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Milk Co-Op Gets Huge Back Tax Bill

Washington

The Internal Revenue service has demanded that the nation's largest dairy co-operative, the associated Milk Producers Inc., pay the government \$7.8 million in a back taxes and fraud penalties for improper deductions made in fiscal year 1972 and 1973.

The bill is the third the producers have received from the IRS in less than a year and now brings the total amount the government is asking of the co-op to over \$16 million.

The tax matter came to public attention when the producers' association filed suit in U.S. Tax Court in Washington challenging all three of the IRS' demands.

The IRS has charged that the association padded its deductions by \$3.7 million in 1972 and by \$2.2 million in 1973, particularly in the areas of meeting expenses and professional services. The other \$1.9 million the agency is seeking is for fraud penalties in 1972.

The association maintains that all the deductions were legal and has asked for a court ruling.

Last April, the IRS reversed a previous ruling and told the co-op it was no longer eligible for tax exemptions under federal statutes dealing with farm co-operatives. As a result, the co-operative was hit with a \$5.7 million bill for back taxes and penalties during fiscal year 1971.

United Press
