

1ST Fruits Program for County Extension



Extension
University of Missouri

Table of Contents

Program Overview	Pg. 1
Sample letter to farmers	Pg. 2
Sample letter to elevators	Pg. 3
Grain gift tax advantages article	Pg. 4
FAQ on 1 st Fruits Program	Pg. 6
Tax letter for County Extension Councils, MU Extension	Pg. 8
Article, Charity by the Bushel	ADDENDUM

SOURCES:

ARTICLE: Commodity Donations Save Taxes, By: Robert Anderson, May 2006 issue of The Farmer magazine, published by The Farmer and Farm Progress Companies.

BROCHURE: Hoppers for the Hungry, published by the Indiana Farm Bureau, December 6, 2006.

1st Fruits Program for [Your] County Extension:

Donations of commodities help farmers help their communities. Helping farming communities has been central to the mission of MU Extension & Engagement from its inception. With so much to offer Extension must find new means to support local programs at a time when public sources of support are waning.

The **1st Fruits Program for [Your County's Name] County Extension** provides a way for farmers to help support their local Extension program, making sure it continues in their home county by donating commodities through their local elevator.

A 1st Fruits program in your county begins by initiating a partnership between local farmers and the elevators in your community. It can be set up as an ongoing program, as a stand-alone campaign or part of a larger campaign. Here is a simple outline of procedures for a 1st Fruits program:

PROCEDURE FOR FARMER TO PARTICIPATE IN 1ST FRUITS PROGRAM

- Ask your local elevator you want to make a donation of grain to the **1st Fruits Program for [Your County's Name] County Extension fund**.
- Decide how many bushels of grain you would like to donate.
- Designate to the **1st Fruits Program for [Your County's Name] County Extension fund**.
- Keep records of your donations in the event there is a tax advantage.

PROCEDURE FOR ELEVATORS TO PARTICIPATE IN 1ST FRUITS PROGRAM

- Set up a customer account in the name of the **1st Fruits Program for [Your County's Name] County Extension fund** and transfer the donation of grain into that account.
- Sell the grain for the cash market price at the end of the day.
- Make a copy of the settlement sheet with the producer's name and address.
- Mail the check and the copy of the settlement sheet to the County Extension council listed as the beneficiary of the fund.

1st Fruits Program for [Your] County Extension:

LETTER TO FARMERS

Dear [farmer's name],

Missouri farmers are truly blessed: Blessed to have the best job in the world raising food for the world; also blessed to have the support of our local MU Extension as a partner to the farming enterprise and farming communities all across our state.

The purpose for my letter is to tell you about a way I believe we can help ensure the partnership with our local County Extension can continue and grow at a time when funding sources are waning. The **1st Fruits Program for [Your County's Name] County Extension** invites you to donate all or a portion of a hopper of grain to your local Extension program.

Take one hopper load or designate the number of bushels in a hopper out of an entire load to the elevator. Tell the elevator that you want the value of those bushels donated to the **1st Fruits [Your County's Name] County Extension fund**. Your donation is transferred into the fund's name and is sold at the end of the day for the cash price. The donation goes directly to the **1st Fruits [Your County's Name] County Extension fund**. You get the tax benefit of making the donation, but more importantly you are making a difference for the future of Extension and for the quality of Missouri's farming communities.

I hope you will join me and your neighbors in making the **1st Fruits Program for [Your County's Name] County Extension** a success.

Sincerely,

John Doe

Farmer

1st Fruits Program for [Your] County Extension:

LETTER FOR ELEVATORS

Dear Sirs,

The University of Missouri Extension Council for [Your County Name] has set up a program for receiving gifts of grain called **1st Fruits Program for [Your County's Name] County Extension**. This program will build resources to ensure [Your Name County] County Extension can continue to provide educational research-based programming for the agricultural economy, through community development and with families including online learning strategies and tools, healthy living, youth engagement, work force development and much more in your county.

MU Extension Councils are tax-exempt organizations as a department of a political subdivision of the State of Missouri, deriving their tax-exempt status from section 115 of the Internal Revenue Code (see attachment).

PROCEDURE FOR ELEVATORS TO PARTICIPATE IN 1ST FRUITS PROGRAM

- Set up a customer account in the name of the **1st Fruits Program for [Your County's Name] County Extension fund** and transfer the donation of grain into that account.
- Sell the grain for the cash market price at the end of the day.
- Make a copy of the settlement sheet with the producer's name and address.
- Mail the check and the copy of the settlement sheet to the County Extension council listed as the beneficiary of the fund.

