



# WHAT YOU NEED TO KNOW

## SECTION 199 DPAD

### **What is Section 199 DPAD?**

Section 199 DPAD provides a tax deduction for businesses that perform domestic manufacturing and certain other production activities. Federal income tax law allows agricultural cooperatives, like CHS, to pass through DPAD to eligible patrons.

### **Why is CHS issuing its Section 199 Domestic Production Activities Deduction (DPAD) in December?**

In late December, the U.S. Senate and House passed the Tax Cuts and Jobs Act which repeals IRS Section 199 DPAD, effective Dec. 31, 2017. It's expected that the President will sign this into law in the weeks ahead. As a result, we're sharing DPAD allocations with local cooperatives and owners now to ensure they are informed and have time to prepare.

### **When did CHS typically share DPAD allocations?**

Historically, CHS distributed DPAD allocations for a given fiscal year in May of the following year. As a result of this pending tax reform, fiscal 2017 allocations will be shared with eligible owners before Dec. 31, 2017.

### **When can I use DPAD on my personal return?**

DPAD must be used in the tax year it is allocated. If you received an allocation of fiscal 2016 DPAD in May 2017 and you are now receiving a second allocation of fiscal 2017 DPAD, you would include both allocations on your December 31 tax return, unless you have a different tax year end.

### **How much DPAD is CHS allocating in fiscal 2017?**

Based on fiscal 2017 performance, eligible owners will receive the unused portion of the company's DPAD, totaling nearly \$151 million generated from patronage-related business conducted with CHS for the fiscal year ending Aug. 31, 2017.

### **Will CHS allocate any DPAD for fiscal 2018?**

If signed by the President, the Tax Cuts and Jobs Act will repeal DPAD, so the fiscal 2017 allocation being distributed at the end of 2017 will be the last allocation.

### **Is there anything replacing DPAD?**

Potentially. If signed, the bill includes provisions that may allow you to exclude 20 percent of any payments from a cooperative for years beginning after December 31, 2017. The deduction may not exceed the farmer's taxable income for the year. Please consult your tax advisor regarding this possibility.

### **Where can I get additional tax information?**

We encourage you to consult a tax professional to determine how this deduction can be used for federal and state purposes.

### **Have additional questions?**

If you have questions regarding the allocation, please feel free to contact CHS Patron Equities at 1-800-328-6539, ext. 6124, or email [patronequities@chsinc.com](mailto:patronequities@chsinc.com).