

# THE BENEFITS OF GIFTING GRAIN TO CHARITIES UNDER THE NEW 2018 TAX LAW



IS CHARITABLE GIVING IN THE FORM OF "GIFTING GRAIN" A GOOD CHOICE FOR YOUR FARM AS 2018 COMES TO A CLOSE?

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11/30/2018

As the 2018 calendar draws to a close, thoughts of charitable giving may be on your mind. With recent tax law changes enacted under the Tax Cut & Jobs Act, itemizing deductions - which includes charitable contributions - on individual tax returns, may be superseded by a much higher Standard Deduction afforded to taxpayers (\$24,000 for a Married Filing Jointly couple and \$12,000 for a Single taxpayer).

Consequently, for many of us involved in farming, charitable giving in the form of "gifting grain" may become more appealing than a cash donation. In case you are unfamiliar with gifting grain, here is what you need to know as a "cash basis" farmer looking to make a charitable gift before year end:

- In lieu of gifting cash to your favorite charity, consider contacting your local coop or grain handler and transfer bushels of grain from your name to the name of a charity
- Ask the coop or grain handler to provide a warehouse receipt to the charity (or some form of support)
- Inform the charity that you have gifted grain, and provide them contact information to the coop or grain handler so they can call and sell the grain (**NOTE:** This is a key component of gifting grain – 100% of the risk of ownership including storage and market price fluctuations transfers to the charity)

The potential tax savings for a farmer who gifts grain includes the following:

- The cash basis farmer can exclude the sale of the grain from his taxable income
- Federal income tax savings (up to 37%)
- Self-employment tax savings (15.3%)
- State income tax savings (up to 5.7% for Kansas)

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 OF GIFTING GRAIN – JOE AND JANE FARMER:

Joe and Jane Farmer typically donate \$10,000 to their hometown church each year. Instead of donating cash in 2018, they chose to gift 1,250 bushels of soybeans when the market price was \$8.00 per bushel. Assuming the Farmers have not exceeded the maximum self-employment tax limit, their potential tax savings could be ~\$5,600 (37% federal savings, 5.7% Kansas savings and 15.3% self-employment tax savings). If they had simply gifted cash, their savings would have only been \$3,700 (if they were able to Itemize Deductions).

As always, please consult with your tax accountant or CPA who can advise you as it relates to your own personal tax situation.