



Iowa Institute for
Cooperatives

CO-OPVIEWS

News and information for the benefit of Iowa cooperatives.

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The 199A(g) Saga Continues

Disappointing Final Rule, Work Continues



*By: Stacey Webster,
Director of Cooperative
Development*

After a little over 18 months of back and forth, the final regulations for 199A(g) for coops were published, impacting a valuable deduction for grain cooperatives.

Regulations were published in the Federal Register on January 19, 2021, which meant they avoided being able to be suspended by the new administration inaugurated on January 20th. Had the regulations missed the January 19th deadline for final publication, the language could have gone into a review period.

The outcome was not what many in the industry had worked for as the regulations exclude non-patronage sourced activity from the 199A(g) deduction. These regulations were meant to provide guidance on the interpretation of the new statute which was created as part of the 2017 Tax Cuts and Jobs Act (TCJA). This new statute was meant to mirror the old Domestic Production Activities Deduction (DPAD). The calculation now requires an income allocation between patronage and non-patronage sources whereas under the previous rules, the 199-calculation considered both income sources to arrive at the deduction. An example would be if your co-op's business comes 2/3 from patronage sources and 1/3 from non-patronage sources, that \$900,000 in 199A(g) deduction available this year now becomes \$600,000.

There are a few exceptions to these regulations such as a de minimis rule for those co-ops who have less than 10% of their gross receipts attributable to non-patronage activities. Also, cooperatives with low W-2 wages might consider opting out of 199A(g) in order to refrain from reducing their patrons 199(a) deduction. We would recommend that

A BRIEF HISTORY OF 199

- Created in 2004 by the American Jobs Creation Act
- Remained relatively unchanged until 2017 when the Tax Cuts and Jobs Act (TCJA) was created
- The TCJA resulted in the grain glitch which temporarily gave co-ops a competitive advantage to private grain which was corrected in March of 2018
- Proposed regulations came out in June of 2019.
- Final regulations published January 19, 2021
- **199A(g) will sunset in 2025**

our members engage their tax preparers in discussions on the new regulations. The regulation will not impact most of our members until next fiscal year as it only applies to fiscal years beginning after January 19, 2021.

NCFC is still working on efforts to convince the new administration to reconsider and change these rules. IIC is staying engaged on weekly stakeholder calls.

POTENTIAL CHANGES FOR THE REGULATION

- 1. Treasury Action:** Because the final rule has been published, the regulations as they stand must be withdrawn before the Department of the Treasury can intervene.
- 2. Legislation:** Congress can fix the 199A(g) issue in two ways:
 - o **Congressional Review Act:** Up or down vote in both bodies on the regulation; or
 - o **Substantive legislation:** Amend sec. 199A(g) to achieve the desired regulatory changes.

Contact IIC today to discuss activities that will keep the 199A(g) situation top-of-mind for Washington rule-makers.

Meanwhile, at the Statehouse...

By: Katie Hall, Director of Government Affairs

The volume of legislation introduced and the topics covered have exceeded what most expected for the 2021 session of the Iowa legislature.

CENTRAL FILING (SF 486)

One of the most controversial bills connected to agriculture would move Iowa to Central Filing from Direct Notice. IIC opposes this bill, introduced and supported by the Iowa Bankers Association and Wells Fargo.

The bill encumbers all farm products and would require local sale barns, meat lockers, grain buyers, grocers, etc., to check a newly created system for each farmer payment. Central filing would be a cumbersome system for buyers and farmers, resulting in more checks with two or more names and slowing down farmers' cash flow.

Bank lobbyists say this is a simple matter of moving Iowa from a paper system to an electronic one but have rebuffed proposed solutions specifically allowing for electronic communication through Iowa's existing system of Direct Notice.

This bill will be a live round through this year and next. Thank you to members who reached out to legislators to connect with them and discuss issues this bill creates for our agricultural communities. Your outreach has made all the difference. Please, be sure to follow up and thank legislators that have supported us.

RENEWABLE FUEL BILL (SF 549)

Governor Kim Reynolds introduced the Renewable Fuel Bill, which we are currently monitoring.

This legislation is being worked on between the House and Senate to find common ground that would be supported by the majority of each Republican caucus. We expect this bill to be amended substantially, with the compromise and support of both chambers. We encourage our members to weigh in with their local legislators and communicate their thoughts on this legislation directly.

VEGETATION MANAGEMENT BILL (HSB 133)

A Vegetation Management Bill would allow Rural Electrical Cooperatives to trim and cut trees near power lines to provide reliable service. IIC supports this bill.

BROADBAND BILL (HF 796/SF 390)

As legislators continue to focus on empowering rural Iowa, the Governor's Broadband Bill is front and center. Supported by IIC, it seeks a tiered approach to granting funds for upgrading the state's rural broadband infrastructure based on current broadband access

Many thanks to our members who have connected with legislators on these bills throughout the session, attended meetings and gone above and beyond to make phone calls, send e-mails/texts and communicate with elected officials. Your help is invaluable when it comes to keeping Iowa's cooperatives top of mind for our Senators and Representatives.

and/or capabilities.