I hope you will join me and your neighbors in making the **1st Fruits Program for [Your County's Name] County Extension** a success.

Sincerely,

John Doe

Chair, [Your County Name] County Extension Council

Enclosure: Tax Letter

1st Fruits Program for [Your] County Extension:

ARTICLE EXPLAINING TAX ADVANTAGES FOR FARMERS MAKING GIFTS OF GRAIN:

Commodity Donations Save Taxes

By: Robert Anderson

(This article appeared in the May 2006 issue of The Farmer magazine and is reprinted with the permission of The Farmer and Farm Progress Companies.)

Making charitable contributions with commodities is a well-known strategy used by farm families for saving taxes. For those who give in commodities, the cost of raising the commodities is deducted on Schedule F, and there is no income recognized on the donated commodity.

Normally, charitable contributions are deductible on Schedule A of a tax return as an itemized deduction. If the donation is in cash, the contribution is a straightforward deduction. If the gift is property that would result in a capital gain if sold, the deductible amount is the fair market value of the property. Farm raised grain and livestock do not fall into this category; these products are deductible at their tax basis. There is zero basis for most raised commodities, because the cost of raising the grain or livestock has already been deducted as a farm business expense. Thus, no deduction results from the contribution.

Commodity contribution savings

With today's large standard deduction (*NOTE: for 2021 the Standard Deduction is \$24,000 for a couple filing jointly*) it is often a stretch for farm families to take advantage of itemizing deductions; they are less likely than other families to have a large home mortgage, which provides a large interest deduction. If the farm family is unable to itemize, they still get the standard deduction. For example, if a family with few other deductions makes a \$5000 church contribution in cash, they won't save any taxes from the contribution because they will use the standard deduction. If the family makes the same contribution in grain, the family will have \$5000 less farm income and save approximately \$1000 in federal and state income taxes if they are in the 15% federal tax bracket.

1st Fruits Program for [Your] County Extension:

A second savings comes from lower self-employment taxes. If the grain is donated to charity rather than sold, the grain will not be taxed as income on Schedule F, so there will be no Social Security taxes on the income saved. In our example above, the family will save \$706 in self-employment taxes. The downside to lower self-employment payments, of course, is the negative effect on the amount of social security the taxpayer will receive in retirement.

A lesser-known advantage of commodity contributions has to do with the income limitation on donations. If cash donations exceed 30% or 50% of adjusted gross income, depending on the charity involved, that excess contribution is not deductible in the year of donation and must be carried forward. If commodities are donated instead, there's no restriction on the amount. For example, a family with an adjusted gross income of \$50,000 wishes to give \$30,000 to the church. If the donation is made in cash, the family will receive a tax benefit in the year of the donation on only \$25,000 of the donation. However, if they make the donation in commodities, they will receive a tax benefit from the entire donation in the year of the gift.

Follow proper procedures

If you are going to donate commodities, particularly grain, take some precautions to make the donation properly.

The commodity should be put into the name of the charity when it is delivered. In the case of grain donations, the storage receipt should name the charity as the owner, not the producer. That receipt should be delivered to the church, along with a notification from the donor that the commodity belongs to the charity. The charity should then make the sales decision.

It is not necessary to deliver grain raised in a previous year to the elevator. However, in years with large loan deficiency payments, producers need to be aware that they must hold beneficial interest in the grain to receive an LDP. For grain stored on the farm, this is not a problem. The LDP can be taken while the grain is in home storage, then title to the grain can be given to the charity at the time of delivery. As always, consult with your tax advisor if you are unclear on the rules.

1st Fruits Program for [Your] County Extension:

FAQ

Frequently asked questions

How do I know the elevator followed through on the donation?

Make sure your elevator participates in the **1st Fruits for [Your] County Extension program** (or a similar one) and has the capability to handle donations.

It is very important that the elevator transfer possession of the commodity to the charity, rather than the farmer maintaining possession and selling the commodity on the charity's behalf.

How does my donation make a difference?

Your contributions help MU Extension and Engagement keep pace with the changing needs of Missourians. Now more than ever, throughout these times of great change and uncertainty, we rely on your generosity as we quickly adapt and respond, finding new ways to serve and partner with people and communities across Missouri.

How will the County Extension use my donation?

