

Office of the Governor
State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



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March 7, 2018

The Honorable Mitch McConnell
Senate Majority Leader
317 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Paul Ryan
Speaker of the House
H-232, The Capitol
Washington D.C. 20515

The Honorable Chuck Schumer
Senate Minority Leader
322 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Nancy Pelosi
House Minority Leader
H-204, The Capitol
Washington, D.C. 20515

Dear Majority Leader McConnell, Speaker Ryan, Leader Schumer, and Leader Pelosi:

Many in Louisiana are already reaping the benefits of the recently passed Tax Cuts and Jobs Act. Unfortunately, for many working in our robust agricultural sector, the Act contains unintended consequences. Specifically, the Act eliminated the former Section 199 Domestic Production Activities Deduction, which allowed certain businesses, including farmers' cooperatives, a 9% domestic production deduction, in favor of a new 20% deduction contained in the newly enacted Section 199A.

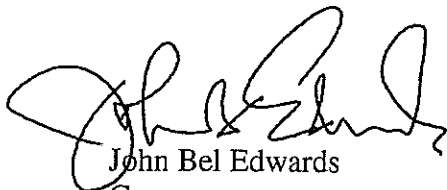
Under the new Section 199A, farmers are now permitted to deduct up to 20% of *gross sales* made to an agricultural cooperative. Conversely, sales made to a non-cooperative, such as a family-owned or privately-held company, are limited to a 20% deduction of *net farm income* as it relates to those sales. The effect of this disparate treatment is to incentivize and encourage farmers to sell their products to agricultural cooperatives, rather than independent businesses organized in a manner other than as a cooperative. In Louisiana, this means many local and family-owned businesses will be at a distinct competitive disadvantage in the marketplace and will result in lost business and lower wages, the exact opposite of what the Tax Cuts and Jobs Act was intended to produce. In addition to creating winners and losers in the marketplace, the new Section 199A unintentionally opens up a deduction meant to benefit farmers, to sectors for which the deduction was never intended.

For the reasons previously stated, we respectfully request that you introduce immediate legislation to restore the level playing field previously enjoyed by both agricultural cooperatives and independent businesses under the former Section 199, in lieu of the current Section 199A.

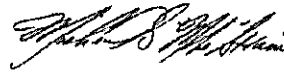
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The legislation should mitigate the losses sustained by many businesses in Louisiana and all across the country by the "grain glitch". Without this legislation, many in Louisiana will fall victim to the unintended consequences of this provision and will continue to see wages fall and business flee at their own expense. Your immediate attention to this matter is most appreciated.

Sincerely,



John Bel Edwards
Governor
State of Louisiana



Mike Strain
Commissioner
Louisiana Department of Agriculture

cc: The Honorable Thad Cochran, Chairman, U.S. Senate Committee on Appropriations
The Honorable Patrick Leahy, Vice Chairman, U.S. Senate Committee on Appropriations
The Honorable Rodney Frelinghuysen, Chairman, House Committee on Appropriations
The Honorable Nita Lowey, Ranking Member, House Committee on Appropriations
Louisiana Congressional Delegation