



Submitted electronically to: RepublicanTaxTeams@mail.house.gov.

October 15, 2024

The Honorable Jason Smith
Chairman
Committee on Ways & Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith:

On behalf of the Landus Cooperative, I write in strong support of making Section 199A permanent. Landus is a nearly \$3 Billion farmer-owned cooperative touching 34 states and 16 countries, serving over 5,500 farmer-owners and their families, including those in the most rural areas of the Midwest. Our mission is to lead the way in innovation and sustainability, ensuring that our farmers have access to the best resources and technologies available.

Farmer cooperatives across the country are integral to the farming operations of their members—operations that are millions of small businesses across rural America. For years, our co-op has been a proven tool to help individual family farmers and ranchers through the ups and downs of weather, commodity markets, and technological change. We strive to give our farmer-owners a fair chance to compete.

The benefits of farmer co-ops go well beyond the farm gate, directly supporting rural America. The profits of the co-op are returned to the farmer members, in the form of a patronage dividend, in proportion to the amount that each farmer has transacted with the cooperative. For Landus farmers that has equated to more than \$10 million in just the last five years.

Patronage income is taxed once. The income is either retained and taxed at the cooperative at regular corporate rates or is distributed to the patrons and taxed at their individual rates. In this way, the farmer and their cooperative should be viewed as an economic unit.

This structure makes co-ops unique in how we have also benefited from the Section 199A deduction (specifically subsection (g)) provided through the Tax Cuts and Jobs Act. Section 199A was passed to put co-ops and small businesses on an even footing with big corporations, which saw a significant decrease in their tax rate in 2017.

Section 199A has been a success and was critical in seeing farmer co-ops and their members thrive through a pandemic, unrest around the globe, and the highest inflation in a generation. The co-op may choose to keep all or part of the deduction at the co-op level to offset tax liabilities or it may be passed through to their members. This flexibility by design has benefited our co-op and many others across the country.

Arguably the 199A provision is one of the most important tax policies for our cooperative farmer members. Since 2010 our farmers have received more than \$109 million of DPAD pass through credit, with nearly \$49 million of that in just the past five fiscal years.

Our farmers face risks very few industries encounter. Investing in America's farming families and communities is a smart economic policy. Extending these tax provisions will remove an important piece of uncertainty as producers start planning future investments.

Should the Section 199A deduction expire, rural America would see billions of dollars flowing out of struggling communities across the country, money that would otherwise be spent generating local economic activity and jobs.

Congress should stand up for agriculture and extend this important tax provision. I look forward to working with the committee and stand ready to serve as a resource as the debate gets underway.

Sincerely,

Elizabeth Burns-Thompson
VP, External Affairs