

Option 1

First, insert a new subsection directly following §1.199A-12(d)(3)(ii), which is found on pages 36-37 of the proposed rule. Proposed language would read as follows:

§1.199A-12(d)(3)(iii) Special rule for consolidated groups filing as a cooperative under a Specified Cooperative parent. Notwithstanding paragraph (b)(1) of this section, for all members of the same consolidated group of which the parent is a Specified Cooperative, the consolidated group's section 199A(g) deduction is determined using the consolidated group's consolidated taxable income or loss, QPAI, and W-2 wages, from patronage sources or nonpatronage sources, as the case may be, rather than the separate taxable income or loss, QPAI, and W-2 wages from patronage sources or nonpatronage sources of its members.

Second, re-number **§1.199A-12(d)(4)** as **§1.199A-12(d)(4)(i)**. This subsection appears on page 37 in the first column.

Third, insert a new subsection directly following the subsection just re-numbered §1.199A-12(d)(4)(i). Proposed language would read as follows:

§1.199A-12(d)(4)(ii) Allocation of the section 199A(g) deduction of a consolidated group with a Specified Cooperative parent that files as a cooperative among its members. The section 199A(g) deduction from patronage sources of a consolidated group with a Specified Cooperative parent that files as a cooperative is allocated among the patronage sources of all members of the consolidation, in proportion to each member's patronage QPAI, regardless of whether the consolidated group member has patronage separate taxable income or W-2 wages for the taxable year. In allocating the section 199A(g) deduction of such a patronage source of a consolidated group member among patronage sources of other members of the same group, any redetermination of a member's patronage receipts, COGS, or other deductions from an intercompany transaction under § 1.1502-13(c)(1)(i) or (c)(4) is not taken into account for purposes of section 199A(g). Also, for purposes of this allocation, if a patronage source of a member of a consolidated group has negative QPAI, the QPAI of the patronage source is treated as zero.

Option 2

First, modify §1.199A-12(d)(3)(ii) which is found on pages 36-37 of the proposed rule. Modifications are in track changes as follows:

§1.199A-12(d)(3)(ii) Expanded affiliated group consists only of members of a single consolidated group. If all of the Specified Cooperatives that are members of an EAG are also members of the same consolidated group, or the consolidated group files as a cooperative under a Specified Cooperative parent, the consolidated group's section 199A(g) deduction is determined using the consolidated group's consolidated taxable income or loss, QPAI, and W-2 wages, from patronage sources or nonpatronage sources, as the case may be, rather than the separate taxable income or loss, QPAI, and W-2 wages from patronage sources or nonpatronage sources of its members.

Second, modify §1.199A-12(d)(4) which is found on page 37 of the proposed rule. Modifications are in track changes as follows:

§1.199A-12(d)(4) Allocation of the section 199A(g) deduction of a consolidated group among its members. The section 199A(g) deduction from patronage sources of a consolidated group (or the section 199A(g) deduction allocated to a consolidated group that is a member of an EAG) is allocated among the patronage sources of Specified Cooperatives, or in the case of a consolidated group with a Specified Cooperative parent that files as a cooperative, all members of the consolidation, in proportion to each Specified Cooperative member's patronage QPAI, regardless of whether the ~~Specified Cooperative~~ consolidated group member has patronage separate taxable income or W-2 wages for the taxable year. In allocating the section 199A(g) deduction of a patronage source of a ~~Specified Cooperative that is part of a~~ consolidated group member among patronage sources of other members of the same group, any redetermination of a member's patronage receipts, COGS, or other deductions from an intercompany transaction under § 1.1502-13(c)(1)(i) or (c)(4) is not taken into account for purposes of section 199A(g). Also, for purposes of this allocation, if a patronage source of a ~~Specified Cooperative that is a~~ member of a consolidated group has negative QPAI, the QPAI of the patronage source is treated as zero.