The House bill, as amended, raises minimum speeds for build-out to 100 mbps download by 100 mbps upload (or 100/100), except in Tier 1 locations where the build out minimum is 100/20. This bill increases the state grant match to 75% for Tier 1, 50% for Tier 2 and 35% for Tier 3 and places a priority on Tier 1 locations that have current connectivity of less than 25/3. Two more amendments were added to the House version on March 18th and we are currently reviewing those.

PRIZE-LINKED SAVINGS (HF 359)

IIC supports our credit union members in the pursuit of Prize-Linked Savings. Although it looks like this bill is unlikely to pass both chambers this year, it would have allowed lenders to incentivize savings by awarding small prizes to savers.

PROHIBITING FUTURE SALES OF BANKS TO CREDIT UNIONS (SF 530)

The bank lobbyists continue working to eliminate and control competition by introducing a bill Prohibiting Future Sales of Banks to Credit Unions. IIC opposes this limitation on the existing free-market system that currently allows banks to choose a buyer.

FLUID MILK BILL (HF 790/SF 550)

IIC is also working to pass the Fluid Milk Bill, creating an overweight permit for fluid milk haulers for interstates. As a federally defined "indivisible load" these trucks are currently eligible to haul on Iowa's interstates but the existing overweight permitting system is \$35/day and designed for hauling loads like windmill blades.

Please feel free to reach out with specific questions on any legislation by e-mailing khall@iowainstitute.coop.

Driving Excellence through Passion

Pro Cooperative Welcomes New CEO Terry Panbecker

October 5, 2020 will go down in history at Pro Cooperative. It was the:

- Largest grain receipt day of the entire fall (and one of the largest for the company, ever),
- First day of operation at the new Pocahontas Grain location,
- Prime time of the corn harvest season, and
- Terry Panbecker's first day as Pro Cooperative's new Chief Executive Officer.

"I jokingly say I spent the first two weeks eating hotdogs and hamburgers to meet our customers and employees!" explained Terry, due to scheduled Customer Appreciation events across October. "It was a great way to meet the people and employees. I think we've got a really good team."

Terry was no stranger to Pro before accepting this role last fall. His family farm is located between Rolfe and Pocahontas, and only four miles from the Pro Cooperative office. After working at NEW Cooperative in Fort Dodge for 14 years, the decision to change was a tough one to make. However, the career advance and opportunity to work closer to home, his wife, three children, and one grandchild just made sense.

"With neighbors and friends in the community working at Pro, I had a pretty good idea of the challenges they were faced with and the successes that were happening," says Terry. "I grew up in the area and want to see Pro Co-op succeed. That's where my passion lies."

Terry's late father-in-law, Kenny, worked at Pro Cooperative for 40+ years, and had actually applied for this same CEO position in the past. When Terry was able to accept the job, his mother-in-law and wife were more than excited. It's truly a family point-of-pride to work at Pro.

Since graduating Iowa State University with a degree in Ag Systems and Technology, Terry has held great experiential positions at companies such as Cenex/Land O'Lakes, Ag Chem Equipment Company, AGCO Equipment Company, John Deere, and NEW Cooperative. The culmination of lessons he's learned over the years have given him an in-depth perspective on the cooperative system, technologies, and business.

Terry has found himself very busy during his first few months as CEO. "I came into high grain receipts, elevated grain prices, and large cash demands; all the things that make a job like mine pretty challenging! Everything happening all at once was eye-opening, but we got through it. I have more appreciation for what people do in this role - there are a lot of moving parts!"

Although a busy start, Terry feels that he is really getting a grasp on the job. "I'm here to learn, help provide guidance, and make sure we do the right things. I'm over-the-top passionate about this business. I almost have to tone it down!"

He continues, "Getting our workforce to another level is about providing a good example and good engagement. You have to continue coaching and educating people, and those are the things I'm really excited about."

