DIVISION T—REVENUE
PROVISIONS

SEC. 101. MODIFICATION OF DEDUCTION FOR QUALIFIED
BUSINESS INCOME OF A COOPERATIVE AND
ITS PATRONS.

(a) Deduction for Qualified Production Ac-
tivities Income.—

(1) In general.—Subsection (g) of section
199A of the Internal Revenue Code of 1986 is
amended to read as follows:

“(g) Deduction for Income Attributable to
Domestic Production Activities of Specified Agri-
cultural or Horticultural Cooperatives.—

“(1) Allowance of deduction.—

“(A) In general.—In the case of a tax-
payer which is a specified agricultural or horti-
cultural cooperative, there shall be allowed as a
deduction an amount equal to 9 percent of the
lesser of—

“(i) the qualified production activities
income of the taxpayer for the taxable
year, or

“(ii) the taxable income of the tax-
payer for the taxable year.

“(B) Limitation.—
"(i) IN GENERAL.—The deduction allowable under subparagraph (A) for any taxable year shall not exceed 50 percent of the W-2 wages of the taxpayer for the taxable year.

"(ii) W-2 WAGES.—For purposes of this subparagraph, the W-2 wages of the taxpayer shall be determined in the same manner as under subsection (b)(4) (without regard to subparagraph (B) thereof and after application of subsection (b)(5)), except that such wages shall not include any amount which is not properly allocable to domestic production gross receipts for purposes of paragraph (3)(A).

"(C) TAXABLE INCOME OF COOPERATIVES DETERMINED WITHOUT REGARD TO CERTAIN DEDUCTIONS.—For purposes of this subsection, the taxable income of a specified agricultural or horticultural cooperative shall be computed without regard to any deduction allowable under subsection (b) or (c) of section 1382 (relating to patronage dividends, per-unit retain allocations, and nonpatronage distributions).

"(2) DEDUCTION ALLOWED TO PATRONS.—
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“(A) IN GENERAL.—In the case of any eligible taxpayer who receives a qualified payment from a specified agricultural or horticultural cooperative, there shall be allowed as a deduction for the taxable year in which such payment is received an amount equal to the portion of the deduction allowed under paragraph (1) to such cooperative which is—

“(i) allowed with respect to the portion of the qualified production activities income to which such payment is attributable, and

“(ii) identified by such cooperative in a written notice mailed to such taxpayer during the payment period described in section 1382(d).

“(B) LIMITATION BASED ON TAXABLE INCOME.—The deduction allowed to any taxpayer under this paragraph shall not exceed the taxable income of the taxpayer determined without regard to the deduction allowed under this paragraph and after taking into account any deduction allowed to the taxpayer under subsection (a) for the taxable year.
(C) Cooperative denied deduction for portion of qualified payments.—The taxable income of a specified agricultural or horticultural cooperative shall not be reduced under section 1382 by reason of that portion of any qualified payment as does not exceed the deduction allowable under subparagraph (A) with respect to such payment.

(D) Eligible taxpayer.—For purposes of this paragraph, the term ‘eligible taxpayer’ means—

(i) a taxpayer other than a corporation, or

(ii) a specified agricultural or horticultural cooperative.

(E) Qualified payment.—For purposes of this section, the term ‘qualified payment’ means, with respect to any eligible taxpayer, any amount which—

(i) is described in paragraph (1) or (3) of section 1385(a),

(ii) is received by such taxpayer from a specified agricultural or horticultural co-operative, and
“(iii) is attributable to qualified production activities income with respect to which a deduction is allowed to such cooperative under paragraph (1).

“(3) QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified production activities income’ for any taxable year means an amount equal to the excess (if any) of—

“(i) the taxpayer’s domestic production gross receipts for such taxable year, over

“(ii) the sum of—

“(I) the cost of goods sold that are allocable to such receipts, and

“(II) other expenses, losses, or deductions (other than the deduction allowed under this subsection), which are properly allocable to such receipts.

“(B) ALLOCATION METHOD.—The Secretary shall prescribe rules for the proper allocation of items described in subparagraph (A) for purposes of determining qualified production activities income. Such rules shall provide
for the proper allocation of items whether or not such items are directly allocable to domestic production gross receipts.

“(C) SPECIAL RULES FOR DETERMINING COSTS.—

“(i) IN GENERAL.—For purposes of determining costs under subclause (I) of subparagraph (A)(ii), any item or service brought into the United States shall be treated as acquired by purchase, and its cost shall be treated as not less than its value immediately after it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

“(ii) EXPORTS FOR FURTHER MANUFACTURE.—In the case of any property described in clause (i) that had been exported by the taxpayer for further manufacture, the increase in cost or adjusted basis under clause (i) shall not exceed the difference between the value of the property when exported and the value of the prop-
erty when brought back into the United States after the further manufacture.

