

(5) The heading for section 1383 is amended by striking out the period at the end thereof and inserting "OR NONQUALIFIED PER-UNIT RETAIN CERTIFICATES."

(6) Section 1383(a) is amended—

(A) by striking out "section 1382(b)(2)" and inserting in lieu thereof "section 1382(b)(2) or (4).",

(B) by striking out "nonqualified written notices of allocation" each place it appears and inserting in lieu thereof "nonqualified written notices of allocation or nonqualified per-unit retain certificates", and

(C) by striking out "qualified written notices of allocation" and inserting in lieu thereof "qualified written notices of allocation or qualified per-unit retain certificates (as the case may be)".

(7) Section 1383(b)(2) is amended—

(A) by striking out "nonqualified written notice of allocation" and inserting in lieu thereof "nonqualified written notice of allocation or nonqualified per-unit retain certificate",

(B) by striking out "qualified written notice of allocation" and inserting in lieu thereof "qualified written notice of allocation or qualified per-unit retain certificate (as the case may be)",

(C) by striking out "such written notice of allocation" and inserting in lieu thereof "such written notice of allocation or per-unit retain certificate", and

(D) by striking out "section 1382(b)(2)" and inserting in lieu thereof "section 1382(b)(2) or (4).",

(8) The table of sections for part I of subchapter T of chapter 1 is amended by striking out—

"Sec. 1383. Computation of tax where co-operative redeems nonqualified written notices of allocation."

and inserting in lieu thereof—

"Sec. 1383. Computation of tax where co-operative redeems nonqualified written notices of allocation or nonqualified per-unit retain certificates."

(b) TAX TREATMENT BY PATRONS.—

(1) Section 1385(a) is amended by striking out "and" at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting in lieu thereof ", and", and by adding at the end thereof the following new paragraph:

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

(2) The heading for section 1385(c) is amended by striking out "ALLOCATION" and inserting in lieu thereof "ALLOCATION AND CERTAIN NONQUALIFIED PER-UNIT RETAIN CERTIFICATES".

(3) Section 1385(c)(1) is amended to read as follows:

"(1) APPLICATION OF SUBSECTION.—This subsection shall apply to—

"(A) any nonqualified written notice of allocation which—

"(i) was paid as a patronage dividend, or

"(ii) was paid by an organization described in section 1381(a)(1) on a patronage basis with respect to earnings derived from business or sources described in section 1382(c)(2)(A), and

"(B) any nonqualified per-unit retain certificate which was paid as a per-unit retain allocation."

(4) Section 1385(c)(2) is amended—

(A) by striking out "nonqualified written notice of allocation" and inserting in lieu thereof "nonqualified written notice of allocation or nonqualified per-unit retain certificate", and

(B) by striking out "such written notice of allocation or pre-unit retain certificate", inserting in lieu thereof "such written notice of allocation or per-unit retain certificate".

(5) The table of parts for subchapter T of chapter 1 is amended by striking out—

"Part II. Tax treatment by patrons of patronage dividends."

and inserting in lieu thereof—

"Part II. Tax treatment by patrons of patronage dividends and per-unit retain allocations."

(c) DEFINITIONS.—

(1) (A) Section 1388(e)(1) is amended by striking out "allocation" and inserting in lieu thereof "allocation or a per-unit retain certificate)".

(B) Section 1388(e)(2) is amended by striking out "allocation" and inserting in lieu thereof "allocation or qualified per-unit retain certificate".

(2) Section 1388 is amended by adding at the end thereof the following new subsections:

"(f) PER-UNIT RETAIN ALLOCATION.—For purposes of this subchapter, the term 'per-unit retain allocation' means any allocation, by an organization to which part I of this subchapter applies, other than by payment in money or other property (except per-unit retain certificates) to a patron with respect to products marketed for him, the amount of which is fixed without reference to the net earnings of the organization pursuant to an agreement between the organization and the patron.

"(g) PER-UNIT RETAIN CERTIFICATE.—For purposes of this subchapter, the term 'per-unit retain certificate' means any written notice which discloses to the recipient the stated dollar amount of a per-unit retain allocation to him by the organization.

"(h) QUALIFIED PER-UNIT RETAIN CERTIFICATE.—

"(1) DEFINED.—For purposes of this subchapter, the term 'qualified per-unit retain certificate' means any per-unit retain certificate which the distributee has agreed, in the manner provided in paragraph (2), to take into account at its stated dollar amount as provided in section 1385(a).

"(2) MANNER OF OBTAINING AGREEMENT.—A distributee shall agree to take a per-unit retain certificate into account as provided in paragraph (1) only by—

"(A) making such agreement in writing, or

"(B) obtaining or retaining membership in the organization after—

"(i) such organization has adopted (after the date of the enactment of this subsection) a bylaw providing that membership in the organization constitutes such agreement, and

"(ii) he has received a written notification and copy of such bylaw.

"(3) PERIOD FOR WHICH AGREEMENT IS EFFECTIVE.—

"(A) GENERAL RULE.—Except as provided in subparagraph (B)—

"(i) an agreement described in paragraph (2)(A) shall be an agreement with respect to all products delivered by the distributee to the organization during the taxable year of the organization during which such agreement is made and all subsequent taxable years of the organization; and