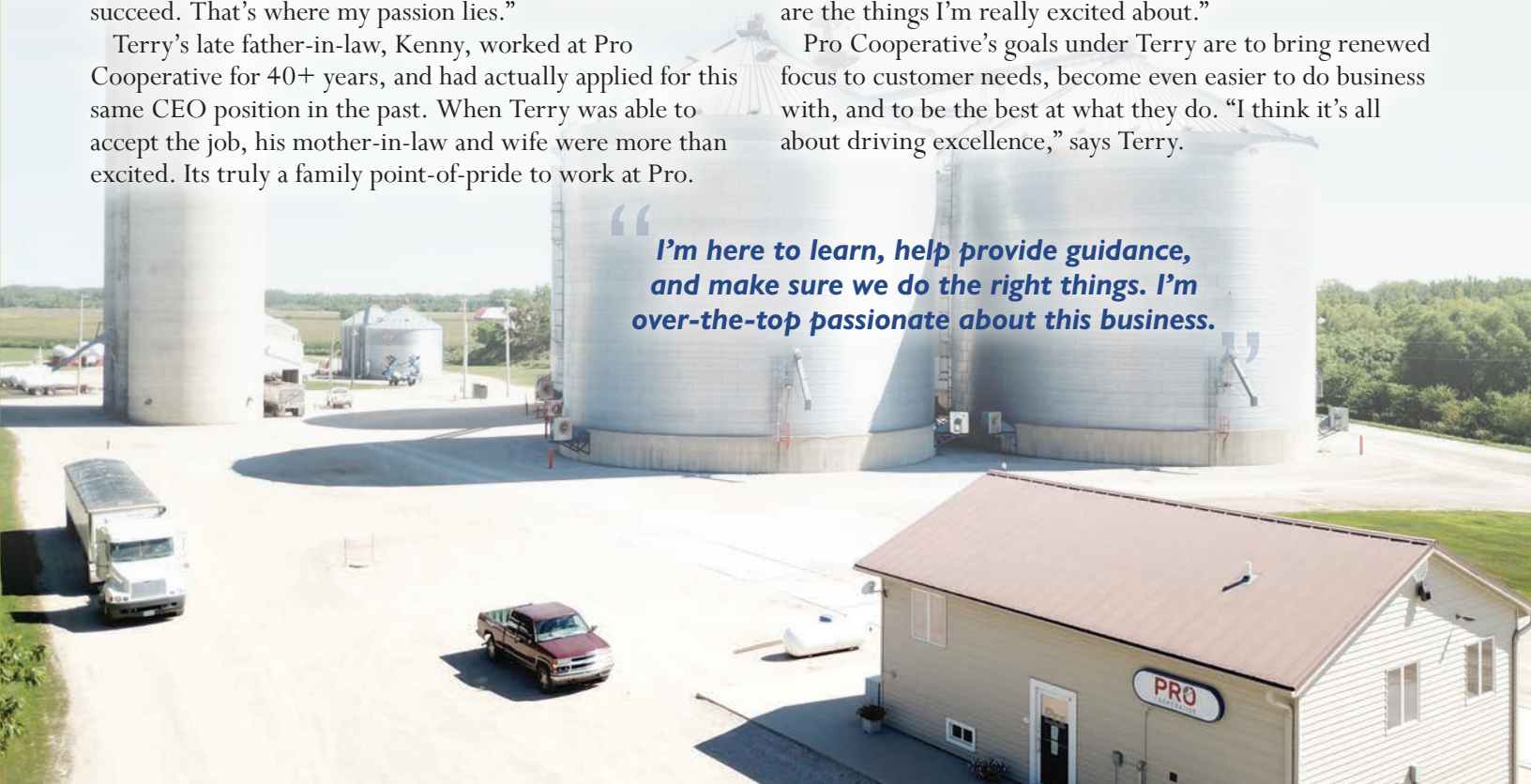
Pro Cooperative's goals under Terry are to bring renewed focus to customer needs, become even easier to do business with, and to be the best at what they do. "I think it's all about driving excellence," says Terry.



TERRY PANBECKER
Chief Executive Officer
Pro Cooperative



"I'm here to learn, help provide guidance, and make sure we do the right things. I'm over-the-top passionate about this business."



Iowa Institute for Cooperatives

2515 University Blvd., Suite 104

Ames, Iowa 50010

IIC Staff

Dave Holm, Executive Director

Nancy Cyr, Office Manager

Stacey Webster, Director of Co-op Development

Katie Hall, Director of Government Affairs

Mike St. Clair, Lobbyist

Contact Info

P: 515-292-2667

F: 515-292-1672

E: info@iowainstitute.coop

W: www.iowainstitute.coop



OUR WEBINAR LIBRARY IS GROWING

In the pursuit of our vision, “*To be the valued partner and resource for Iowa cooperatives*,” we introduced a new online webinar resource library for our members in January.

By registering for the library, you gain access to free content like our Co-op 101 series. This series consists of five short videos that give an extensive overview of the cooperative structure. Many of our members find this series to be a great resource when onboarding new employees.

We also brought together the Iowa Intermediary Network and four local cooperative agronomists to show Iowa high school students the diversity of job opportunities available at cooperatives.

Additionally, we include premium webinar content available for purchase providing educational resources for our member cooperatives and their staff. Our MidManagers Series is a perfect example as it contains four one-hour webinars with regulatory organizations explaining mission, oversight, and enforcement processes for grain and farm supply cooperatives. The CFO Series includes industry updates and best practices for cooperative financial staff.

Our local board members and senior staff have found value in our Human Capital Series. Jay Lux with FCCS

leads a discussion on how to create a talent management strategy to attract and retain high-caliber employees and plan smooth succession plans. Our Risk Management Series looks at grain contracting, accounts receivable and cybersecurity; our presenters discuss the pitfalls of each and best practices to mitigate these risks.

We will continually update the library with programs of current interest to our local board members and staff. Head to our website and find the Webinar Library under Co-op Resources to register and check them out.

