

104TH CONGRESS
1ST SESSION

H. R. 89

To amend the Internal Revenue Code of 1986 to provide for rollover of gain from sale of farm assets into an individual retirement account.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

Mr. SENSENBRENNER introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for rollover of gain from sale of farm assets into an individual retirement account.

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. SHORT TITLE; REFERENCE TO INTERNAL REV-**
4 **ENUE CODE.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Family Farm Tax Relief and Savings Act of 1995”.

7 (b) REFERENCE TO INTERNAL REVENUE CODE OF
8 1986.—Except as otherwise expressly provided, whenever
9 in this Act an amendment or repeal is expressed in terms
10 of an amendment to, or repeal of, a section or other provi-

1 sion, the reference shall be considered to be made to a
2 section or other provision of the Internal Revenue Code
3 of 1986.

4 **SEC. 2. ROLLOVER OF GAIN FROM SALE OF FARM ASSETS**
5 **TO INDIVIDUAL RETIREMENT PLANS.**

6 (a) IN GENERAL.—Part III of subchapter O of chap-
7 ter 1 of the Internal Revenue Code of 1986 (relating to
8 common nontaxable exchanges) is amended by inserting
9 after section 1034 the following new section:

10 **“SEC. 1034A. ROLLOVER OF GAIN ON SALE OF FARM ASSETS**
11 **INTO ASSET ROLLOVER ACCOUNT.**

12 “(a) NONRECOGNITION OF GAIN.—If a taxpayer has
13 a qualified net farm gain from the sale of a qualified farm
14 asset, then, at the election of the taxpayer, gain (if any)
15 from such sale shall be recognized only to the extent such
16 gain exceeds the contributions which—

17 “(1) are to 1 or more asset rollover accounts of
18 the taxpayer for the taxable year in which such sale
19 occurs, and

20 “(2) are not in excess of the limits under sub-
21 section (c).

22 “(b) ASSET ROLLOVER ACCOUNT.—

23 “(1) GENERAL RULE.—Except as provided in
24 this section, an asset rollover account shall be treat-

1 ed for purposes of this title in the same manner as
2 an individual retirement plan.

3 “(2) ASSET ROLLOVER ACCOUNT.—For pur-
4 poses of this title, the term ‘asset rollover account’
5 means an individual retirement plan which is des-
6 ignated at the time of the establishment of the plan
7 as an asset rollover account. Such designation shall
8 be made in such manner as the Secretary may pre-
9 scribe.

10 “(c) CONTRIBUTION RULES.—

11 “(1) NO DEDUCTION ALLOWED.—No deduction
12 shall be allowed under section 219 for a contribution
13 to an asset rollover account.

14 “(2) AGGREGATE CONTRIBUTION LIMITA-
15 TION.—Except in the case of rollover contributions,
16 the aggregate amount for all taxable years which
17 may be contributed to all asset rollover accounts es-
18 tablished on behalf of an individual during a quali-
19 fied period shall not exceed—

20 “(A) \$500,000 (\$250,000 in the case of a
21 separate return by a married individual), re-
22 duced by

23 “(B) the amount by which the aggregate
24 value of the assets held by the individual (and

1 spouse) in individual retirement plans (other
2 than asset rollover accounts) exceeds \$100,000.

3 “(3) ANNUAL CONTRIBUTION LIMITATIONS.—

4 “(A) GENERAL RULE.—The qualified con-
5 tribution which may be made in any taxable
6 year shall not exceed the lesser of—

7 “(i) the qualified net farm gain for
8 the taxable year, or

9 “(ii) an amount determined by mul-
10 tiplying the number of years the taxpayer
11 is a qualified farmer by \$10,000.

12 “(B) SPOUSE.—In the case of a married
13 couple filing a joint return under section 6013
14 for the taxable year, subparagraph (A) shall be
15 applied by substituting ‘\$20,000’ for ‘\$10,000’
16 for each year the taxpayer’s spouse is a quali-
17 fied farmer.

18 “(4) TIME WHEN CONTRIBUTION DEEMED
19 MADE.—For purposes of this section, a taxpayer
20 shall be deemed to have made a contribution to an
21 asset rollover account on the last day of the preced-
22 ing taxable year if the contribution is made on ac-
23 count of such taxable year and is made not later
24 than the time prescribed by law for filing the return

1 for such taxable year (not including extensions
2 thereof).

3 “(d) QUALIFIED NET FARM GAIN; ETC.—For pur-
4 poses of this section—

5 “(1) QUALIFIED NET FARM GAIN.—The term
6 ‘qualified net farm gain’ means the lesser of—

7 “(A) the net capital gain of the taxpayer
8 for the taxable year, or

9 “(B) the net capital gain for the taxable
10 year determined by only taking into account
11 gain (or loss) in connection with a disposition
12 of a qualified farm asset.

