

Section 199A Coop “Grain Glitch” Fix Passed

By Scott Kaup

The Omnibus spending bill passed by Congress on March 23rd included a fix of the original 199A deduction which provided an advantage for farmers to sell their products to a cooperative rather than independent operators in the same industry. This was referred to as the “grain glitch,” and would have passed through a larger Section 199A deduction for selling to a coop than the farmer could take themselves if selling to independent operators. It is expected that the provision of the bill will be retroactive to January 1st of this year removing the advantage that many farmers may have believed they would get by selling to a cooperative.

U.S. Secretary of Agriculture, Sonny Perdue, issued the following statement regarding the fix of Section 199A of the federal tax code found in the omnibus spending bill:

“Fixing Section 199A was a fundamental issue of fairness. We should not be picking winners and losers through the federal tax code by favoring one side over another. During my travels across the country, I met with countless farmers and members of the agriculture community who were affected by this so-called ‘grain glitch.’” I applaud Congress for hearing their voice.

At a recent meeting where I was discussing the new tax law impact on farmers, I mentioned that the fix was expected to be passed. One of the farmers asked if a fix was retroactive, who would be liable for the lower price they received for selling their grain to a coop since they felt they would receive a larger tax benefit. I told him that you could hold Congress liable but that, sadly, I believe that Congress is immune from any liability for their actions. It was a good reminder to always get professional tax advice. We had advised our clients who asked us not to rely on this “grain glitch” benefit as we felt it was very likely it would be fixed.

As always, make sure you seek professional advice for any tax related questions especially since the new tax law has totally changed the old “rules of thumb.” Also, make sure you find out how the new tax law will affect your individual situation and if you should be making any changes before we get too far into 2018. If we can be of any assistance, please give us a call.

Thanks,

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