

Benefits of Gifting Agricultural Commodities

Farmers and livestock producers can save significant taxes by donating commodities such as grain and livestock to the Bonham Theatre Project. The Bonham Theatre Project is a non-profit 501(c)(3) organized with the intent of acquiring, rehabilitating and reopening the historic Bonham Theatre in downtown Fairbury. The movie theatre, built in 1926, closed in the summer of 2012. The Bonham Theatre Project board of directors has begun a capital campaign in anticipation of purchasing the Bonham. The funds will be used to acquire the building, hire an architect, remediate fire safety concerns, and update the projection systems to digital.

At a time when producers are experiencing the highest commodity prices seen in years, now may be a good time to think about a charitable gift of commodities, whether its cattle, corn or other grain. "It provides another option and some tax incentives that are not available by simply giving cash," according to Debby Ebke, Treasurer of the Bonham Theatre Project.

Producers who wish to donate portions of their crops or livestock directly to the Bonham Theatre Project not only benefit their community, but are able to benefit from tax savings that may be greater than if they had sold the commodity and then donated a portion of the proceeds.

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. Tax savings may be realized on federal income tax, state income tax and self-employment tax, depending on the producer's specific circumstances.

Farmers or ranchers wanting their gift to benefit their community should consider giving to The Bonham Theatre Project. According to foundation member Julie Katz, "Gifts of commodities will put this project on the fast track to restoring a very important cultural and entertainment venue for generations to come."

Producers should check with their accountants to determine whether a contribution of commodities is appropriate to their tax situation. They should notify The Bonham Theatre Project in advance of making a gift of commodities, as there are specific procedures that need to be followed to obtain the desired tax treatment of a gift of livestock or grain to a charitable fund.

Farmers Can Receive Tax Benefits From Charitable Contributions of Commodities

Cash basis farmers can take the standard deduction and still receive a tax benefit from charitable contributions. To get these benefits, farmers must make charitable contributions in unsold commodities rather than cash. This technique might 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, 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. Taxpayer 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 CPA or tax advisor in advance.

Bonham Theatre Project
P.O. Box 22
Daykin, NE 68338



Fairbury, Nebraska

Gifts of Commodities



Letter From The Producer Regarding A Gift of Commodities

To:
Bonham Theatre Project
P.O. Box 22
Daykin, NE 68338
BonhamTheatreProject@gmail.com

I/We, _____, hereby gift _____ (# of bushels or head)
of _____ (type of grain or livestock)
to The Bonham Theatre Project, 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.

Signature(s)

Date

Printed Name(s)

Phone

Mailing Address

Email

I will transport the gifted commodity to the following facility on behalf of The Bonham Theatre Project:

Name of Grain Elevator, Feed Lot or Other Facility

Contact Person & Phone Number

Mail to:
Bonham Theatre Project
P.O. Box 22
Daykin, NE 68338

Questions:
Debby Ebke, Treasurer
(402) 300-7146
BonhamTheatreProject@gmail.com



Bonham Theatre Project
Follow Us on Facebook!

Steps to Make a Charitable Gift of Commodities

1. Contact The Bonham Theatre Project to advise us that the gift is about to be made.
2. Complete the **Letter from the Producer** form notifying us that you are making a gift of commodities. Indicate quantity and type of commodity being contributed and the fund (and related pupose) to which your contribution is directed.
3. When you deliver the commodity to the local elevator, feedlot or other facility please inform them to issue a receipt in the name of The Bonham Theatre Project. The receipt is evidence that ownership of the commodity was transferred from the producer to The Bonham Theatre Project. Then send the receipt to The Bonham Theatre Project at the address below.
4. Instruct the facility that it must send the contract to sell the commodity to The Bonham Theatre Project for signature. The contract can be mailed to The Bonham Theatre Project at P.O. Box 22, Daykin, NE 68338.

If the facility does not use written contracts for commodity sales, ask The Bonham Theatre Project to provide you with a complete **Instruction Form**. Since The Bonham Theatre Project now owns the commodity following your gift, you may not instruct the facility to sell it.