

**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 AGRICULTURAL OR HORTICULTURAL COOPERATIVES.—

“(1) ALLOWANCE OF DEDUCTION.—

“(A) IN GENERAL.—In the case of a taxpayer which is a specified agricultural or horticultural 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 taxpayer for the taxable year.

“(B) LIMITATION.—

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1 “(i) IN GENERAL.—The deduction al-
2 lowable under subparagraph (A) for any
3 taxable year shall not exceed 50 percent of
4 the W-2 wages of the taxpayer for the tax-
5 able year.

6 “(ii) W-2 WAGES.—For purposes of
7 this subparagraph, the W-2 wages of the
8 taxpayer shall be determined in the same
9 manner as under subsection (b)(4) (with-
10 out regard to subparagraph (B) thereof
11 and after application of subsection (b)(5)),
12 except that such wages shall not include
13 any amount which is not properly allocable
14 to domestic production gross receipts for
15 purposes of paragraph (3)(A).

16 “(C) TAXABLE INCOME OF COOPERATIVES
17 DETERMINED WITHOUT REGARD TO CERTAIN
18 DEDUCTIONS.—For purposes of this subsection,
19 the taxable income of a specified agricultural or
20 horticultural cooperative shall be computed
21 without regard to any deduction allowable
22 under subsection (b) or (c) of section 1382 (re-
23 lating to patronage dividends, per-unit retain
24 allocations, and nonpatronage distributions).

25 “(2) DEDUCTION ALLOWED TO PATRONS.—

1 “(A) IN GENERAL.—In the case of any eli-
2 gible taxpayer who receives a qualified payment
3 from a specified agricultural or horticultural co-
4 operative, there shall be allowed as a deduction
5 for the taxable year in which such payment is
6 received an amount equal to the portion of the
7 deduction allowed under paragraph (1) to such
8 cooperative which is—

9 “(i) allowed with respect to the por-
10 tion of the qualified production activities
11 income to which such payment is attrib-
12 utable, and

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

17 “(B) LIMITATION BASED ON TAXABLE IN-
18 COME.—The deduction allowed to any taxpayer
19 under this paragraph shall not exceed the tax-
20 able income of the taxpayer determined without
21 regard to the deduction allowed under this
22 paragraph and after taking into account any
23 deduction allowed to the taxpayer under sub-
24 section (a) for the taxable year.

1 “(C) COOPERATIVE DENIED DEDUCTION
2 FOR PORTION OF QUALIFIED PAYMENTS.—The
3 taxable income of a specified agricultural or
4 horticultural cooperative shall not be reduced
5 under section 1382 by reason of that portion of
6 any qualified payment as does not exceed the
7 deduction allowable under subparagraph (A)
8 with respect to such payment.

9 “(D) ELIGIBLE TAXPAYER.—For purposes
10 of this paragraph, the term ‘eligible taxpayer’
11 means—

12 “(i) a taxpayer other than a corpora-
13 tion, or

14 “(ii) a specified agricultural or horti-
15 cultural cooperative.

16 “(E) QUALIFIED PAYMENT.—For purposes
17 of this section, the term ‘qualified payment’
18 means, with respect to any eligible taxpayer,
19 any amount which—

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

22 “(ii) is received by such taxpayer from
23 a specified agricultural or horticultural co-
24 operative, and

1 “(iii) is attributable to qualified pro-
2 duction activities income with respect to
3 which a deduction is allowed to such coop-
4 erative under paragraph (1).

5 “(3) QUALIFIED PRODUCTION ACTIVITIES IN-
6 COME.—For purposes of this subsection—

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

11 “(i) the taxpayer’s domestic produc-
12 tion gross receipts for such taxable year,
13 over

14 “(ii) the sum of—

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

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

21 “(B) ALLOCATION METHOD.—The Sec-
22 retary shall prescribe rules for the proper allo-
23 cation of items described in subparagraph (A)
24 for purposes of determining qualified produc-
25 tion activities income. Such rules shall provide

1 for the proper allocation of items whether or
2 not such items are directly allocable to domestic
3 production gross receipts.

4 “(C) SPECIAL RULES FOR DETERMINING
5 COSTS.—

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

18 “(ii) EXPORTS FOR FURTHER MANU-
19 FACTURE.—In the case of any property de-
20 scribed in clause (i) that had been exported
21 by the taxpayer for further manufacture,
22 the increase in cost or adjusted basis
23 under clause (i) shall not exceed the dif-
24 ference between the value of the property
25 when exported and the value of the prop-

1 erty when brought back into the United
2 States after the further manufacture.

3 “(D) DOMESTIC PRODUCTION GROSS RE-
4 CEIPTS.—

5 “(i) IN GENERAL.—The term ‘domes-
6 tic production gross receipts’ means the
7 gross receipts of the taxpayer which are
8 derived from any lease, rental, license, sale,
9 exchange, or other disposition of any agri-
10 cultural or horticultural product which was
11 manufactured, produced, grown, or ex-
12 tracted by the taxpayer (determined after
13 the application of paragraph (4)(B)) in
14 whole or significant part within the United
15 States. Such term shall not include gross
16 receipts of the taxpayer which are derived
17 from the lease, rental, license, sale, ex-
18 change, or other disposition of land.

