deductions on Schedule A. Because many farmers take the standard deduction, often no tax benefit is gained by making charitable gifts of cash. By directly donating grain to charity, however, the cash basis farmer can exclude the sale of the grain from income, which can result in a triple tax savings:

1. Federal income tax savings (up to 39.6%);
  2. State income tax savings (up to 8.98% in Iowa); and
  3. Self-employment tax savings (15.3%)
- **No charitable contribution deduction:** There is no charitable contribution deduction for the donated commodity on Schedule A.
  - **Expenses related to production:** Typically the expenses related to the production of the donated grain are deductible on Schedule F.
  - **Crop share landlords not eligible:** A crop share landlord's share of crops is considered rental income and must be reported as such on the landlord's tax return.
  - **Cash basis farmer only:** The farmer must be a cash basis taxpayer.
  - **Timing of gift:** Gifts of grain can be donated from the current or previous years' harvests.
  - **Unsold commodity:** The farmer cannot sell the commodity and then order the sales proceeds to be sent to the charity. The gift must be from unsold grain inventory with no prior sale commitment.

(over)

- **Physical delivery:** The commodity should be put into the name of the charity when it is delivered to the elevator and a warehouse receipt issued in the name of the charity. For grain stored on the farm, the farmer must deliver to the charity a notarized letter of transfer.
- **Giving up control:** The farmer must give up dominion and control over the commodity and cannot offer any guidance as to when to sell the commodity. The charity must direct the sale and the original sales invoice must list the charity as the seller.
- **Storage, transportation, and risk:** After the transfer, the charity assumes the costs of storage, transportation, and marketing, and bears the risk of any loss.
- **Use professional advisors:** Donors should always consult with their professional tax and/or legal advisors to determine tax implications specific to their situation prior to making the gift.

### EXAMPLE OF TAX SAVINGS FROM A GIFT OF GRAIN

Jack Smith, a cash-basis grain farmer who takes the standard deduction every year, donates 1,250 bushels of corn to the University of Iowa Foundation. His cost of production is \$2,000, and the proceeds from the sale of the corn by the UI Foundation is \$5,000.

Jack is entitled to deduct his \$2,000 of production expenses on Schedule F. In addition, he will not be required to report the proceeds from the sale of the corn as income. If we assume that Jack is in the 25% federal and 8.98% state tax bracket, the following are the tax savings that result when Jack reduces his taxable income by making a gift of the corn to the UI Foundation:

\$1,250	Federal income tax (\$5,000 x 25%)
\$ 449	State income tax (\$5,000 x 8.98%)
<u>\$ 765</u>	Self-employment tax (\$5,000 x 15.3%)
\$2,464	Tax savings

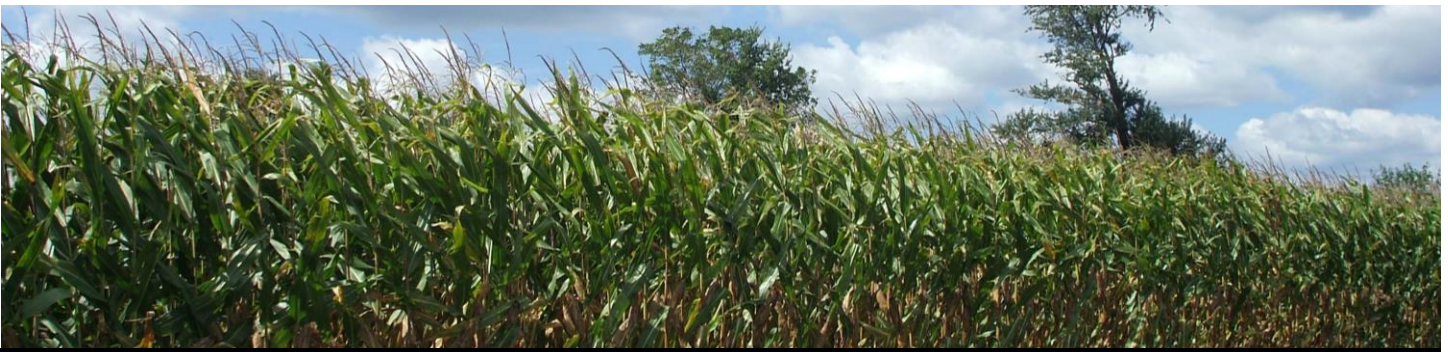
By giving the corn rather than selling it outright and making a cash gift, Jack saves \$2,464 in taxes. In addition, he can still deduct the \$2,000 of production expenses he incurred to grow the corn. (Note: If Jack itemizes his deductions rather than claiming the standard deduction, his additional tax savings achieved by making a gift of corn rather than cash is limited to the savings on self-employment tax.)

