

1 *(b) TAX TREATMENT BY PATRONS.—*

2 *(1) Section 1385(a) is amended by striking out*
 3 *“and” at the end of paragraph (1), by striking out the*
 4 *period at the end of paragraph (2) and inserting in lieu*
 5 *thereof “, and”, and by adding at the end thereof the fol-*
 6 *lowing new paragraph:*

7 *“(3) the amount of any per-unit retain allocation*
 8 *which is paid in qualified per-unit retain certificates and*
 9 *which is received by him during the taxable year from an*
 10 *organization described in section 1381(a).”*

11 *(2) The heading for section 1385(c) is amended by*
 12 *striking out “ALLOCATION” and inserting in lieu thereof*
 13 *“ALLOCATION AND CERTAIN NONQUALIFIED PER-*
 14 *UNIT RETAIN CERTIFICATES”.*

15 *(3) Section 1385(c)(1) is amended to read as fol-*
 16 *lows:*

17 *“(1) APPLICATION OF SUBSECTION.—This subsec-*
 18 *tion shall apply to—*

19 *“(A) any nonqualified written notice of alloca-*
 20 *tion which—*

21 *“(i) was paid as a patronage dividend, or*

22 *“(ii) was paid by an organization described*
 23 *in section 1381(a)(1) on a patronage basis*
 24 *with respect to earnings derived from business*