

108TH CONGRESS  
1ST SESSION

# S. 785

To amend the Internal Revenue Code of 1986 to allow the payment of dividends on the stock of cooperatives without reducing patronage dividends.

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## IN THE SENATE OF THE UNITED STATES

APRIL 3, 2003

Mr. BAUCUS (for himself, Mr. GRASSLEY, Mr. DASCHLE, Mr. COLEMAN, Mr. HARKIN, Mr. CRAIG, Mr. JOHNSON, Mr. BURNS, Mr. DORGAN, Mr. ROBERTS, Mr. DAYTON, Mr. FITZGERALD, Mrs. LINCOLN, Mr. COCHRAN, Mr. HAGEL, Mr. CONRAD, and Mr. HATCH) 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 allow the payment of dividends on the stock of cooperatives 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

1 following new sentence: “For purposes of paragraph (3),  
2 net earnings shall not be reduced by amounts paid during  
3 the year as dividends on capital stock or other proprietary  
4 capital interests of the organization to the extent that the  
5 articles of incorporation or bylaws of such organization or  
6 other contract with patrons provide that such dividends  
7 are in addition to amounts otherwise payable to patrons  
8 which are derived from business done with or for patrons  
9 during the taxable year.”.

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

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