### NEXT STEPS

- Consult with your tax preparer or financial advisor to determine the tax implications prior to making a gift.
- Notify us of your intention to make a gift by completing our Gift of Grain Notification Form and either emailing it to us at [giftsofgrain@uifoundation.org](mailto:giftsofgrain@uifoundation.org) or mailing it to us at the address listed in the left margin; or contact our Gift Accounting department at (800) 648-6973.
- Deliver the grain to the elevator and tell them that you wish to transfer ownership of X number of bushels (or X fraction of the load) to the University of Iowa Foundation.
- Request the elevator to issue a warehouse storage receipt **in the name of the State University of Iowa Foundation** and send it to us. Instruct the elevator not to sell the grain until they are contacted by us.
- Notify us that the grain is at the elevator.
- The UI Foundation will then contact the elevator to direct the sale of the grain and will send you an acknowledgement letter. We will use the sales proceeds for the purposes you direct at the University of Iowa.

For more information, please visit  
[www.uifoundation.planningyourlegacy.org](http://www.uifoundation.planningyourlegacy.org),  
 or contact:

The University of Iowa Foundation  
 Department of Planned Giving  
 P.O. Box 4550  
 Iowa City, Iowa 52244-4550  
 (319) 335-3305 / (800) 648-6973  
 Email: [www.uifoundation.planningyourlegacy.org](http://www.uifoundation.planningyourlegacy.org)



**GIFT OF GRAIN NOTIFICATION FORM**

**The University of Iowa Foundation**

In support of the University of Iowa Foundation, I/we wish to make a gift by donating bushels of grain.

**DONOR INFORMATION** (Please print)

Name(s) \_\_\_\_\_ Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

Phone number \_\_\_\_\_ Email \_\_\_\_\_

**GIFT INFORMATION**

I(we) intend to give a total of \_\_\_\_\_ bushels of \_\_\_\_\_  
(Number) (Type of grain, e.g., soybeans, corn)

Name and location of grain elevator you will be utilizing for gifting grain to the University of Iowa Foundation:

\_\_\_\_\_

Elevator phone number \_\_\_\_\_ Expected delivery date \_\_\_\_\_

**PURPOSE OF GIFT**

This gift is to be unrestricted and may be used where the need is greatest at the University of Iowa.

I/we wish to specify that this gift be used for the following purposes:

\_\_\_\_\_

Signature(s) \_\_\_\_\_ Date \_\_\_\_\_

**IMPORTANT TO CONSIDER**

- The gift (transfer of ownership) must occur before the grain commodity is sold. The donor should deliver the grain to the elevator and inform them that he/she wishes to transfer ownership to the University of Iowa Foundation. The donor should request a grain storage receipt listing the University of Foundation as owner.
- The donor must not sell the grain commodity or otherwise provide instructions for the sale of the grain. Once the University of Iowa Foundation is notified of the transfer of the grain to the elevator, we will contact the elevator and order the sale of the grain. We will issue an acknowledgement for the gift after the sale.
- Please contact your tax or financial advisor for complete legal and/or tax advice regarding charitable donations.