We would like to invite you to support the University of Missouri Extension in [Your County Name] County. Your gifts help MU Extension in [Your County Name] County provide educational research-based programming for the agricultural economy, through community development and with families including online learning strategies and tools, healthy living, youth engagement, work force development and much more to the citizens of [Your County Name] County Missouri.

[Add specific examples of how your county would benefit from donations]

When is the best time to donate and why?

Charitable gifts of grain commodities can be donated at any time, but work the best when they are donated in the year following the year in which they are grown. Under this method, the expenses of the crop are deductible in the year in which the crop is grown. This gives the crop a zero cost basis in the following year. By donating the crop directly to the charity, no income tax or self-employment

1st Fruits Program for [Your] County Extension:

taxes are payable. In addition, there is no charitable deduction. A gift made in this manner should result in tax savings of at least \$300 per \$1,000 gift in federal and state taxes for those in the 15% tax bracket and nearly \$400 for those in the 25% bracket, as compared to savings of \$150 to \$250 had the crop been sold for cash and then a check written for the \$1,000 gift. Farmers should always consult their tax attorney before assuming a specific tax advantage is applicable.

Does donating affect my FSA and/or Loan Deficiency Payments?

No. FSA isn't interested in whom you donate or sell your crop to. You will still be able to use your settlement sheet to determine bushels produced and date of sale.

March 20, 2014

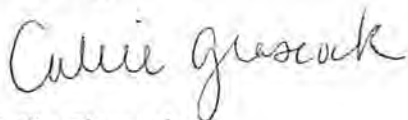
To Whom It May Concern:

Attached hereto is a copy of the May 25, 1972 Internal Revenue Service letter which confirms that University of Missouri Extension Councils are tax-exempt organizations, and that donations to them are deductible by the donors.

As you will note from the IRS letter, Extension Councils, as a department of a political subdivision of the State of Missouri, derive their tax-exempt status from section 115 of the Internal Revenue Code. They do not derive their tax-exempt status from Section 501 (c)(3) of the Internal Revenue Code, but are tax-exempt none-the-less.

The status of University of Missouri Extension Councils has not changed since the issuance of this IRS letter. Therefore, donations to an Extension Council continue to be tax-deductible.

Sincerely,



Callie Glascock
Extension Budget Director

MAY 26 1972

Address any reply to:

1.4.21
Department of the Treasury

P. O. Drawer 1458 - Central Station
St. Louis, Missouri 63188

District Director

Internal Revenue Service

Date:

MAY 25 1972

In reply refer to:

F:1:3:38:WJB



▷ University of Missouri
Cooperative Extension Service
205 Whitten Hall
Columbia, Missouri 65201

Attention: Nelson Trickey, Assistant
Director
Extension Youth Programs, 4-H

Gentlemen:

This is in reference to the status concerning Federal income tax of the University of Missouri Extension Councils and their 4-H Clubs.

The Extension Councils were established as a part of the University of Missouri pursuant to the provisions of Section 262.561, RS Mo 1959. The 4-H Clubs are not separate entities but are part of the Youth Program of the Extension Councils.

Section 115 of the Internal Revenue Code of 1954 provides in part as follows:

- "(a) General Rule — Gross income does not include —
- (1) income derived from any public utility or the exercise of any essential governmental function and accruing to a State or Territory, or any political subdivision thereof, or the District of Columbia; —."

As a department of a political subdivision of the State of Missouri the Extension Councils and the 4-H Clubs are not subject to Federal income tax.

Contributions made to the Extension Councils or to the 4-H Clubs for exclusively public purposes are deductible by the donors for Federal income tax purposes in the manner and to the extent provided in section 170 of the Internal Revenue Code.

It is suggested that you provide copies of this letter to each of your Extension Councils and 4-H Clubs to be used as evidence of their status.

This is an advisory letter.

Very truly yours,

C. C. Coyle, Jr.

District Director

UNIVERSITY OF MISSOURI SYSTEM
COLUMBIA x KANSAS CITY x ROLLA x ST. LOUIS



OFFICE OF THE GENERAL COUNSEL

Marvin E. "Bunky" Wright, General Counsel
William F. Arnel, Counsel
Katharine S. Bunn, Counsel
Nancie D. Hawke, Counsel
Phillip J. Haskins, Counsel
Kathleen Murphy Markie, Counsel
Kelly Meacher, Counsel
Mark Lupe, Counsel

227 University Hall
Columbia, MO 65211
Telephone: (573) 882-3211
Fax Number: (573) 882-0050

July 8, 2002

To Whom It May Concern:

Attached hereto is a copy of the January 30, 1980 Internal Revenue Service letter which confirms that the University of Missouri is a tax-exempt organization, and that donations to it are deductible by the donors.

