

**DIOCESE OF SIOUX CITY  
GUIDELINES FOR  
CHARITABLE GIFTS OF GRAIN**

Updated: 4-19-17

**Farm commodities, such as grain, can be gifted to diocesan entities.**

Grain producers are fortunate to have the ability to use commodities as an alternative to cash and should consider using this tax savings opportunity. Regardless of which entity within the Diocese that the grain is gifted to, the producer must:

- **convey title of the unsold commodity to the charity**

IMPORTANT POINTS:

- The producer must give up dominion and control of the grain and must present written transfer instructions detailing the name of the charity, the commodity, and the quantity being gifted.
- The commodity gift should be from unsold crop inventory with no prior sale commitment. In other words, the charity cannot accept contracted grain.
- The gift must be the actual commodity as opposed to warehouse receipts. Warehouse receipts could be considered a cash equivalent.

- **the charity must accept ownership of the grain and control the selling of the grain**

IMPORTANT POINTS:

- The producer cannot sell the grain and tell the elevator to send the check to the charity as this would not demonstrate giving up dominion and control of the grain. If the farmer sold the grain and ordered the proceeds to be sent to the charity it would be considered an assignment of income because the farmer has not given up control of the property. Diocesan entities will return the grain check to the elevator if this inadvertently happens.
- The charity will not place a standing order for sale of donated grain at the elevator(s). This would impair the charity's ability to secure adequate documentation of the charitable grain transfer.
- Docking fees, storage fees, and reductions for foreign materials and / or damaged grain will reduce the proceeds remitted to the charity. For Msgr. Lafferty Tuition Foundation (MLTF) the reduction for these fees will reduce the tax credit issued.

*The Diocese of Sioux City developed these guidelines based on our understanding of IRS regulations. We are not aware of any recent changes regarding charitable grain donations, however, we advise donors to consult tax professionals.*

**DIOCESE OF SIOUX CITY  
GUIDELINES FOR  
CHARITABLE GIFTS OF GRAIN**

Updated: 4-19-17

**Tax acknowledgement letter:** Note that the farmer has given a gift of property rather than cash. The IRS requires the taxpayer have written documentation of the following information for property donations:

- The date of the donation
- A description of the property donated (the commodity type and the number of bushels donated.)
- The tax acknowledgement letter for property donations cannot provide a total value for the grain donation. Only a description of the property (type of grain and number of bushels) and the date donated should be acknowledged. As a convenience, the charity can provide the price per bushel at the close of business on the donation date in the tax acknowledgement letter.
- As previously noted, the Diocesan entity will return the grain check if proper procedures are not followed. The entity cannot elect to acknowledge a cash donation instead.

**Use professional tax advisors:** The farmer should always consult with his or her professional tax or legal advisors to determine tax implications prior to making a grain donation. Because of rapid changes in tax law, information provided here may be obsolete.

**Questions:** If questions, please contact the Diocesan Finance office:

Diane Donnelly	712-233-7594 or <a href="mailto:dianed@scdiocese.org">dianed@scdiocese.org</a>
Royce Ranniger	712-233-7592 or <a href="mailto:roycer@scdiocese.org">roycer@scdiocese.org</a>

*The Diocese of Sioux City developed these guidelines based on our understanding of IRS regulations. We are not aware of any recent changes regarding charitable grain donations, however, we advise donors to consult tax professionals.*

**DIOCESE OF SIOUX CITY  
GUIDELINES FOR  
CHARITABLE GIFTS OF GRAIN**

Updated: 4-19-17

**How can a farmer make a charitable grain donation to a Diocesan entity?**

- Donors are asked to consult their tax preparers for professional advice for their individual tax situations. The tax law for grain donations is very complex and there are specific criteria that must be met.
- Diocesan gift policy requires that an elevator, cooperative, or ethanol plant be used to facilitate the grain donation. These businesses are regulated and have the ability to generate adequate documentation of the grain transfer. Hence, the grain cannot be delivered to feedlots and / or private individuals.
- An authorized representative from the diocesan entity will open an account with the elevator in anticipation of the grain donation. The donor should instruct the elevator to contact the charity's business office so an account can be established prior to delivery and to set up grain disposition instructions.
- The farmer must deliver grain to the elevator or currently hold grain in their name to provide proof of production. (Note that contracted grain sales will not be accepted as a grain donation.)
- The farmer must transfer ownership title of the commodity to charity by completing a grain transfer form or similar written instructions signed by both the donor and a representative of the elevator. A warehouse receipt should be executed by the elevator to the charity documenting the Diocesan entity as the owner of the grain.
- The elevator must sign the grain transfer form confirming that the grain was transferred into the charity's account at the elevator and that the grain had no prior sales commitment.
- The charity must make the final decision to sell or retain the grain. The charity assumes all future costs relating to the grain, including storage.

*The Diocese of Sioux City developed these guidelines based on our understanding of IRS regulations. We are not aware of any recent changes regarding charitable grain donations, however, we advise donors to consult tax professionals.*

**DIOCESE OF SIOUX CITY  
GUIDELINES FOR  
CHARITABLE GIFTS OF GRAIN**

Updated: 4-19-17

**Tax advantages for the farmer:** Gifting grain to a charitable organization can far outweigh the tax advantages of a cash contribution. Gifting grain should result in:

- Lower adjusted gross income for the producer since the sale of the grain will not be reported as income, but the costs of producing the grain are deductible as business expenses on Form 1040, Schedule F. As a result, this will reduce the following taxes:
  - Federal income tax,
  - Iowa income tax, and
  - Self-employment tax.
  
- Generally the cash basis farmer had “zero basis” in the grain prior the transfer. Therefore, there is no value that can be reported as a charitable itemized deduction on Schedule A. The tax benefit for the farmer comes from deducting the expenses of production and not reporting the sale of the grain on the Schedule F. The tax acknowledgement letter will be issued for a property donation in accordance with IRS regulations and will provide a description and donation date of the property. The acknowledgement letter cannot provide a total value.

**Grain Transfer Form:** Diocesan entities are required to obtain written grain transfer instructions to document the ownership transfer of the grain. A standardized grain transfer form is available on the diocesan website. The grain transfer instructions must be signed by the donor and a representative from the elevator.

**Documentation:** In accordance with our record retention policy, the Diocesan entity will retain in its files:

- Written and signed grain transfer instructions (grain transfer form)
  
- Warehouse receipt in the name of the Diocesan charity
  
- Copy of the tax acknowledgement letter issued to the donor.

*The Diocese of Sioux City developed these guidelines based on our understanding of IRS regulations. We are not aware of any recent changes regarding charitable grain donations, however, we advise donors to consult tax professionals.*