

Gifts of Grain



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Who can give grain?



ANYONE!

- ❖ Active producers
Greater tax benefits
- ❖ Crop share landlords
Itemized charitable deduction

Why give grain?



Significant tax benefits for active, self-employed farmers

- ✓ Donated grain proceeds not included in income
- ✓ Cost of growing crops still deductible
- ✓ Lower income taxes on social security benefits for some as a result of lower Adjusted Gross Income (AGI)
- ✓ Increased donation possible without reaching IRS rules that limit deductions to a percentage of AGI
- ✓ Gifts of grain not counted as income on the government payments limitation caps calculations
- ✓ Lower AGI may eliminate the additional 3.8% Net Investment Income Tax (NIIT)

Tax Savings Examples (2020)

Married, 0 Kids, 22% Bracket,
Non-Itemizer, \$5,000

Contribution	Cash	Grain
Wages	20,000	20,000
Interest	1,000	1,000
Schedule F	100,000	95,000
Deductible SE Tax	<u>(7,065)</u>	<u>(6,712)</u>
AGI	113,935	109,288
Standard Deduction	<u>(24,800)</u>	<u>(24,800)</u>
Taxable Income	<u>89,135</u>	<u>84,488</u>
Income Tax	11,188	10,165
SE Tax	<u>14,129</u>	<u>13,423</u>
Total Tax	25,317	23,588

**\$1,729 Federal
Tax Savings**

Federal AGI	113,935	109,288
Exemptions	<u>(2,000)</u>	<u>(2,000)</u>
Indiana Taxable Income	111,935	107,288
Indiana Income Tax - 3.3%	3,616	3,465
County Tax - 1.7% (Example)	<u>1,903</u>	<u>1,824</u>
Total Indiana and County Tax	5,519	5,289

**\$230 Indiana
Tax Savings**

Tax Savings Examples (2020)

Married, 0 Kids, 22% Bracket, Itemizer, \$5,000 Contribution		
	Cash	Grain
Wages	20,000	20,000
Interest	1,000	1,000
Schedule F	100,000	95,000
Deductible SE Tax	<u>(7,065)</u>	<u>(6,712)</u>
AGI	113,935	109,288
Itemized Deduction	(25,000)	(24,800)
Taxable Income	<u>88,935</u>	<u>84,488</u>
Income Tax	11,144	10,165
SE Tax	<u>14,129</u>	<u>13,423</u>
Total Tax	25,273	23,588
	\$1,685 Federal Tax Savings	
Federal AGI	113,935	109,288
Exemptions	<u>(2,000)</u>	<u>(2,000)</u>
Indiana Taxable Income	111,935	107,288
Indiana Income Tax - 3.3%	3,616	3,465
County Tax - 1.7% (Example)	<u>1,903</u>	<u>1,824</u>
Total Indiana and County Tax	5,519	5,289
	\$230 Indiana Tax Savings	

Tax Savings Examples (2020)

Married, 0 Kids, 12% Bracket, Non-Itemizer, \$5,000 Contribution		
	Cash	Grain
Wages	18,500	18,500
Interest	1,000	1,000
Schedule F	20,000	15,000
Social Security (\$15,000 gross)	7,349	4,470
Deductible SE Tax	<u>(1,413)</u>	<u>(1,060)</u>
AGI	45,436	37,910
Standard Deduction	<u>(24,800)</u>	<u>(24,800)</u>
Taxable Income	<u>20,636</u>	<u>13,110</u>
Income Tax	2,080	1,313
SE Tax	<u>2,826</u>	<u>2,120</u>
Total Tax	4,906	3,433
	\$1,473 Federal Tax Savings	
Federal AGI	46,849	37,910
Deduct Social Security	(7,349)	(4,470)
Exemptions (Spouse over 65)	<u>(3,000)</u>	<u>(3,500)</u>
Indiana Taxable Income	35,087	29,940
Indiana Income Tax - 3.3%	1,133	967
County Tax - 1.7% (Example)	<u>596</u>	<u>509</u>
Total Indiana and County Tax	1,729	1,476
	\$253 Indiana Tax Savings	

How do I gift grain?

