

108TH CONGRESS
1ST SESSION

H. R. 1671

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2003

Mr. HERGER (for himself, Mr. POMEROY, Mr. ENGLISH, Mr. GRAVES, Mr. HULSHOF, Mr. RAMSTAD, and Mr. MCCRERY) introduced the following bill; which was referred to the Committee on Ways and Means

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. SHORT TITLE.**

4 This Act may be cited as the “Cooperative Dividend
5 Equity Act of 2003”.

1 **SEC. 2. PAYMENT OF DIVIDENDS ON STOCK OF COOPERA-**
2 **TIVES WITHOUT REDUCING PATRONAGE**
3 **DIVIDENDS.**

4 (a) IN GENERAL.—Subsection (a) of section 1388 of
5 the Internal Revenue Code of 1986 (relating to patronage
6 dividend defined) is amended by adding at the end the
7 following: “For purposes of paragraph (3), net earnings
8 shall not be reduced by amounts paid during the year as
9 dividends on capital stock or other proprietary capital in-
10 terests of the organization to the extent that the articles
11 of incorporation or bylaws of such organization or other
12 contract with patrons provide that such dividends are in
13 addition to amounts otherwise payable to patrons which
14 are derived from business done with or for patrons during
15 the taxable year.”.

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

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