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November 27, 2023

Andres Garcia  
Internal Revenue Service  
Room 6526  
1111 Constitution Avenue NW  
Washington, DC 20224

**RE: Comments on draft Form 1120-C, U.S. Income Tax Return for Cooperative Associations, and Form 1125, Cost of Goods Sold, OMB Control No. 1545-0123**

Dear Mr. Garcia:

The National Council of Farmer Cooperatives (NCFC) submits the following comments on Form 1120-C, U.S. Income Tax Return for Cooperative Associations, and Form 1125, Cost of Goods Sold.

**Comments on Form 1120-C**

- On Schedule H, line 3d for redemption of nonqualified written notices of allocation should include the entire redemption amount (inclusive of redemptions where a section 1383 credit will be claimed in lieu of deduction).
- A new line (line 3e) should be added directly under 3d as a subtraction for redemption of nonqualified written notices of allocation for which a section 1383 credit is claimed on Form 1120-C, line 30h.

This change would enable taxpayers to report 100% of nonqualified redemptions on line 3d and would clearly show the amount of nonqualifieds on 3e for which no deduction is claimed in Schedule H, but to apply Section 1383 credit on line 30h. In addition, it would aid in reporting on state tax returns where a 1383 credit is claimed on Form 1120-C. This line could be a reference point for a state adjustment to the state section 1382 deduction for states that don't follow section 1383.

- Provide a breakout on Line 27 (page 2 of the 1120-C) explaining why it does not foot from the lines above when there is a patronage loss that cannot be claimed against non-patronage income. The following is an example:

<b>27a</b> Taxable income before non-patronage adjustment	<b>27a</b>	
<b>27b</b> Patronage loss (Schedule G, line 10 Column (a))	<b>27b</b>	<b>27c</b>
Line 27c must not be less than Schedule G, line 10 Column (b)		

- For an amended return, provide a line to indicate amounts previously refunded. Line 30(c) notes refunds applied for via Form 4466, but there is no line to show amounts refunded with the originally filed tax return. Perhaps line 30(g) or 30(i) could be used so that the total deposit amount at Line 30(j) is correct for an amended return with previous refunds.

#### **Comment on Form 1125, Cost of Goods Sold:**

Provide a new line 2a under Purchases for “Per-unit Retain Allocations Paid in Money, Qualified Certificates, Redemption of Nonqualified Certificates (detail in attached statement).” This change would provide clarity for reporting PURPIMs and PURPICs on its own line separate than included in Purchases. (Note: these lines were included on the prior Form 990-C.)

If you have questions regarding this submission, please contact Marlis Carson, Sr. Vice President and General Counsel at NCFC. [mcarson@ncfc.org](mailto:mcarson@ncfc.org) or 202-879-0825.

Sincerely,



Charles F. Conner  
President & CEO