“(D) DOMESTIC PRODUCTION GROSS RECEIPTS.—

“(i) IN GENERAL.—The term ‘domestic production gross receipts’ means the gross receipts of the taxpayer which are derived from any lease, rental, license, sale, exchange, or other disposition of any agricultural or horticultural product which was manufactured, produced, grown, or extracted by the taxpayer (determined after the application of paragraph (4)(B)) in whole or significant part within the United States. Such term shall not include gross receipts of the taxpayer which are derived from the lease, rental, license, sale, exchange, or other disposition of land.

“(ii) RELATED PERSONS.—

“(I) IN GENERAL.—The term ‘domestic production gross receipts’ shall not include any gross receipts of the taxpayer derived from property leased, licensed, or rented by the taxpayer for use by any related person.
“(II) RELATED PERSON.—For purposes of subclause (I), a person shall be treated as related to another person if such persons are treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414, except that determinations under subsections (a) and (b) of section 52 shall be made without regard to section 1563(b).

“(4) SPECIFIED AGRICULTURAL OR HORTICULTURAL COOPERATIVE.—For purposes of this section—

“(A) IN GENERAL.—The term ‘specified agricultural or horticultural cooperative’ means an organization to which part I of subchapter T applies which is engaged—

“(i) in the manufacturing, production, growth, or extraction in whole or significant part of any agricultural or horticultural product, or

“(ii) in the marketing of agricultural or horticultural products.

“(B) APPLICATION TO MARKETING COOPERATIVES.—A specified agricultural or horti-
cultural cooperative described in subparagraph (A)(ii) shall be treated as having manufactured, produced, grown, or extracted in whole or significant part any agricultural or horticultural product marketed by the specified agricultural or horticultural cooperative which its patrons have so manufactured, produced, grown, or extracted.

“(5) Definitions and special rules.—

“(A) Special rule for affiliated groups.—

“(i) In general.—All members of an expanded affiliated group shall be treated as a single corporation for purposes of this subsection.

“(ii) Partnerships owned by expanded affiliated groups.—For purposes of paragraph (3)(D), if all of the interests in the capital and profits of a partnership are owned by members of a single expanded affiliated group at all times during the taxable year of such partnership, the partnership and all members of such group shall be treated as a single taxpayer during such period.
(iii) Expanded Affiliated Group.—For purposes of this subsection, the term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—

“(I) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears, and

“(II) without regard to paragraphs (2) and (4) of section 1504(b).”

“(iv) Allocation of Deduction.—Except as provided in regulations, the deduction under paragraph (1) shall be allocated among the members of the expanded affiliated group in proportion to each member’s respective amount (if any) of qualified production activities income.

“(B) Special Rule for Cooperative Partners.—In the case of a specified agricultural or horticultural cooperative which is a partner in a partnership, rules similar to the rules of subsection (f)(1) shall apply for purposes of this subsection.

“(C) Trade or Business Requirement.—This subsection shall be applied by
only taking into account items which are attributable to the actual conduct of a trade or business.

“(D) UNRELATED BUSINESS TAXABLE INCOME.—For purposes of determining the tax imposed by section 511, this section shall be applied by substituting ‘unrelated business taxable income’ for ‘taxable income’ each place it appears in this section (other than this subparagraph).

“(E) SPECIAL RULE FOR COOPERATIVE WITH OIL RELATED QUALIFIED PRODUCTION ACTIVITIES INCOME.—

“(i) IN GENERAL.—If a specified agricultural or horticultural cooperative has oil related qualified production activities income for any taxable year, the amount otherwise allowable as a deduction under paragraph (1) shall be reduced by 3 percent of the least of—

“(I) the oil related qualified production activities income of the cooperative for the taxable year,
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“(II) the qualified production activities income of the cooperative for the taxable year, or

“(III) taxable income.

“(ii) OIL RELATED QUALIFIED PRODUCTION ACTIVITIES INCOME.—For purposes of this subparagraph, the term ‘oil related qualified production activities income’ means for any taxable year the qualified production activities income which is attributable to the production, refining, processing, transportation, or distribution of oil, gas, or any primary product thereof (within the meaning of section 927(a)(2)(C), as in effect before its repeal) during such taxable year.

“(6) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this subsection, including regulations which prevent more than 1 taxpayer from being allowed a deduction under this subsection with respect to any activity described in paragraph (3)(D)(i). Such regulations shall be based on the regulations applicable to cooperatives and their patrons under section 199 (as in effect before its repeal).”.

