

NCFC Washington Update

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Agenda

- NCFC: Who we are
- Expiring Tax Provisions
- Section 199A(g)
- IRS Update



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2017 Tax Cuts and Jobs Act: Expiring Tax Provisions

➤ Increased Standard Deduction

- Under the TCJA, basic standard deduction amounts were nearly doubled to \$12,000 for single filers, \$18,000 for head of household filers, and \$24,000 for married joint filers. Without action, deductions will be nearly cut in half.

➤ Alternative Minimum Tax Reforms

- The AMT exemption and exemption phaseout will revert to pre-TCJA levels – a loss of about 35% of the exemption.



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2017 Tax Cuts and Jobs Act: Expiring Tax Provisions

- Increased Estate Tax Exclusion
 - \$13,610,000 exclusion per decedent will be cut in half.
- Some Good News
 - The SALT deduction would revert to pre-TCJA. Taxpayers will be able to deduct all eligible state and local income and property taxes.
 - Not Expiring: the 21% corporate tax rate. (Down from 35% pre-TCJA.)



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SECTION 199A(g)

- Section 199A puts co-ops and small businesses on an even footing with C corps, which received a significant tax rate reduction in 2017.
- Section 199A(g) provides a replacement for prior-law Section 199 for cooperatives and their members.
- Provides a tax deduction generally equal to 20% of net income for all forms of businesses except C corporations.
- The 199A deduction applies to sole proprietorships, partnerships, S corporations, LLCs.



SECTION 199A(g)

- The calculation is the same as prior-law Section 199 – it is 9% of the co-op's qualified production activities income (QPAI).
- Deduction is limited to 50% of the co-op's wages for the year; may not exceed the co-op's taxable income for the year.
- Co-op can pass the deduction on to members or use it at the co-op.



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Benefits of 199A(g)

- Recent South Dakota State University study examined nineteen ag cooperatives located in North Dakota, South Dakota, and Minnesota.
- Cooperatives engaged in grain wholesale trade, retail agronomy, and dairy & milk processing.
- Comprehensive evaluation of economic impact and financial outcomes if 199A(g) expires.



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Benefits of 199A(g)

- Study examined financial information; how much of 199A(g) was utilized and passed on to members; and economic activity of the cooperative from 2021 to 2023.
- 2022 estimated economic impact of \$1.26 billion in the three-state region.
- The study: “Evaluating the Economic Consequences of Possible Section 199A(g) Expiration of Agricultural Cooperatives in the Upper Midwest.” Matthew Elliott and Frayne Olson, authors.



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NCFC Washington Fly-In

- Mid-March 2025.
- More than fifty farmer cooperative leaders participated.
- Nearly one hundred meetings with key members of Congress and their staff.
- Participants stressed the importance of Section 199A to cooperatives, farmers, and rural communities.
- NCFC submitted a letter to Congressional leaders, urging them to preserve Section 199A. The letter was signed by more than 250 farm groups, agribusinesses, and cooperatives.



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Section 45Z

- Consolidates and replaces previous biofuel credits and was part of the Inflation Reduction Act.
- Republican lawmakers in biofuel and commodity states want to preserve the 45Z tax credit for clean fuel producers.
- Trump and others called for repeal, but some Iowa lawmakers have made clear that cutting 45Z would be a red line for the delegation.
- 45Z could be reformed to satisfy biofuels proponents. Lawmakers have introduced legislation extending the credit's three-year period to 10-years.



Tax Bill Process & Prognosis

- Extending TCJA is a top priority for lawmakers (and NCFC!).
- Senate GOP amended the budget resolution to use a current policy baseline, which assumes there is no revenue loss from extending the 2017 tax cuts.
- Federal deficits would continue to increase – a concern for hardline conservatives in the House who say they don't want to increase the deficit.
- The budget resolution allows an added \$1.5 trillion in reduced tax revenue over 10 years – but there's a lot on Trump's wish list to fit within that \$1.5 trillion.



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Tax Bill Process & Prognosis

Trump's wish list:

- Exempting Social Security income – \$1.5 trillion pricetag.
- Exempting taxes on tips – limited to sectors such as food service, entertainment, taxis and courier services – would cost \$21 billion.
- No tax on overtime pay (capped at \$25,000 per person) would cost the government \$187 billion.

It will be a tough slog to complete the bill by the end of the summer!



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IRS Funding Woes

- Inflation Reduction Act provided \$80 billion in funding to improve IRS functions.
- Congress rescinded \$41.8 billion of the IRA's funding for the IRS via the 2024 and 2025 appropriations processes.
- The rest remains at risk in the current budget reconciliation process.
- Administration has fired over 7,000 IRS employees and is planning to cut 11,000 more by May 15, reportedly with the end goal of cutting the agency workforce by up to half.



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Thank you!
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