National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

November 15, 2017

Dear Member of Congress,

On behalf of National Farmers Union's (NFU) roughly 200,000 members we wish to express our views on your efforts to simplify the tax code. While we appreciate the significant efforts to address concerns brought forth by the agricultural community, we oppose this bill because it falls short in many areas. We are greatly concerned over the negative impact this bill could have on farmers, ranchers, and rural residents and our country's fiscal situation.

Current carryback provisions of net operating losses are an important tool that allow farmers and ranchers to smooth income to cope with inherent volatility in commodity markets. Over the last several years, net farm income has declined by roughly 50 percent. The current tax code affords producers five years in which they can carry back losses. The provision has been especially beneficial during the current economic downturn. Limiting carryback to a single year and only in cases of disaster would negatively impact farmers. Offsetting the changes with unlimited carryforward provides substantially less value.

Repeal of the Domestic Production Activities Deduction (Sec. 199) also represents a significant problem for farmers and ranchers. We appreciate the House's efforts to include a $75,000 rate cut for certain business income, but the provision does not adequately offset the repeal of Sec. 199. Members of local agricultural cooperatives benefit directly from this deduction. Cooperatives pass an estimated 95% or $2 billion directly back to their farmer owners. This ensures that capital stays in rural America, helping both businesses and communities alike. Sec. 199 must be preserved in any final bill.

We recognize that changes to expensing provisions for farmers net out over the bill's entirety. However, we are concerned about sunset provisions in 2023 that would be linked to existing deductions such as bonus deprecation and Section 179. When making investments, producers need certainty. Sun-setting portions of these deductions returns us to the uncertainty previously experienced when extender packages had to be passed year after year. The lack of certainty makes it harder for farmers and ranchers to make investment decisions and manage their finances from year to year.

Our members are especially concerned over the continued growth of our national debt. Adding $1.5 trillion over the next ten years is alarming. We are equally concerned over potential future spending reductions to offset the reduced revenue resulting from this tax cut. Family farmers and ranchers continue to endure spending reductions under the guise of deficit reduction. Despite many Members of Congress's long-standing goal to reduce the deficit, the House is now weighing legislation to increase the debt by a unprecedented magnitude.

Lastly, we are alarmed by the assessment of the Congressional Budget Office (CBO) as it relates to PAYGO and sequestration. The Office of Management and Budget would be required by law to sequester $136 billion in fiscal year 2018 and similar funds each successive year. Given the limited number of non-exempt mandatory accounts that can be sequestered, non-exempt programs would need to be sequestered at 100%. That sequestration would eliminate important aspects of the farm safety net, including the Agricultural Risk Coverage and Price Loss Coverage programs. Such a scenario would be devastating to family farmers.

Because of the challenges outlined above, we urge you to vote “NO” on H.R. 1. NFU will be scoring this vote in its annual scorecard distributed to our members.

Sincerely,

Roger Johnson