March 21, 2018 (6:08 p.m.)
(2) CONFORMING AMENDMENTS.—

(A) Sections 63(b)(3), 63(d)(3), 199A(e)(1), and 662(d)(1)(C) of such Code are each amended by striking “the deduction” and inserting “any deduction”.

(B) The last sentence of section 62(a) of such Code and section 172(d)(8) of such Code are each amended by striking “The deduction” and inserting “Any deduction”.

(C) Section 199A(e)(1) of such Code is amended by striking “Taxable income” and inserting “Except as otherwise provided in subsection (g)(2)(B), taxable income”.

(D) Section 613(a) of such Code is amended by striking “the deduction under section 199A” and inserting “any deduction under section 199A”.

(b) MODIFICATIONS RELATED TO PAYMENTS FROM COOPERATIVES.—

(1) REPEAL OF SPECIAL DEDUCTION FOR QUALIFIED COOPERATIVE DIVIDENDS.—Subsection (a) of section 199A of such Code is amended to read as follows:

“(a) ALLOWANCE OF DEDUCTION.—In the case of a taxpayer other than a corporation, there shall be allowed
as a deduction for any taxable year an amount equal to the lesser of—

“(1) the combined qualified business income amount of the taxpayer, or

“(2) an amount equal to 20 percent of the excess (if any) of—

“(A) the taxable income of the taxpayer for the taxable year, over

“(B) the net capital gain (as defined in section 1(h)) of the taxpayer for such taxable year.”.

(2) Repeal of rule excluding qualified cooperative dividends from qualified business income.—

(A) In general.—Section 199A(c)(1) of such Code is amended by striking “, qualified cooperative dividends,”.

(B) Conforming amendments.—

(i) Section 199A(e)(3)(B) of such Code is amended—

(I) by striking “investment” in the matter preceeding clause (i), and

(II) by adding at the end of clause (ii) the following: “Any amount described in section 1385(a)(1) shall
not be treated as described in this clause.”.

(ii) Section 199A(e) of such Code is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(3) REDUCTION OF QUALIFIED BUSINESS INCOME WITH RESPECT TO INCOME RECEIVED FROM COOPERATIVES.—Section 199A(b) of such Code is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULE WITH RESPECT TO INCOME RECEIVED FROM COOPERATIVES.—In the case of any qualified trade or business of a patron of a specified agricultural or horticultural cooperative, the amount determined under paragraph (2) with respect to such trade or business shall be reduced by the lesser of—

“(A) 9 percent of so much of the qualified business income with respect to such trade or business as is properly allocable to qualified payments received from such cooperative, or

“(B) 50 percent of so much of the W-2 wages with respect to such trade or business as are so allocable.”.
(c) Application of Section 199 to Certain Qualified Payments Paid After 2017.—Subsection (c) of section 13305 of Public Law 115–97 is amended to read as follows:

“(c) Effective Dates.—

“(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

“(2) Transition rule for qualified payments of patrons of cooperatives.—

“(A) In general.—The amendments made by this section shall not apply to a qualified payment received by a taxpayer from a specified agricultural or horticultural cooperative in a taxable year of the taxpayer beginning after December 31, 2017, which is attributable to qualified production activities income with respect to which a deduction is allowable to the cooperative under section 199 of the Internal Revenue Code of 1986 (as in effect before the amendments made by this section) for a taxable year of the cooperative beginning before January 1, 2018. Any term used in this subparagraph which is also used in section 199 of such
Code (as so in effect) shall have the same
meaning as when used in such section.

“(B) COORDINATION WITH SECTION
199A.—No deduction shall be allowed under sec-
tion 199A of such Code for any qualified pay-
ment to which subparagraph (A) applies.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall take effect as if included in section
11011 of Public Law 115–97.

(2) APPLICATION OF SECTION 199 TO CERTAIN
QUALIFIED PAYMENTS PAID AFTER 2017.—The
amendment made by subsection (c) shall take effect
as if included in section 13305 of Public Law 115–
97.

SEC. 102. INCREASE IN STATE HOUSING CREDIT CEILING


(a) IN GENERAL.—Section 42(h)(3)(I) of the Intern-
al Revenue Code of 1986 is amended to read as follows:

“(I) INCREASE IN STATE HOUSING CREDIT
CEILING FOR 2018, 2019, 2020, AND 2021.—

In the case of calendar years 2018, 2019, 2020,
and 2021, each of the dollar amounts in effect
under clauses (I) and (II) of subparagraph