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November 28, 2017

The Honorable Mitch McConnell
Senate Majority Leader
U.S. Senate
317 Russell Office Building
Washington, D.C. 20510

The Honorable Chuck Schumer
Senate Minority Leader
U.S. Senate
322 Hart Office Building
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Schumer:

On behalf of the National Association of Wheat Growers (NAWG), I write to applaud the Senate Finance Committee action to move the tax reform process forward. As the full Senate considers the bill, I would like to raise a few specific provisions of concern in the legislation that we urge Congress to address prior to final action. The information below will share those concerns in hopes that final legislation can be ultimately improved to reduce the tax burden of wheat farmers.

We have concerns about the rate at which businesses would be taxed. Farming operations are structured in a variety of ways: C-Corps, S-Corps, partnerships, sole proprietorships, or a combination of entities. Each of these structures has different concerns. Many of our C-Corp structured farms presently pay 15 percent and the proposed 20 percent flat rate is a 33 percent increase for those operations reporting less than \$50,000 taxable income per year. Our farmers also have concern about the uncertainty and complexity of how pass-through entities will be treated. There is a wide discrepancy on how much pass-throughs will pay. Beyond rates, our farmers have expressed reservations about some important provisions such as bonus depreciation expiring in 2022. We strongly support the provision to allow for the immediate write-off of 100 percent of the cost of qualified property; however, here again our growers urge you to provide long-term certainty. The same holds true of the estate tax exemption- we applaud the Senate Finance Committee bill inclusion of a provision to double the exemption levels but have concerns if this is not made permanent beyond 2025. Making these provisions certain would help to create a predictable tax code that is fairer and simpler. Again, these concerns are raised based on our best understanding of the proposal.

We are also concerned with the elimination of the Section 199 deduction for agriculture. The elimination will likely result in many of our member's enterprises reporting 9 percent more taxable income. The impact to farmers who are members of cooperatives will be significant as well. Co-ops pass 95 percent of the section 199 benefit back to farmers across rural America, an amount of nearly \$2 billion annually. Additionally, we support farm businesses, regardless of structure to continue to be able to deduct state and local taxes.

NAWG was pleased with provisions allowing for the continued use of cash accounting and the continued use of stepped-up basis. Additionally, our growers support the provisions allowing for immediate expensing of business expenses as well as the continuation of Section 1031 Like Kind Exchanges. These elements of the tax bill are important to helping farmers reduce their tax burden and we encourage improvements to areas of concern outlined above.

Thank you for your consideration of our thoughts on several key issues. Please let me know if we can provide any additional insights about the impact certain provisions in tax reform would have on wheat growers.

Sincerely,

Gordon Stoner
President, NAWG

cc: U.S. Senate