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Today, stories in both the Wall Street Journal and Reuters discussed the tax benefit of a farmer selling grain to a cooperative grain elevator under the new tax law. Our office was contacted by both news organizations to provide insight to help communicate and understand this complicated issue.

Basically, a farmer (non-C corporation) would be eligible for a deduction up to **20% of gross sales** to a **cooperative**. This could effectively zero out taxable income for most farmers. Using a $3.50 corn price, the deduction could be worth 70 cents a bushel. At 200 bushel corn, that is an extra $140 deduction per acre without needing to spend any cash. The bottom line cash impact (dollars in your pocket) of the extra deduction depends on many factors, including your tax bracket, your itemized deductions, and whether you have off farm income or not.

If a farmer would sell to a **private grain elevator**, the deduction would only be **20% of net income** (gross revenues minus expenses). As a consequence, elevators who are not a cooperative would be at a competitive disadvantage – and it is unclear if this was the intention of the amendment introduced in the Senate that eventually became law. Please contact our office if you have further questions. We will update you should any further guidance be provided.