Crop Gifting

KERN COMMUNITY FOUNDATION

Growing community. Growing philanthropy.

Turning your harvest into scholarships, support for rural health initiatives, shelter for Kern County families in need, and so much more!
Remember when you were a child, thinking that if you swallowed a penny, a money tree would grow inside your belly? Happily, sometimes the stuff of childhood fancy is not too far from practical adult reality.

If you are a local grower, you can “plant” a part of your crop as money to help your community by donating it to Kern Community Foundation. We sell the crop and deposit the net proceeds into a fund where you can advise how to invest the money in local charitable causes you feel passionate about.

It’s a win-win arrangement: You enjoy significant tax advantages, while we maximize your philanthropic dollars, turning them into powerful community impact. We offer flexibility, personalized service and unparalleled fiscal management.

**How You Benefit**

- Gifted crops are not recognized as income on your Schedule F.
- Expenses related to the production of the crop are deductible on Schedule F in the year paid.
- Federal, state, and self-employment taxes are not assessed on the value of the donated crop.
- Gifting crops, as opposed to post-sale cash donations, can be a tax-advantaged way for growers to do their philanthropic work.
- Savings remain local to support areas of community need.

**How to Make a Crop Gift**

1. **Identify an unsold crop to donate** and contact Kern Community Foundation.
2. **Transfer title of identified crop to KCF.**
3. **KCF assumes responsibility of gifted crop through final sale.**
4. **Set up a Donor Advised Fund or identify an existing fund at KCF to accept the net proceeds from the sale of your gift.**
5. **Congratulations! You’ve just grown philanthropy! Now grow the community by supporting the causes you care about.**
What is crop gifting?
Crop gifting is a way to reduce tax liabilities for philanthropically-inclined growers.
For many cash-basis growers, significant tax savings can be achieved by donating crops to Kern Community Foundation (KCF), instead of selling crops and then making a cash donation. By making a crop donation, cash-basis growers avoid having to include the sale of the crop gift in income on their Schedule F, thereby reducing taxable income, which results in savings of self-employment taxes, federal income taxes, and state income taxes.

Tax savings result from removing the income before recognition rather than from taking a charitable deduction after recognizing the income and the associated taxes. While each scenario varies and should be evaluated by a tax professional, crop gifts may result in significant tax savings when compared to cash gifts.

What about production costs?
The expenses associated with the production of the donated crops are deductible on Schedule F in the year paid.

What if arrangements have already been made to sell my crop?
The gift must be from unsold crop inventory with no prior sale commitment. After title transfer to KCF occurs, KCF assumes responsibility for processing and marketing the crop. The tax code requires that the grower relinquish full “dominion and control” over the crop.

What happens to the proceeds after KCF sells the crop?
Proceeds can be allocated to a grower’s existing Donor Advised Fund (DAF) at KCF, or used to establish a new fund, distributing over time to charitable organizations as advised by the grower.

What is a Donor Advised Fund (DAF)?
A DAF is a KCF fund used to manage your charitable donations. You direct the investment of the fund, receive quarterly statements and periodically recommend grants from your fund to the charities you specify.

Are there other options besides a Donor Advised Fund?
KCF offers a range of fund types to accommodate a donor’s interests. We can work with you on a case-by-case basis to ensure that you establish the fund most suited to your needs. Additionally, KCF can serve as a charitable intermediary and make grants directly to nonprofits as directed by the grower provided the grants are not used to satisfy existing financial obligations such as an enforceable pledge.

Are there fees specific to crop gifts?
Yes, KCF assesses a one-time fee of 0.5% per crop gift in addition to KCF’s regular fee schedule of 0.5% to 2.0%, annually, depending on the balance and end use of the fund.

How do I take advantage of this opportunity?
1. Complete the following forms:
   - Crop Donation Agreement
   - Fund Agreement/Instrument of Gift (if establishing a new fund)
2. Contact Kern Community Foundation

These FAQs are for informational purposes only. You should always consult with your tax and/or legal advisor prior to making any gifts.
## Crop Gifting Scenarios

|                      | **$10,000 Gift** | | |                      | **$100,000 Gift** | | |                      |
|----------------------|-----------------|------------------|-------------------|-----------------|------------------|-------------------|-------------------|
| **No Gift**          | $100,000        | $100,000         | $1,000,000        | $1,000,000      | $1,000,000       | $1,000,000        | $1,000,000        |
| **Cash Gift**        | ($10,000)       | ($100,000)       | ($100,000)        | ($100,000)      | ($100,000)       | ($100,000)        | ($100,000)        |
| **Crop Gift**        | ($90,000)       | ($90,000)        | ($900,000)        | ($900,000)      | ($900,000)       | ($900,000)        | ($900,000)        |
| **Cash Gift - Itemized Deduction subject to limitations** | | | | | | | |
| **Standard Deduction** | ($24,000) | ($24,000) | ($24,000) | ($24,000) | ($24,000) | ($24,000) | ($24,000) |
| **Taxable Income**   | $76,000         | $76,000          | $66,000           | $976,000        | $900,000         | $876,000          | $876,000          |
| **Federal Tax**      | $(8,739)        | $(8,739)         | $(7,539)          | $(300,499)      | $(272,379)       | $(263,499)        | $(263,499)        |
| **State Tax**        | $(2,385)        | $(2,385)         | $(1,785)          | $(92,868)       | $(84,280)        | $(81,568)         | $(81,568)         |
| **Net after tax & gift** | $64,876 | $64,876 | $56,676 | $582,633 | $543,341 | $530,933 | $530,933 |
| **Net Cost of Gift** | -               | $10,000          | $1,800            | -               | $60,708          | $48,300           | $48,300           |
| **Benefit: crop vs cash** | $8,200 | | | | $12,408 | | |
| **Benefit: crop vs cash** | 82% | | | | 12% | | |

*These illustrations are based on a married couple filing a joint tax return. No other tax preference items, itemized deductions or supplemental taxes such as self-employment tax were considered in the illustration. This material is for informational purposes only and does not constitute legal or tax advice. Please consult a tax professional to determine your personal tax advantages and if this giving strategy is appropriate for your circumstance.

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For more information, contact any one of Kern Community Foundation’s helpful staff at 661.325.5346 or info@kernfoundation.org.