



Iowa Institute for Cooperatives

CO-OPVIEWS

News and information for the benefit of Iowa cooperatives.

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Who's Gonna Fill Their Shoes?

Preparing the Next Generation of Cooperative Leaders

In 1985, George Jones expressed his concern about the shifting landscape of Country Music in his song "Who's Gonna Fill Their Shoes," reflecting on the loss of iconic leaders. Agriculture faces a similar challenge today: who will lead our cooperatives into the future? With many experienced cooperative leaders nearing retirement, the need for new leadership is more pressing than ever. To help cooperatives navigate this transition, the Iowa Institute for Cooperatives is developing targeted programs to prepare the next generation of leaders.

INTRODUCING NEXTGEN MANAGER'S PROGRAM

One of our key initiatives, the NextGen Managers program, is designed to develop future leaders within your cooperative. Whether your team members are ready for promotion or need additional skills to succeed, this year-long, 4-session program will help cultivate the leadership and management abilities required to excel. Through a blend of interactive activities, case studies, and collaborative projects, participants will gain essential skills, knowledge, and hands-on experience, preparing them to step confidently into leadership roles.

LEADERSHIP VS MANAGEMENT

While the terms "leadership" and "management" are often used interchangeably, they serve distinct functions:

- **Leadership** focuses on motivating and guiding individuals toward achieving business goals.
- **Management** is about executing those goals effectively and efficiently.

Strong leadership drives organizational success, while effective management improves performance and financial outcomes by focusing on efficiency. The NextGen Managers program aims to enhance both leadership and management skills, equipping participants to lead and manage with confidence.

As experienced leaders delay retirement, the question remains: who will step up to lead the next generation of cooperatives?

PLANNING FOR THE FUTURE

Has your cooperative planned for the upcoming leadership transition? The agricultural industry is poised for significant changes in the next decade, and competition for talent will intensify. With nearly 38% of Iowa farmers over 65, the need to cultivate the next generation of leaders has never been more urgent. Developing leaders from within your cooperative is a strategic way to ensure long-term success. The Iowa Institute for Cooperatives is uniquely positioned to offer the expertise, resources, and network necessary to help your cooperative thrive in the future. Investing in leadership now means securing the strength and stability of your cooperative for years to come.

LEARN MORE

Stay tuned to our social media pages and check your inbox for more information on the NextGen Managers program, or feel free to reach out to Matthew Eddy to discuss the program in greater detail.



USDA Ag Statistics 2024, 2023 US Census

Cooperatives, Taxes & Congress!

From the Director's Desk

Mid March, three Iowa cooperative directors and I were in Washington, D.C. meeting with Iowa's delegation about Section 199A, which will expire on December 31 if not renewed. We met with Senators Grassley and Ernst, and Representatives Feenstra and Nunn. Section 199A is important to Iowa's cooperatives and other non-C corporation businesses. Let's explore this sometimes—less-than-fully understood—but critically important, tax provision with a short Q&A.

WHAT IS SECTION 199A?

Section 199A, also known as the Qualified Business Income deduction, is a tax benefit introduced by the Tax Cuts and Jobs Act of 2017. It allows eligible business owners to deduct up to 20% of their qualified business income from their taxable income. This deduction is available for tax years starting after December 31, 2017, and ending on or before December 31, 2025.

WHO BENEFITS FROM SECTION 199A?

- **Farmers & Agricultural Cooperatives:** Farmers who are members of agricultural cooperatives and the cooperatives themselves benefit from this deduction.
- **Owners of Pass-Through Entities:** This includes sole proprietorships, partnerships, S corporations, and certain trusts and estates. In other words, small businesses benefit from this deduction.

HOW DOES SECTION 199A HELP “LEVEL THE PLAYING FIELD” BETWEEN PASS-THROUGH ENTITIES & C CORPORATIONS?

Before Section 199A, C corporations enjoyed a significant tax advantage due to the lower corporate tax rate and the ability to retain earnings within the corporation. Pass-through entities, on the other hand, faced higher individual tax rates on their business income. Section 199A helps level the playing field by providing pass-through entities with a substantial deduction, reducing their effective tax rate. With a lower tax burden, pass-through entities (*i.e., small business and agricultural cooperatives*) can reinvest more of their earnings into

their businesses, making them more competitive with C corporations.

WHAT IS SUBSECTION 199A(G)?

Subsection 199A(g) is a specific part of Section 199A that applies to specified agricultural or horticultural cooperatives. This subsection allows these cooperatives to pass through a special deduction to their members, further reducing their taxable income. Here is how subsection 199A(g) works:

1. The cooperative calculates its net income from qualified production activities.
2. The cooperative can deduct 9% of the lesser of its QPAI or taxable income.
3. The deduction is limited to 50% of the W-2 wages paid by the cooperative that are allocable to production activities.
4. The cooperative can pass all or a portion of the tax deduction to its members, who can then use it to reduce their own taxable income.

HOW DO AGRICULTURAL COOPERATIVES USE THE DEDUCTION?

Agricultural cooperatives have the option to retain the Section 199A(g) deduction at the cooperative level instead of passing it through to their members. Because a cooperative is owned by its members, a benefit to the cooperative ultimately benefits the farmers. Here's how they can benefit from this approach:

- **Reinvestment in Cooperative Assets or Operations:** By retaining the deduction, cooperatives can reduce their own taxable income, allowing them to reinvest the savings into their operations. This can include

upgrading facilities, purchasing new equipment, or expanding services offered to members.

- **Strengthening Financial Stability:** Retaining the deduction can help improve the cooperative's financial stability, making it more resilient to market fluctuations and economic challenges.
- **Enhancing Member Services:** With additional funds available from tax savings, cooperatives can enhance the services they provide to members, such as better pricing on supplies, improved marketing efforts, and more robust support programs.