1.

- Letter from donor indicating commodity belongs to charity and charity may sell when it deems appropriate

2.

- Deliver commodity to elevator
- Storage receipt made out to charity

3.

- Elevator writes check to charity only when charity gives instruction to sell

Note

- For FSA and/or crop insurance—document bushels of production before donation and document transfer to prove production vs. sales

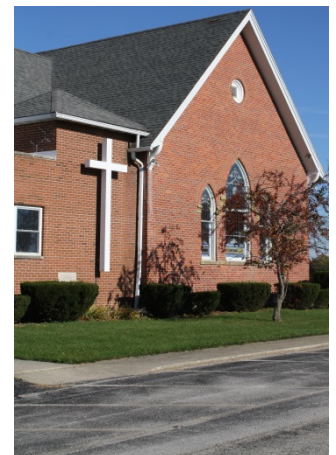
Important Things to Consider

- ✓ Active producers achieve the greatest tax savings.
- ✓ Be sure the gift is grain commodities, NOT a storage receipt.
- ✓ FSA certification to document bushels of production is needed before making a gift of grain.



Indiana SGO Credit

- ▶ Contribution to Scholarship Granting Organization (SGO) is a federal charitable contribution and taxpayers receive an Indiana State Tax Credit.
- ▶ No annual limit on contributions for taxpayers, but Indiana only authorizes \$16.5 million in credits for the SGO program annually July through June. (\$33 million in contributions)
- ▶ Indiana SGO Tax credit is 50% of the annual contribution made by the taxpayers.
- ▶ SGO Credit is nonrefundable, but allowed to carryforward unused contributions
- ▶ Contributions to the SGO must be received by organization prior to December 31st to receive the tax credit.



Indiana SGO Credit Examples

\$4,000 Contribution to SGO vs Contribution to charity – 24% Tax bracket & Itemizes deductions	<u>SGO</u>	<u>School/ Church</u>
Charitable Contribution	\$4,000	\$4,000
Federal Tax Savings (24%)	(960)	(960)
Indiana Tax Credit (50%)	(2,000)	N/A
Total Tax Savings	\$2,960	\$960
Net Cost to taxpayers	\$1,040	\$3,040

\$10,000 Contribution to SGO vs Contribution to charity – 37% Tax bracket & Itemizes deductions	<u>SGO</u>	<u>School/ Church</u>
Charitable Contribution	\$10,000	\$10,000
Federal Tax Savings (39.6%)	(3,700)	(3,700)
Indiana Tax Credit (50%)	(5,000)	N/A
Total Tax Savings	\$8,700	\$3,700
Net Cost to taxpayers	\$1,300	\$6,300

Indiana SGO Credit Examples

\$4,000 Contribution of grain to SGO vs Cash Contribution to charity – 22% Tax bracket	<u>SGO</u>	<u>School/Church</u>
Grain/Charitable Contribution	\$ 4,000	\$4,000
Self-Employment Tax Savings (15.3%)	(612)	N/A
Federal Tax Savings (22%)	(880)	(880)
Indiana Tax Credit (50%)	(2,000)	N/A
Total Tax Savings	\$ 3,492	\$ 880
Net Cost to taxpayers	\$ 508	\$3,120

\$10,000 Contribution of grain to SGO vs Contribution to charity – 37% Tax bracket	<u>SGO</u>	<u>School/Church</u>
Grain/Charitable Contribution	\$10,000	\$10,000
Self-Employment Tax Savings(3.8%)	(380)	N/A
Federal Tax Savings (37%)	(3,700)	(3,700)
Indiana Tax Credit (50%)	(5,000)	N/A
Total Tax Savings	\$9,080	\$3,700
Net Cost to taxpayers	\$920	\$6,300