19 “(ii) RELATED PERSONS.—

20 “(I) IN GENERAL.—The term
21 ‘domestic production gross receipts’
22 shall not include any gross receipts of
23 the taxpayer derived from property
24 leased, licensed, or rented by the tax-
25 payer for use by any related person.

1 “(II) RELATED PERSON.—For
2 purposes of subclause (I), a person
3 shall be treated as related to another
4 person if such persons are treated as
5 a single employer under subsection (a)
6 or (b) of section 52 or subsection (m)
7 or (o) of section 414, except that de-
8 terminations under subsections (a)
9 and (b) of section 52 shall be made
10 without regard to section 1563(b).

11 “(4) SPECIFIED AGRICULTURAL OR HORTI-
12 CULTURAL COOPERATIVE.—For purposes of this sec-
13 tion—

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

18 “(i) in the manufacturing, production,
19 growth, or extraction in whole or signifi-
20 cant part of any agricultural or horti-
21 cultural product, or

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

24 “(B) APPLICATION TO MARKETING CO-
25 OPERATIVES.—A specified agricultural or horti-

1 cultural cooperative described in subparagraph
2 (A)(ii) shall be treated as having manufactured,
3 produced, grown, or extracted in whole or sig-
4 nificant part any agricultural or horticultural
5 product marketed by the specified agricultural
6 or horticultural cooperative which its patrons
7 have so manufactured, produced, grown, or ex-
8 tracted.

9 “(5) DEFINITIONS AND SPECIAL RULES.—

10 “(A) SPECIAL RULE FOR AFFILIATED
11 GROUPS.—

12 “(i) IN GENERAL.—All members of an
13 expanded affiliated group shall be treated
14 as a single corporation for purposes of this
15 subsection.

16 “(ii) PARTNERSHIPS OWNED BY EX-
17 PANDED AFFILIATED GROUPS.—For pur-
18 poses of paragraph (3)(D), if all of the in-
19 terests in the capital and profits of a part-
20 nership are owned by members of a single
21 expanded affiliated group at all times dur-
22 ing the taxable year of such partnership,
23 the partnership and all members of such
24 group shall be treated as a single taxpayer
25 during such period.

1 “(iii) EXPANDED AFFILIATED
2 GROUP.—For purposes of this subsection,
3 the term ‘expanded affiliated group’ means
4 an affiliated group as defined in section
5 1504(a), determined—

6 “(I) by substituting ‘more than
7 50 percent’ for ‘at least 80 percent’
8 each place it appears, and

9 “(II) without regard to para-
10 graphs (2) and (4) of section 1504(b).

11 “(iv) ALLOCATION OF DEDUCTION.—
12 Except as provided in regulations, the de-
13 duction under paragraph (1) shall be allo-
14 cated among the members of the expanded
15 affiliated group in proportion to each mem-
16 ber’s respective amount (if any) of quali-
17 fied production activities income.

18 “(B) SPECIAL RULE FOR COOPERATIVE
19 PARTNERS.—In the case of a specified agricul-
20 tural or horticultural cooperative which is a
21 partner in a partnership, rules similar to the
22 rules of subsection (f)(1) shall apply for pur-
23 poses of this subsection.

24 “(C) TRADE OR BUSINESS REQUIRE-
25 MENT.—This subsection shall be applied by

1 only taking into account items which are attrib-
2 utable to the actual conduct of a trade or busi-
3 ness.

4 “(D) UNRELATED BUSINESS TAXABLE IN-
5 COME.—For purposes of determining the tax
6 imposed by section 511, this section shall be ap-
7 plied by substituting ‘unrelated business taxable
8 income’ for ‘taxable income’ each place it ap-
9 pears in this section (other than this subpara-
10 graph).

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

14 “(i) IN GENERAL.—If a specified agri-
15 cultural or horticultural cooperative has oil
16 related qualified production activities in-
17 come for any taxable year, the amount oth-
18 erwise allowable as a deduction under
19 paragraph (1) shall be reduced by 3 per-
20 cent of the least of—

21 “(I) the oil related qualified pro-
22 duction activities income of the coop-
23 erative for the taxable year,

1 “(II) the qualified production ac-
2 tivities income of the cooperative for
3 the taxable year, or

4 “(III) taxable income.

5 “(ii) OIL RELATED QUALIFIED PRO-
6 DUCTION ACTIVITIES INCOME.—For pur-
7 poses of this subparagraph, the term ‘oil
8 related qualified production activities in-
9 come’ means for any taxable year the
10 qualified production activities income
11 which is attributable to the production, re-
12 fining, processing, transportation, or dis-
13 tribution of oil, gas, or any primary prod-
14 uct thereof (within the meaning of section
15 927(a)(2)(C), as in effect before its repeal)
16 during such taxable year.

