

105TH CONGRESS  
2D SESSION

# S. 2498

To amend the Internal Revenue Code of 1986 to clarify the tax treatment of agricultural cooperatives and to allow declaratory judgment relief for such cooperatives.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 18, 1998

Mr. GRASSLEY (for himself and Ms. MOSELEY-BRAUN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify the tax treatment of agricultural cooperatives and to allow declaratory judgment relief for such cooperatives.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. COOPERATIVE MARKETING INCLUDES VALUE-**  
4 **ADDED PROCESSING THROUGH ANIMALS.**

5 (a) IN GENERAL.—Section 1388 of the Internal Rev-  
6 enue Code of 1986 (relating to definitions and special  
7 rules) is amended by adding at the end the following:

8 “(k) COOPERATIVE MARKETING INCLUDES VALUE-  
9 ADDED PROCESSING THROUGH ANIMALS.—For purposes

1 of section 521 and this subchapter, ‘marketing the prod-  
 2 ucts of members or other producers’ includes feeding the  
 3 products of members or other producers to cattle, hogs,  
 4 fish, chickens, or other animals and selling the resulting  
 5 animals or animal products.”

6 (b) EFFECTIVE DATE.—The amendment made by  
 7 this section shall apply to taxable years beginning after  
 8 the date of the enactment of this Act.

9 **SEC. 2. DECLARATORY JUDGMENT RELIEF FOR SECTION**  
 10 **521 COOPERATIVES.**

11 (a) IN GENERAL.—Section 7428(a)(1) of the Internal  
 12 Revenue Code of 1986 (relating to declaratory judgments  
 13 of tax exempt organizations) is amended by striking “or”  
 14 at the end of subparagraph (B) and by adding at the end  
 15 the following:

16 “(D) with respect to the initial qualifica-  
 17 tion or continuing qualification of a cooperative  
 18 as described in section 521(b) which is exempt  
 19 from tax under section 521(a), or”.

20 (b) EFFECTIVE DATE.—The amendments made by  
 21 this section shall apply with respect to pleadings filed after  
 22 the date of the enactment of this Act but only with respect  
 23 to determinations (or requests for determinations) made  
 24 after January 1, 1998.

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