

Benefits of Gifting Agricultural Commodities

Farmers and ranchers can save significant taxes by donating commodities such as grain and livestock to the Southern Nebraska Arts Council ("SNAC") rather than donating the cash after the sale. SNAC is a non-profit 501(c)(3) organized with the intent of rehabilitating the Crest Theatre in Superior, Nebraska. SNAC is hoping to get the theatre thriving like it did back when it first opened, utilizing the funds to restore an important art and entertainment venue for generations to come.

When an agricultural producer transfers ownership of grain or livestock to SNAC before it is sold, the producer avoids the taxable income from that sale, thus minimizing taxes. The producer is still able to deduct the entire cost of the production of the commodity on Schedule F.

Depending on the producer's specific circumstances, savings may be realized on federal and state income tax and self-employment tax. For producers in higher income tax brackets, an additional benefit of making commodity charity gifts is that it reduces the amount of adjusted gross income that may be subject to the new 3.8% net investment income tax or the phase-out of itemized deductions and personal exemptions. A nonmaterially participating landlord does not have the same tax advantages as a farm operator or materially participating landlord. A producer should consult with his or her tax advisor to determine whether a contribution of commodities is appropriate for them.

Farmers and ranchers wanting their gift to benefit their community should consider giving to the Southern Nebraska Arts Council.

This information is intended solely to inform you of a potential gift planning opportunity. The Southern Nebraska Arts Council is not a tax advisor. You may not rely on the information contained herein for the purpose of avoiding tax penalties and you should consult your tax advisor to determine whether the information presented here is appropriate to your tax situation.

Producers Can Receive Tax Benefits From Charitable Contributions of Commodities

Cash basis farmers and ranchers can take the standard deduction and still receive a tax benefit from charitable contributions. To get these benefits, producers must make charitable contributions in unsold commodities rather than cash. This technique may also cut social security taxes if the contribution in commodities reduces income below the social security earnings base.

To make this strategy work, the taxpayer must:

- 1) Be a cash-basis taxpayer. The accrual-basis taxpayer has a tax cost in the commodities that negates much of the advantage.
- 2) Contribute the commodity, not the sales proceeds. Contribute the unsold commodity to the charity. Deliver the grain or livestock to the elevator, sale barn or other facility and have the title or warehouse receipt made out in the name of the charity. The receipt or commodity title is given to the charity, with a letter stating the commodity is the charity's to handle as they wish. Taxpayers contributing on-farm stored commodities should send the charity a notarized letter citing the number of bushels and the location of the donated grain. Of course, the taxpayer should retain copies of the letters and receipts to document the contribution.

The taxpayer should not haul grain to the local elevator and have the buyer issue a check to the charity. Even though the check is not issued to the taxpayer, the IRS will treat this as though the taxpayer had sold the grain and contributed cash.
- 3) Be an active farmer. This technique works for active producers who have raised the commodity as inventory. It does not apply to retired farmers who may have received grain on a crop-share lease. That grain has a rental status which is distinguished from business income and prevents transfer under the charitable rules.
- 4) The taxpayer should review the transaction with his or her tax advisor in advance.

Southern Nebraska Arts Council

dba: Crest Theatre

P.O. Box 11 • Superior, Nebraska 68978

Phone: (402) 879-3819

info@cresttheatre.org



Gift of Commodities



STEPS to make a Charitable Gift of Commodities

1. Contact the Southern Nebraska Arts Council (“SNAC”) to advise us that a gift is about to be made.
2. Complete the **Letter from the Producer Regarding a Gift of Commodity** form notifying us that you are making a gift of commodities. Indicate quantity and type of commodity being contributed and the fund (and related purpose) to which your contribution is directed. Send the letter to SNAC.
3. When you deliver the gifted commodity to the elevator, sale barn, or other facility please inform them to issue a receipt in the name of the Southern Nebraska Arts Council. The receipt is evidence that ownership of the commodity was transferred from the producer to SNAC. Then send the receipt to SNAC at the address in Step 4.
4. Instruct the facility that it must send the contract to sell the commodity to the Southern Nebraska Arts Council for signature. The contract can be mailed to the Southern Nebraska Arts Council at P.O. Box 11, Superior, NE 68978; or faxed to the attention of the Treasurer at (402) 879-3010.

If the facility does not use written contracts for commodity sales, ask SNAC to provide you with a complete **Instruction Form**.

NOTE: Since SNAC now owns the commodity following your gift, you may not instruct the facility to sell it.

Letter from the Producer Regarding a Gift of Commodity

To:
Southern Nebraska Arts Council
dba: Crest Theatre
P.O. Box 11
Superior, NE 68978
info@cresttheatre.org

I/We, _____, hereby gift _____ (# of bushels or head)
of _____ (type of grain or livestock)
to the Southern Nebraska Arts Council, to be used for _____*(gift designation).

A check mark in this box verifies this commodity does not have a lien against it; or if the commodity does have a lien against it, a lien waiver from the lender is attached.

* gift designation suggestions: “Crest Theatre”, “maintenance and operation of theatre”, “new seats”, “renovation of theatre”, etc..

Signature(s)

Date

Printed Name(s)

Phone

Mailing Address

Email

I will transport the gifted commodity to the following facility on behalf of the Southern Nebraska Arts Council:

Name of Grain Elevator, Feed Lot, or Other Facility

Contact Person & Phone Number

Send this letter to:
Southern Nebraska Arts Council
P.O. Box 11
Superior, NE 68978

Questions:
Teresa Sullivan, Treasurer
(402) 879-3002
info@cresttheatre.org



Crest Theatre of Superior, Nebraska
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