

May 31, 2017

The Honorable Kevin Brady, Chairman
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal, Ranking Member
House Committee on Ways & Means
1139E Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

On behalf of our nation's family farmers and ranchers, the undersigned agricultural producer groups urge your support for maintaining the Section 199 deduction for domestic production activities income as part of any tax reform plan.

The Section 199 deduction was enacted as part of the American Jobs Creation Act of 2004 as a domestic production and jobs creation measure. The deduction applies to proceeds from agricultural or horticultural products that are manufactured, produced, grown, or extracted in the United States, including dairy, grains, fruits, nuts, soybeans, sugar beets, oil and gas refining, and livestock. Farmer-owned cooperatives are able to apply their wages to the calculation of the deduction, and then choose to pass it through to their farmer members or keep it at the cooperative level, making it extremely beneficial to both.

The Section 199 deduction is limited to the lesser of 9 percent of adjusted gross income or domestic production activities income or 50 percent of wages paid to produce such income. Reducing or eliminating the domestic activities deduction would result in a significant increase in taxable income for all farms that currently employ non-family labor. On the other hand, the benefit of the deduction would increase if agricultural producers were able to count non-cash wages paid, such as crop share payments of commodities.

The Section 199 deduction serves as both a domestic production and jobs creation incentive and has provided needed relief for producers in times when prices are depressed. Section 199 benefits are returned to the economy through job creation, increased spending on agricultural production, and increased spending in rural communities.

Thank you for your continued efforts in support of our nation's agricultural producers. We look forward to working with you on this important issue.

Respectfully,

Agricultural Retailers Association
American Farm Bureau Federation

American Mushroom Institute
American Sheep Industry Association
American Soybean Association
American Sugarbeet Growers Association
Cobank
National Barley Growers Association
National Cattlemen's Beef Association
National Corn Growers Association
National Cotton Council
National Council of Farmer Cooperatives
National Milk Producers Federation
National Peach Council
National Pork Producers Council
National Potato Council
National Renderers Association
National Sorghum Producers
Panhandle Peanut Growers Association
Southwest Council of Agribusiness
United Egg Producers
U.S. Canola Association
U.S. Rice Producers Association
U.S. Sweet Potato Council
USA Rice Federation
Western Growers Association
Western Peanut Growers Association