

November 13, 2017

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
1102 Longworth H.O.B.
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
1139E Longworth H.O.B.
Washington, DC 20515

Dear Speaker Ryan and Minority Leader Pelosi:

The undersigned organizations represent our nation's farmers, ranchers, agricultural cooperatives and industry stakeholders. We applaud Congress for considering tax reform in hopes that it will mean real changes for hard working Americans. While H.R. 1, the *Tax Cuts and Jobs Act*, will help drive economic growth by lowering business taxes, we are very concerned that the legislation eliminates an aspect of the existing law that is critical to rural communities. Specifically, H.R. 1 would repeal the Domestic Production Activities Deduction, known generally as Section 199.

Passed as part of the "American Jobs Creation Act of 2004," the Section 199 deduction is working as designed, reinvesting millions of dollars into rural communities across the country and incentivizing domestic production and job creation. The provision recognizes the unique challenges presented within the cooperative business model by allowing cooperatives to deduct the proceeds earned from products that are manufactured, produced, grown, or extracted and pass those deductions directly back to their farmer-members.

The support Section 199 provides to rural communities is critical. In fact, farmer cooperatives pass 95 percent of the benefit—nearly \$2 billion nationally—directly back to farmers across rural America. Farmers can then deduct their share of the Section 199 benefit from their farms' tax burden.

In its current form, H.R. 1 repeals Section 199 with the assumption that cooperatives and their members would benefit from the proposed reduced corporate and individual tax rates. However, the math does not add up for the farm sector. Farmer-owned cooperatives are not taxed like traditional corporations, so they cannot benefit from lower corporate rates like most other industries. Even more troubling is that for many farmers, changes to the individual tax code would not be enough to offset the loss of the Section 199 agriculture deductions. A proposal adopted during the House Ways and Means Committee mark-up would create a rate cut for the first \$75,000 of business income for certain taxpayers. While intended to compensate for the repeal of Section 199, initial assessments find that this proposal in no way compensates for the loss of the value and flexibility afforded by the Section 199 deduction, and adds needless complexity to the tax code.

Ending the Section 199 deduction for agriculture would result in many individual farmers paying more in taxes, as most do not pay under the corporate code and the current proposal will not

overcome the loss of the deduction. In many cases farmers will see a double-digit increase in their tax bill under the proposed plan.

Across virtually every commodity, we are facing the fourth consecutive year of stagnant prices. Our farmers, ranchers, cooperatives and agribusinesses are crunching the numbers, trying to figure out how to pay the bills and keep afloat another year. They should not also have to worry about a higher tax burden.

Section 199 should be preserved in order to protect the good-paying jobs and the economic return generated by the presence of farmer-owned cooperatives in rural communities. We encourage you to preserve Section 199 for agriculture as part of any tax reform efforts.

As a matter of basic fairness, we need you to consider tax reform that will lower rates on businesses broadly but does not raise taxes on farmers. Let's come up with a solution that makes sense for everyone.

Sincerely,

Ag Plus, Inc.
Ag Processing Inc
Ag Valley Cooperative
Agfinity
AgFirst Farm Credit Bank
AGFIRST FARMERS COOP
AgriBank, FCB
Agricultural Council of California
Agricultural Retailers Association
Agri-Mark, Inc.
Alliance Ag and Grain
Allied Energy, Grain, and Agronomy
Amcot
American Crystal Sugar Company
American Farm Bureau Federation
American Soybean Association
American Sugar Cane League
American Sugarbeet Growers Association
Apricot Producers of California
Archer Cooperative Grain Company
Arkansas Rice Federation
Associated Milk Producers Inc.
Aurora Cooperative
Blue Diamond Growers
Bongards Creameries
Calcot, Ltd.
California Canning Peach Association
Carolinas Cotton Growers Cooperative, Inc.

