Plains Cotton Cooperative Association

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

October 2, 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 15,000 members of Plains Cotton Cooperative Association (PCCA), I write in strong support of making Section 199A permanent.

PCCA significantly benefits cotton farmers by providing comprehensive marketing, warehousing, and technology services. By collectively marketing their cotton through PCCA, farmers can secure better prices and gain access to global markets that might be unattainable individually. Additionally, PCCA offers tools and support that streamline operations, allowing farmers to focus more on cultivation while improving overall efficiency and profitability.

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 more than 71 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. Millions of dollars in PCCA margins are returned to the farmer members as a patronage dividend proportionate to the number of bales marketed through the cooperative.

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 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, global unrest, and the highest inflation in a generation. The co-op may keep all or part of the deduction at the co-op level to offset tax liabilities or pass it through to their members. This flexibility by design has benefitted our co-op and many others across the country.

Our farmers face risks very few industries encounter. In the past two seasons, PCCA has passed through over $10 million in Section 199 benefits to its members. Investing in America's farming families and communities is a smart economic policy. Extending these tax provisions will provide greater certainty as producers plan future investments.

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

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

Sincerely,

C. Kevin Brinkley

Kevin Brinkley
President & CEO