

Agricultural Cooperatives and the Domestic Production Activities Deduction (DPAD)

Assumptions:

Federal net income before DPAD or patronage dividend: \$100,000
 Cooperative paid IRC Sec. 1382 patronage dividends: \$35,000
 Amount of DPAD passed through to patrons: \$10,000

Federal taxable income:

Federal net income before DPAD / patronage deduction
 IRC Sec. 199 DPAD
 IRC Section 1382 Patronage dividend
 Section 1382 patronage dividend addback for DPAD
 Federal Taxable income

Current Law (w/o DPAD)	Current Law w/ DPAD
\$100,000	Pass-Thru \$100,000
\$0	No Pass-Thru \$100,000
(\$35,000)	(\$10,000)
\$0	(\$35,000)
\$65,000	\$0
	\$55,000

Oregon Gross Tax Calculation

Federal net income before DPAD / patronage deduction
 IRC Sec. 199 DPAD
 IRC Section 1382 Patronage dividend
 Oregon disconnect from (addback for) DPAD
 Net Oregon taxable income
 Oregon gross tax

Current Law (w/o DPAD)	Prior Tax Filings (w/ DPAD)	Recent Enforcement (w/ DPAD)	Difference
\$100,000	\$100,000	\$100,000	\$0
\$0	(\$10,000)	(\$10,000)	\$0
(\$35,000)	(\$35,000)	(\$25,000)	(\$10,000)
\$0	\$10,000	\$10,000	\$0
\$65,000	\$65,000	\$75,000	(\$10,000)
\$4,290	\$4,290	\$4,950	(\$660)

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 Section 1382 patronage dividend addback for DPAD \$0
 Federal Taxable income \$65,000

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 IRC Sec. 199 DPAD (\$35,000)
 IRC Section 1382 Patronage dividend (\$35,000)
 Oregon disconnect from (addback for) DPAD \$10,000
 Net Oregon taxable income \$75,000
 Oregon gross tax \$4,290

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\$0	No Pass-Thru (\$10,000)	\$0
(\$35,000)	(\$35,000)	(\$10,000)
\$0	\$10,000	(\$10,000)
\$65,000	\$65,000	\$0
		\$55,000

Current Law (w/o DPAD)	Prior Tax Filings (w/ DPAD)	Recent Enforcement (w/ DPAD)	Difference
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\$0	(\$10,000)	(\$10,000)	\$0
(\$35,000)	(\$35,000)	(\$35,000)	(\$10,000)
\$0	\$10,000	\$0	\$0
\$65,000	\$65,000	\$55,000	(\$10,000)

Current Law (w/o DPAD)	Prior Tax Filings (w/ DPAD)		Recent Enforcement (w/ DPAD)		Difference
	Filings (w/ DPAD)	Recent Enforcement (w/ DPAD)	Filings (w/ DPAD)	Recent Enforcement (w/ DPAD)	
\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$0
\$0	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	\$0
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	Current Law (w/o DPAD)	Pass-Thru		
	\$100,000	\$100,000	\$100,000	\$0
	\$0	(\$10,000)	(\$10,000)	\$0
	(\$35,000)	(\$35,000)	(\$10,000)	(\$10,000)
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	(\$35,000)	(\$35,000)		(\$35,000)	(\$10,000)
	\$0	\$10,000		\$0	\$0
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