13 “(2) QUALIFIED FARM ASSET.—The term
14 ‘qualified farm asset’ means an asset used by a
15 qualified farmer in the active conduct of the trade
16 or business of farming (as defined in section
17 2032A(e)).

18 “(3) QUALIFIED FARMER.—

19 “(A) IN GENERAL.—The term ‘qualified
20 farmer’ means a taxpayer who—

21 “(i) during the 5-year period ending
22 on the date of the disposition of a qualified
23 farm asset materially participated in the
24 trade or business of farming, and

1 “(ii) 50 percent or more of such trade
2 or business is owned by the taxpayer (or
3 his spouse) during such 5-year period.

4 “(B) MATERIAL PARTICIPATION.—For
5 purposes of this paragraph, a taxpayer shall be
6 treated as materially participating in a trade or
7 business if he meets the requirements of section
8 2032A(e)(6).

9 “(4) ROLLOVER CONTRIBUTIONS.—Rollover
10 contributions to an asset rollover account may be
11 made only from other asset rollover accounts.

12 “(e) DISTRIBUTION RULES.—For purposes of this
13 title, the rules of paragraphs (1) and (2) of section 408(d)
14 shall apply to any distribution from an asset rollover ac-
15 count.

16 “(f) INDIVIDUAL REQUIRED TO REPORT QUALIFIED
17 CONTRIBUTIONS.—

18 “(1) IN GENERAL.—Any individual who—

19 “(A) makes a qualified contribution to any
20 asset rollover account for any taxable year, or

21 “(B) receives any amount from any asset
22 rollover account for any taxable year,

23 shall include on the return of tax imposed by chap-
24 ter 1 for such taxable year and any succeeding tax-
25 able year (or on such other form as the Secretary

1 may prescribe) information described in paragraph
2 (2).

3 “(2) INFORMATION REQUIRED TO BE SUP-
4 PLIED.—The information described in this para-
5 graph is information required by the Secretary
6 which is similar to the information described in sec-
7 tion 408(o)(4)(B).

8 “(3) PENALTIES.—For penalties relating to re-
9 ports under this paragraph, see section 6693(b).”

10 (b) CONTRIBUTIONS NOT DEDUCTIBLE.—Section
11 219(d) of the Internal Revenue Code of 1986 (relating to
12 other limitations and restrictions) is amended by adding
13 at the end thereof the following new paragraph:

14 “(5) CONTRIBUTIONS TO ASSET ROLLOVER AC-
15 COUNTS.—No deduction shall be allowed under this
16 section with respect to a contribution under section
17 1034A.”

18 (c) EXCESS CONTRIBUTIONS.—

19 (1) IN GENERAL.—Section 4973 of the Internal
20 Revenue Code of 1986 (relating to tax on excess
21 contributions to individual retirement accounts, cer-
22 tain section 403(b) contracts, and certain individual
23 retirement annuities) is amended by adding at the
24 end the following new subsection:

1 “(d) ASSET ROLLOVER ACCOUNTS.—For purposes of
2 this section, in the case of an asset rollover account re-
3 ferred to in subsection (a)(1), the term ‘excess contribu-
4 tion’ means the excess (if any) of the amount contributed
5 for the taxable year to such account over the amount
6 which may be contributed under section 1034A.”

7 (2) CONFORMING AMENDMENTS.—

8 (A) Section 4973(a)(1) of such Code is
9 amended by striking “or” and inserting “an
10 asset rollover account (within the meaning of
11 section 1034A), or”.

12 (B) The heading for section 4973 of such
13 Code is amended by inserting “**ASSET ROLL-**
14 **OVER ACCOUNTS,**” after “**CONTRACTS**”.

15 (C) The table of sections for chapter 43 of
16 such Code is amended by inserting “asset roll-
17 over accounts,” after “contracts” in the item
18 relating to section 4973.

19 (d) TECHNICAL AMENDMENTS.—

20 (1) Paragraph (1) of section 408(a) of the In-
21 ternal Revenue Code of 1986 (defining individual re-
22 tirement account) is amended by inserting “or a
23 qualified contribution under section 1034A,” before
24 “no contribution”.

1 (2) Subparagraph (A) of section 408(d)(5) of
2 such Code is amended by inserting “or qualified con-
3 tributions under section 1034A” after “rollover con-
4 tributions”.

5 (3)(A) Section 6693(b)(1) of such Code is
6 amended by inserting “or 1034A(f)(2)” after
7 “408(o)(4)” in subparagraph (A).

8 (B) Section 6693(b)(2) of such Code is amend-
9 ed by inserting “or 1034A(f)(2)” after “408(o)(4)”.

10 (4) The table of sections for part III of sub-
11 chapter O of chapter 1 of such Code is amended by
12 inserting after the item relating to section 1034 the
13 following new item:

“Sec. 1034A. Rollover of gain on sale of farm assets into asset rollover ac-
count.”

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to sales and exchanges after the
16 date of enactment of this Act.

○