

News from Senator

BOB DOLE



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FOR IMMEDIATE RELEASE
AUGUST 24, 1987

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DOLE BILL TO STOP IRS DOUBLE TAX ON FARMERS "PIK AND ROLL" LEGISLATION NEEDED

WASHINGTON -- In an effort to avoid "potentially devastating 'PIK and Roll' tax consequences", Senator Bob Dole (R-Kan) today announced plans to introduce legislation immediately upon Congress' return to prevent farmers from being taxed twice during the same year for having used the "PIK and Roll" procedure.

Dole called on the IRS to immediately explain their ruling on "PIK and Roll" transactions and how it affects farmers. "Many farmers throughout the Midwest are experiencing financial difficulty and the last thing they need is a surprise tax bill for using a common marketing procedure. I will be looking at legislation to correct this problem when Congress returns in September," Said Dole.

"Farmers have used the so-called 'PIK and Roll' procedure to acquire their grain from the CCC, instead of simply forfeiting the grain to the government.," Dole said. "This allows the farmers to maximize their marketing strategies rather than adding to already burdensome CCC stocks. Farmers are discovering that the IRS ruling apparently considers 'PIK and Roll' as a sale of grain to the government rather than a redemption or paying off of the loan. This creates an additional tax burden at the time the farmer uses 'PIK and Roll', rather than at the time a farmer actually markets the grain, which in many cases is the following calendar year. This is an especially serious problem now that farmers cannot use income averaging".

Under "PIK and Roll", farmers receive a CCC loan using their crop as collateral. A farmer can "redeem" or pay off his grain from the CCC by using commodity certificates instead of cash. The farmer then has possession of the grain to market according to his normal practices. "PIK and Roll" has been used extensively by farmers to free up storage space, acquire additional grain for feeding to livestock, avoiding storage costs and reducing the governments outlays for storage, transportation and handling.