

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 20151

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  
California Dairies, Inc.  
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, Inc.  
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