Cedar County Cooperative
Centra Sota Cooperative
Central Farm Service
Central Plains Ag Services
Central Prairie Co-op
Central Valley Ag Cooperative
Ceres Solutions Cooperative
CHS Inc.
Clarinda Coop Co.
Co-Alliance LLP
CoBank
Cooperative Credit Company
Cooperative Grain and Supply
Cooperative Network
CropLife America
Dairy Farmers of America
Democracy at Work Institute
Dunkerton Cooperative Elevator
Edge Dairy Farmer Cooperative
Effingham Equity
Equity Cooperative Livestock Sales Association
Farm Credit Bank of Texas
Farm Credit Council
Farm Service Cooperative
Farmer Cooperative
Farmers Coop Society
Farmers Coop/Vision Ag
Farmers Cooperative Elevator of Ottosen
Farmers Ranchers Cooperative Association
Farmers Union Co-op
Farmers' Rice Cooperative
FarmFirst Dairy Cooperative
Fessenden Co-op Association
First Cooperative Association Cherokee
First District Association
Foremost Farms USA
Frenchman Valley Cooperative
Frontier Co-op
Fruit Growers Supply
Gold Eagle Cooperative
GROWMARK
Growth Energy
Harvest Land Co-op, Inc.
Heartland Coop
Hull Cooperative
Idaho Dairymen's Association

Illinois Farm Bureau
Illinois Milk Producers Association
Iowa Institute for Cooperatives
K & H Cooperative Oil Company
Kansas Cooperative Council
Kansas Farmers Service Association
Land O'Lakes, Inc.
Landus Cooperative
Laughery Valley Ag LLC
Louisiana Association of Cooperatives
Maryland & Virginia Milk Producers Cooperative Association, Inc.
MaxYield Cooperative
MBG Marketing – The Blueberry People
Meadowland Farmers Co-op
Mercer Landmark
MFA Oil Company
Michigan Milk Producers Association
Michigan Sugar Company
Mid Kansas Cooperative Association
Midwest Dairy Coalition
Midwest Farmers Cooperative
Milk Producers Council
Minn-Dak Farmers Cooperative
Minnesota Milk Producers Association
Mountain View Co-op
National All Jersey Inc
National Association of Housing Cooperatives
National Association of Wheat Growers
National Cooperative Bank
National Cooperative Business Association CLUSA International
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Farmers Union
National Grange
National Grape Cooperative Association, Inc.
National Milk Producers Federation
National Pork Producers Council
National Potato Council
National Sorghum Producers
Nebraska Cooperative Council
NEW Cooperative Inc.
North Central Cooperative Clarion
North Central Farmers Elevator
North Iowa Cooperative
Northeast Dairy Farmers Cooperatives

Northwest Dairy Association/Darigold, Inc.
Ocean Spray Cranberries, Inc.
Ohio Dairy Producers Association
Oklahoma Agricultural Cooperative Council, Inc.
Oregon Dairy Farmers Association
Ottawa Cooperative Association
Pacific Coast Producers
Panhandle Peanut Growers Association
Plains Cotton Cooperative Association
Premier Companies
Premier Cooperative
Pro Cooperative
Producers Cooperative Association
Producers Rice Mill, Inc.
Red River Valley Sugarbeet Growers Association
Renewable Fuels Association
Reynolds Untitled Cooperative
Riceland Foods, Inc.
Rio Grande Valley Sugar Growers
River Valley Cooperative
SilverEdge Cooperative
Snake River Sugar Company
South Central Coop
South Dakota Association of Cooperatives
South Dakota Wheat Growers
South East Dairy Farmers Association
Southeast Milk, Inc.
Southern Minnesota Beet Sugar Cooperative
Southern States Cooperative, Inc.
Southwest Council of Agribusiness
St. Albans Cooperative Creamery
Staplcotn
StateLine Cooperative
Sugar Cane Growers Cooperative of Florida
Sunkist Growers, Inc.
Sun-Maid Growers of California
Sunsweet Growers, Inc.
Tama-Benton Cooperative
Texas Agricultural Cooperative Council
Two Rivers Cooperative
U.S. Apple Association
U.S. Federation of Worker Cooperatives
U.S. Tobacco Cooperative Inc.
United Egg Producers
United Potato Growers of America
United Producers, Inc.

Upstate Niagara Cooperative, Inc.
US Beet Sugar Association
USA Rice Federation
Viafield Cooperative
Washington Farm Bureau
Washington State Council of Farmer Cooperatives
Washington State Dairy Federation
Welch Foods Inc., A Cooperative
West Central Ag Services
WESTCO
Western Growers
Western Peanut Growers Association
Western United Dairymen
White River Cooperative, Inc

cc: Members, U.S. House of Representatives