Farmer Co-ops Urge Withdrawal of Section 199A Proposal to Increase Taxes on Farmers

Farmer cooperatives today called on the Treasury Department and the OMB to withdraw proposed tax rules that would raise taxes on farmers.

WASHINGTON, DC, USA, May 28, 2020 /EINPresswire.com/ -- The Executive Council of the National Council of Farmer Cooperatives (NCFC) today called on the Treasury Department and the Office of Management and Budget (OMB) to withdraw proposed tax rules that would raise taxes on farmers and ranchers across the country.

The proposal would implement Section 199A(g) of the new tax code; these provisions were passed by Congress to fix the so-called "grain glitch" in 2018 and the Treasury Department recently sent them to OMB's Office of Information and Regulatory Affairs (OIRA). The request came in a letter sent today to Treasury Secretary Mnuchin and Acting OMB Director Russell Vought.

"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," the letter states. "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."

The current proposal would limit the deduction to patronage income (business done by the co-op with members), even though under the old law co-ops claimed a deduction for domestic agricultural income from both patronage and nonpatronage (business done with non-members) activities. To limit this now, despite Congress's clear direction not to when passing the law, would be a significant tax increase on the millions of farmer-owners of co-ops.

"[W]e are especially concerned that there has been no economic analysis of the impact on these proposed regulations on individual farmers and ranchers," the letter concludes. "We ask that the current regulation be withdrawn, an economic analysis of the proposal's impact on farmers be conducted, and the proposed rule be rewritten in accordance with congressional intent to ensure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."

In a statement after the letter was sent, NCFC President and CEO Chuck Conner noted, “the move is especially puzzling given that, at a House Ways and Means hearing in early March, Treasury Secretary Steve Mnuchin, asked about the 199A(g) rule, committed to work with Congress and stakeholders to determine what Congress had intended in passing the provision. Soon after that hearing, Treasury became consumed by the COVID-19 crisis and to our knowledge no such consultations took place.”

The letter can be found on the NCFC web site.

About NCFC

Since 1929, NCFC has been the voice of America's farmer cooperatives. Our members are regional and national farmer cooperatives, which are in turn composed of nearly 2,000 local farmer cooperatives across the country. NCFC members also include 26 state and regional councils of cooperatives. Farmer cooperatives allow individual farmers the ability to own and lead organizations that are essential for continued competitiveness in both the domestic and international markets.

America’s farmer-owned cooperatives provide a comprehensive array of services for their members. These diverse organizations handle, process and market virtually every type of agricultural commodity. They also provide farmers with access to infrastructure necessary to manufacture, distribute and sell a variety of farm inputs. Additionally, they provide credit and related financial services, including export financing.

-End-

Justin Darisse
National Council of Farmer Cooperatives
+1 202-879-0816
email us here
Visit us on social media:
Facebook
Twitter