WHAT ARE THE DIFFERENCES BETWEEN SECTION 199A & DPAD?

You may have heard of the Domestic Production Activities Deduction. Although sometimes still used interchangeably with Section 199A, DPAD was repealed for tax years beginning after 2017. Section 199A effectively replaced DPAD under the original Section 199. Here are the key differences between Section 199A and DPAD:

- **Scope of Deduction:** DPAD applied to a wide range of domestic production activities, including manufacturing, production, growth, extraction, and certain services like engineering and architecture. Section 199A primarily benefits owners of pass-through entities and specified agricultural or horticultural cooperatives, focusing on qualified business income.
- **Pass-Through Mechanism:** DPAD did not have a specific pass-through mechanism for cooperatives. Section 199A includes provisions for cooperatives to pass through deductions to their members.

Update From the Hill

Megan Carlson, Director of Government Affairs

WHAT HAPPENS IF SECTION 199A IS NOT RENEWED?

If Section 199A is not renewed after 2025, the following consequences could occur:

- **Increased Tax Burden:** Business owners, including farmers and members of agricultural cooperatives, would lose the ability to deduct up to 20% of their qualified business income. This would result in higher taxable income and increased tax liabilities, reducing their ability to reinvest.
- **Impact on Agricultural Cooperatives:** Cooperatives would no longer be able to use or pass through the Section 199A(g) deduction, reducing the tax benefits available for cooperatives to reinvest or to farmers.
- **Shift in Business Structures:** Some businesses might reconsider their organizational structures, potentially shifting from pass-through entities to C corporations to seek other tax advantages. Remember, 199A evens the tax playing field between cooperatives and often larger C corporations.

IS SECTION 199A BENEFICIAL FOR IOWANS?

For Iowans, these deductions provide significant tax savings because many Iowa businesses are small or pass-through entities. By reducing taxable income, small businesses and pass-through entities save money on taxes and reinvest those savings into their businesses and farming operations. This helps improve the financial stability of small businesses and farms, supports local economies, and strengthens rural Iowa. **Therefore, the Iowa Institute for Cooperatives has been working for our member cooperatives to ensure Section 199A is renewed by Congress!**

WANT TO HELP?

Write to your U.S. representatives and tell them this is important to you. If you have any more questions or need further details, feel free to ask!

Legislative Update

April 4th marked the second funnel of the 2025 legislative session. In the Iowa Legislature, the Second Funnel serves as a key deadline, narrowing the number of bills that can advance. To remain viable after this deadline, a bill must have been approved by a committee in the opposite chamber from where it was introduced. This means House bills must pass through a Senate committee, and Senate bills must pass through a House committee. However, bills related to taxes, fees, or appropriations are exempt from this rule and remain “alive” through the end of the session.

As the number of active bills decreases, the Legislature has shifted its focus to the budget process. Each chamber will set their budget targets, and the negotiations between the House, Senate, and Governor will begin from there. Additionally, if lawmakers intend to pass significant property tax reform this session, it must be factored into the budget process.

GRAIN INDEMNITY REFORM

Currently, there are two versions of grain indemnity reform under consideration:

- **House Bill - HF 508:** Splits credit sales into two categories—deferred pricing and deferred payment. It provides 70% coverage for deferred pricing credit sales, up to \$210,000, but does not cover deferred payment credit sales. The bill raises the fund cap from \$8 million to \$16 million and increases the fund floor from \$3 million to \$8 million. Specialty grains will be covered at commodity pricing. If the fund lacks resources to cover all claims, priority payments will go to depositors and those with cash sales.
- **Senate Bill - SF 608:** Expands grain indemnity fund coverage to all credit sales at 90%. The fund cap would increase from \$8 million to \$12 million, and the fund floor from \$3 million to \$5 million.

IIC is registered as undecided on HF 508 and opposed to SF 608. Both bills are currently in their respective chamber’s Ways and Means Committees, making them exempt from the second funnel.

ASSESSMENT OF ABOVE-GROUND STORAGE TANKS

This session, IIC and other stakeholders have been discussing legislation addressing inconsistencies in the property tax assessment of above-ground storage tanks. The proposed legislation seeks to codify the Property Tax Appeal Board’s decision that unattached above-ground storage tanks are personal property, not real property, and should therefore not be included in property tax assessments. The House has passed HSB 238 out of subcommittee, and it must now be taken up by the full Ways and Means Committee to be eligible for debate. A companion bill has not yet been introduced in the Senate. However, because this issue relates to taxes, it is exempt from the funnel and remains active until the session concludes.

SESSION TIMELINE

The last day legislators receive per diem (*their daily compensation*) is Friday, May 2. As in previous years, the session is expected to conclude 2-4 weeks after this date, likely wrapping up in mid-to-late May. Stay tuned for further updates as the legislative session progresses.

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Join Us in Welcoming Our New Board Members!

We're excited to welcome Jerry Keleher and Cozy Nelsen to the Iowa Institute for Cooperatives' Board of Directors! Our board includes dedicated leaders from various regions and industries, ensuring a strong, forward-thinking cooperative network.

Jerry serves on the board of Allamakee-Clayton Electric Cooperative and represents RECs, while Cozy, General Manager of Guthrie County REC, represents the southwest district. Their leadership helps drive our mission to support and grow cooperatives across Iowa.



JERRY KELEHER

Allamakee-Clayton Electric Cooperative
Board of Directors
IIC Board Representative for REC's



COZY NELSEN

General Manager
Guthrie County REC

SAVE THE DATE

**MAY
27**

**INTERN
CO-OP DAY**

Be watching for
information to come.

**AUG
4-5**

**IT
CONFERENCE**

Be watching for
information to come.

For more information, please
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