



TaxNewsFlash

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Proposed regulations: Rules under section 199A for cooperatives and patrons (text of regulations)

The U.S. Treasury Department and IRS today released for publication in the Federal Register proposed regulations (REG-118425-18) as guidance with respect to:

- Cooperatives subject to Code sections 1381 through 1388 and their patrons regarding the deduction for qualified business income (QBI) under section 199A(a)
- Specified agricultural or horticultural cooperatives and their patrons regarding the deduction for domestic production activities under section 199A(g)

The proposed regulations also provide guidance on section 199A(b)(7)—the measure requiring patrons of specified agricultural or horticultural cooperatives to reduce their deduction for QBI under section 199A(a). Lastly, the proposed regulations include a single definition of “patronage” and “nonpatronage” under section 1388.

Read the [proposed regulations](#) [PDF 382 KB] (39 pages)

The proposed regulations are scheduled to be published in the Federal Register on June 19, 2019. Comments and requests for a public hearing must be received by a date that is 60 days after June 19, 2019.

The purpose of this report is to provide text of the proposed regulations.

Notice 2019-27

The IRS also released an advance version of [Notice 2019-27](#) [PDF 85 KB] providing three methods for calculating W-2 wages for purposes of section 199A(g)(1)(B)(i)—the measure that limits the amount of the deduction available to specified agricultural or horticultural cooperatives (specified cooperatives) under section 199A(g)(1)(A) to 50% of the specified cooperative’s W-2 wages for the tax year.

According to an IRS release—IR-2019-115—the guidance contained in Notice 2019-27 is necessary because changes may be made to the underlying Form W-2, *Wage and Tax Statement*, on a more frequent basis than updates to the regulations under section 199A(g).

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