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May 28, 2020

The Honorable Steven Mnuchin
Secretary of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Russell T. Vought
Acting Director
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Paul Ray
Administrator
Office of Information and Regulatory Affairs
725 17th Street NW
Washington, DC 20503

cc: Members of the Senate Finance Committee
Members of the House Ways and Means Committee

Dear Secretary Mnuchin, Director Vought and Administrator Ray:

As leaders of our nation's farmer-owned cooperatives, we would once again like to bring to your attention an issue of concern regarding the proposed regulations implementing the section 199A(g) deduction.

Farmer cooperatives handle almost every type of agricultural commodity produced in the United States, market these commodities domestically and abroad, and furnish production supplies and credit to individual and farmer cooperative members. Our cooperatives, in turn, represent nearly 2,000 farmer cooperatives across the United States, whose members include a majority of our nation's more than two million farmers, ranchers and growers. Farmer cooperatives and their farmer-owners have utilized the section 199 deduction since its inception in 2004.

In enacting new code section 199A(g), Congress made clear its intent that it should operate in the same manner as former section 199. However, the proposed regulations would limit the new deduction to patronage income, eliminating cooperatives' ability to calculate the deduction on nonpatronage income. Cooperatives conduct business with nonmembers and incur nonpatronage income for a number of reasons. Whether selling fuel in rural communities; sourcing product to ensure that processing facilities run at capacity; or dealing with a local farmer who chooses not to join the cooperative, nonpatronage business supports the financial well-being of the cooperative and its farmer-members. Limiting the deduction in this way will cause cooperatives and their farmer-owners to incur a tax increase.

The COVID-19 crisis has strained the agriculture value chain to near the breaking point. As a result farmers and ranchers across the country have suffered tremendous economic losses; these impacts reach across commodity and threaten to undermine the economic sustainability of hundreds of thousands of producers. While the U.S. Department of Agriculture is developing programs to help offset a part of these losses, it would seem counter to the public interest for taxes to be raised on farmers.

In this light, we are especially concerned that there has been no economic analysis of the impact on these proposed regulations on individual farmers and ranchers. We ask that the current regulation be withdrawn, an economic analysis of the proposal's impact on farmers be conducted, and the proposed rule be rewritten in accordance with congressional intent to ensure that the tax burden on America's hardworking farmers and ranchers and their rural communities will not increase.

Tim Amerson
President and CEO
AgFirst Farm Credit Bank

Kevin Brinkley
President and CEO
Plains Cotton Cooperative Assn.

Jay Bryant
Chief Executive Officer
MD/VA Milk Producers Cooperative

Mike Bumgarner
President and CEO
United Producers, Inc.

Matt Carstens
Chief Executive Officer
Landus Cooperative

Jay Debertin
President and CEO
CHS Inc.

Joe Diglio
Chief Executive Officer
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Beth Ford
President and CEO
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Thomas Halverson
President and CEO
CoBank

Rich Hudgins
President and CEO
California Canning Peach Assn.

Jon Ihler
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Bart Krisle
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Tennessee Farmers Cooperative

Dane Lance
President and CEO
Sunsweet Growers, Inc.

John McCreedy
President and CEO
Snake River Sugar Company

Rivers Myres
President and CEO
Alabama Farmers Cooperative, Inc.

Harry Overly
President and CEO
Sun-Maid Growers of California

Brent Roggie
General Manager and COO
National Grape Cooperative Assn.

Emily Rooney
President
Agricultural Council of California

Rick Smith
President and CEO
Dairy Farmers of America

Keith Spackler
CEO and General Manager
Ag Processing Inc

Jim Spradlin
Chief Executive Officer
GROWMARK, Inc.

Jeff Stroberg
President and CEO
Southern States Cooperative, Inc.

Jeffrey Swanhorst
Chief Executive Officer
AgriBank, FCB

Ed Townley
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Jeff Troike
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