As you will note from the IRS letter, the University of Missouri, an arm of the State of Missouri, derives its tax-exempt status from section 115 of the Internal Revenue Code. It does not derive its tax-exempt status from Section 501(c)(3) of the Internal Revenue Code.

The status of the University of Missouri, a university established by the Missouri Constitution in 1875, has not changed since the issuance of this IRS letter. Therefore, donations to the University continue to be tax-deductible.

Sincerely yours,

A handwritten signature in cursive script that reads "Nancie D. Hawke".

Nancie D. Hawke
Counsel

Internal Revenue Service

Department of the Treasury

P.O. Box 1123, Central Station
St. Louis, MO 63188

District
Director

University of Missouri
Office of the Treasurer
118 University Hall
Columbia, MO 65201

Person to Contact:
G. Morrison TPA
Telephone Number:
314-425-5651
Refer Reply to:
EP/EO 7206
Date:

JAN 30 1980

Gentlemen:

This is in response to your letter of recent date regarding your status as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Since your organization is an instrumentality of the State of Missouri it is an organization as described in Section 115 of the Internal Revenue Code of 1954 which provides, in part, as follows:

"Gross income does not include--

- (1) income derived from any public utility or the exercise of any essential governmental function and accruing to a State or any political subdivision thereof, or the District of Columbia; or
- (2) income accruing to the government of any possession of the United States or any political subdivision thereof.

Contributions made to you for exclusively public purposes are deductible by the donors for Federal income tax purposes in the manner and to the extent provided in Section 170 of the Internal Revenue Code.

This is an advisory letter.

Sincerely yours

R. C. Vorkiehl

District Director

Charity by the bushel



Photograph: Doug Hetherington

Farmers unload grain at the Dayton (Iowa) Co-operative Elevator. Gifts of grain made directly to a church or charity reduce taxes.

Farmers combine in-kind charitable donations to share a bountiful harvest

By Cheryl Tevis, Farm Issues Editor

Harvest bounty is taken for granted in many rural communities. Despite the impact of extreme weather in 2008, farm productivity is a stark contrast to a U.S. economy reeling from a housing bust and a battered financial market.

For the second year, the United Way of North Central Iowa in Mason City is accepting donations of grain.

“Our annual fund-raising campaign coincides with harvest, and this is an easy way for farmers to donate,” says Alex Kuhn, regional coordinator for the United Way of North Central Iowa and a Floyd County, Iowa, farmer.

Two ethanol plants and grain co-

ops and elevators at 27 locations in the 10-county United Way of North Central Iowa are participating.

Farmers make a pledge when they weigh in, and the elevator or plant directly forwards the donated portion of the crop proceeds. Within a few weeks, farmers receive a receipt for their tax deduction.

UNITED EFFORT TO DONATE GRAIN

A gift of grain to a charity or a church is a way to get the most bang for your bucks.

“The tax savings exceed selling the grain and writing a check from the profit,” says Gary Hoff, University of Illinois Extension specialist, taxation.

If grain is donated directly to a charity, the gift portion of the grain isn’t reported as income. The costs of production are tax deductible, and both income tax and self-employment taxes are reduced.

Title to the grain must transfer to

the charity prior to sale of grain, and the charity must decide when to sell. “You have to show the charity has dominion and control,” Hoff says.

The elevator must issue a warehouse receipt in the church or charity’s name. The charity is responsible for incurred storage charges.

Farmers should consult their accountant to determine whether commodity donations are appropriate to their tax situation. (Differing rules apply to a gift of grain from a crop-share landlord.)

GRAIN GOES TO KANSAS KIDS

Near Baldwin City, Kansas, 12-year-old Caleb Powelson has created his own tax-deductible charity.

Powelson, a farm kid, launched the Bushels Of Love Foundation last year. His mother, Melissa, says she’s fielded more than 400 e-mails from farmers and elevators about donating to his nonprofit foundation.

Funds from the sale of grain are being used to help feed, clothe, and provide for Kansas children in need.

“Next year, Caleb wants to help children across the U.S. and in foreign countries,” Melissa says. ■

+ learn more

- United Way of North Central Iowa | www.unitedwaynci.org
- farmdoc.uiuc.edu
- www.bushelsoflove.com