17 “(6) REGULATIONS.—The Secretary shall pre-
18 scribe such regulations as are necessary to carry out
19 the purposes of this subsection, including regulations
20 which prevent more than 1 taxpayer from being al-
21 lowed a deduction under this subsection with respect
22 to any activity described in paragraph (3)(D)(i).
23 Such regulations shall be based on the regulations
24 applicable to cooperatives and their patrons under
25 section 199 (as in effect before its repeal).”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Sections 63(b)(3), 63(d)(3),
3 199A(e)(1), and 6662(d)(1)(C) of such Code
4 are each amended by striking “the deduction”
5 and inserting “any deduction”.

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

10 (C) Section 199A(e)(1) of such Code is
11 amended by striking “Taxable income” and in-
12 serting “Except as otherwise provided in sub-
13 section (g)(2)(B), taxable income”.

14 (D) Section 613(a) of such Code is amend-
15 ed by striking “the deduction under section
16 199A” and inserting “any deduction under sec-
17 tion 199A”.

18 (b) MODIFICATIONS RELATED TO PAYMENTS FROM
19 COOPERATIVES.—

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

24 “(a) ALLOWANCE OF DEDUCTION.—In the case of a
25 taxpayer other than a corporation, there shall be allowed

1 as a deduction for any taxable year an amount equal to
2 the lesser of—

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

5 “(2) an amount equal to 20 percent of the ex-
6 cess (if any) of—

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

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

12 (2) REPEAL OF RULE EXCLUDING QUALIFIED
13 COOPERATIVE DIVIDENDS FROM QUALIFIED BUSI-
14 NESS INCOME.—

15 (A) IN GENERAL.—Section 199A(c)(1) of
16 such Code is amended by striking “, qualified
17 cooperative dividends,”.

18 (B) CONFORMING AMENDMENTS.—

19 (i) Section 199A(c)(3)(B) of such
20 Code is amended—

21 (I) by striking “investment” in
22 the matter preceding clause (i), and

23 (II) by adding at the end of
24 clause (ii) the following: “Any amount
25 described in section 1385(a)(1) shall

1 not be treated as described in this
2 clause.”.

3 (ii) Section 199A(e) of such Code is
4 amended by striking paragraph (4) and by
5 redesignating paragraph (5) as paragraph
6 (4).

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

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

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

23 “(B) 50 percent of so much of the W-2
24 wages with respect to such trade or business as
25 are so allocable.”.

1 (c) APPLICATION OF SECTION 199 TO CERTAIN
2 QUALIFIED PAYMENTS PAID AFTER 2017.—Subsection
3 (c) of section 13305 of Public Law 115–97 is amended
4 to read as follows:

5 “(c) EFFECTIVE DATES.—

6 “(1) IN GENERAL.—Except as provided in para-
7 graph (2), the amendments made by this section
8 shall apply to taxable years beginning after Decem-
9 ber 31, 2017.

10 “(2) TRANSITION RULE FOR QUALIFIED PAY-
11 MENTS OF PATRONS OF COOPERATIVES.—

12 “(A) IN GENERAL.—The amendments
13 made by this section shall not apply to a quali-
14 fied payment received by a taxpayer from a
15 specified agricultural or horticultural coopera-
16 tive in a taxable year of the taxpayer beginning
17 after December 31, 2017, which is attributable
18 to qualified production activities income with
19 respect to which a deduction is allowable to the
20 cooperative under section 199 of the Internal
21 Revenue Code of 1986 (as in effect before the
22 amendments made by this section) for a taxable
23 year of the cooperative beginning before Janu-
24 ary 1, 2018. Any term used in this subpara-
25 graph which is also used in section 199 of such

1 Code (as so in effect) shall have the same
2 meaning as when used in such section.

3 “(B) COORDINATION WITH SECTION
4 199A.—No deduction shall be allowed under sec-
5 tion 199A of such Code for any qualified pay-
6 ment to which subparagraph (A) applies.”.

7 (d) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as otherwise pro-
9 vided in this subsection, the amendments made by
10 this section shall take effect as if included in section
11 11011 of Public Law 115–97.

12 (2) APPLICATION OF SECTION 199 TO CERTAIN
13 QUALIFIED PAYMENTS PAID AFTER 2017.—The
14 amendment made by subsection (c) shall take effect
15 as if included in section 13305 of Public Law 115–
16 97.

17 **SEC. 102. INCREASE IN STATE HOUSING CREDIT CEILING**
18 **FOR , 2019, 2020, 2021.**

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

21 “(I) INCREASE IN STATE HOUSING CREDIT
22 CEILING FOR 2018, 2019, 2020, AND 2021.—
23 In the case of calendar years 2018, 2019, 2020,
24 and 2021, each of the dollar amounts in effect
25 under clauses (I) and (II) of subparagraph