

106TH CONGRESS  
1ST SESSION

# H. R. 1914

To amend the Internal Revenue Code of 1986 to permit cooperatives to pay dividends on preferred stock without reducing patronage dividends.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 24, 1999

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to permit cooperatives to pay dividends on preferred stock without reducing patronage dividends.

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. PAYMENT OF DIVIDENDS ON STOCK OF CO-**  
4                       **OPERATIVES WITHOUT REDUCING PATRON-**  
5                       **AGE DIVIDENDS.**

6       (a) IN GENERAL.—Subsection (a) of section 1388 of  
7       the Internal Revenue Code of 1986 (relating to patronage  
8       dividend defined) is amended by adding at the end the  
9       following: “For purposes of paragraph (3), net earnings  
10      shall not be reduced by amounts paid during the year as

1 dividends on capital stock or other proprietary capital in-  
2 terests of the organization to the extent that the articles  
3 of incorporation or bylaws of such organization or other  
4 contract with patrons provide that such dividends are in  
5 addition to amounts otherwise payable to patrons which  
6 are derived from business done with or for patrons during  
7 the taxable year.”.

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

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