

105TH CONGRESS
2D SESSION

H. R. 4126

To amend the Internal Revenue Code of 1986 to modify certain provisions relating to the treatment of forestry activities.

IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 1998

Ms. DUNN 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 modify certain provisions relating to the treatment of forestry activities.

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.**

4 This Act may be cited as the “Reforestation Tax Act
5 of 1998”.

6 **SEC. 2. PARTIAL INFLATION ADJUSTMENT FOR TIMBER.**

7 (a) IN GENERAL.—Part I of subchapter P of chapter
8 1 of the Internal Revenue Code of 1986 (relating to treat-
9 ment of capital gains) is amended by adding at the end
10 the following new section:

1 **“SEC. 1203. PARTIAL INFLATION ADJUSTMENT FOR TIM-**
2 **BER.**

3 “(a) **IN GENERAL.**—At the election of any taxpayer
4 who has qualified timber gain for any taxable year, there
5 shall be allowed as a deduction from gross income an
6 amount equal to the qualified percentage of such gain.

7 “(b) **QUALIFIED TIMBER GAIN.**—For purposes of
8 this section, the term ‘qualified timber gain’ means long-
9 term capital gain from the sale or exchange of timber.

10 “(c) **QUALIFIED PERCENTAGE.**—For purposes of this
11 section, the term ‘qualified percentage’ means the percent-
12 age (not exceeding 50 percent) determined by multiply-
13 ing—

14 “(1) 3 percent, by

15 “(2) the number of years in the holding period
16 of the taxpayer with respect to the timber.

17 “(d) **ESTATES AND TRUSTS.**—In the case of an es-
18 tate or trust, the deduction under subsection (a) shall be
19 computed by excluding the portion of (if any) the gains
20 for the taxable year from sales or exchanges of capital as-
21 sets which, under sections 652 and 662 (relating to inclu-
22 sions of amounts in gross income of beneficiaries of
23 trusts), is includible by the income beneficiaries as gain
24 derived from the sale or exchange of capital assets.”

25 (b) **COORDINATION WITH MAXIMUM RATES OF TAX**
26 **ON NET CAPITAL GAINS.**—

1 (1) Subsection (h)(4) of section 1 of such Code
2 (relating to maximum capital gains rate) is amended
3 by striking “and” at the end of subparagraph (C),
4 by striking the period at the end of subparagraph
5 (D) and inserting “, and”, and by adding after sub-
6 paragraph (D) the following new subparagraph:

7 “(E) qualified timber gain with respect to
8 which an election is in effect under section
9 1203.”

10 (2) Subsection (a) of section 1201 of such Code
11 (relating to the alternative tax for corporations) is
12 amended by inserting at the end thereof the follow-
13 ing new sentence:

14 “For purposes of this section, net capital gain shall be
15 determined without regard to qualified timber gain (as de-
16 fined in section 1203) with respect to which an election
17 is in effect under section 1203.”

18 (c) ALLOWANCE OF DEDUCTION IN COMPUTING AD-
19 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
20 such Code (relating to definition of adjusted gross income)
21 is amended by inserting after paragraph (17) the following
22 new paragraph:

23 “(18) PARTIAL INFLATION ADJUSTMENT FOR
24 TIMBER.—The deduction allowed by section 1203.”

25 (d) TECHNICAL AMENDMENTS.—

1 (1) Subparagraph (B) of section 172(d)(2) of
2 such Code is amended to read as follows:

3 “(B) the exclusion under section 1202 and
4 the deduction under section 1203 shall not be
5 allowed.”

6 (2) The last sentence of section 453A(c)(3) of
7 such Code is amended by striking “(whichever is ap-
8 propriate)” and inserting “or the deduction under
9 section 1203 (whichever is appropriate)”.

10 (3) Section 641(d)(2)(C) of such Code is
11 amended by inserting after clause (iii) the following
12 new clause:

13 “(iv) The deduction under section
14 1203.”

15 (4) The first sentence of section 642(c)(4) of
16 such Code is amended to read as follows: “To the
17 extent that the amount otherwise allowable as a de-
18 duction under this subsection consists of gain de-
19 scribed in section 1202(a) or qualified timber gain
20 (as defined in section 1203(b)), proper adjustment
21 shall be made for any exclusion allowable under sec-
22 tion 1202, and any deduction allowable under sec-
23 tion 1203, to the estate or trust.”

24 (5) The last sentence of section 643(a)(3) of
25 such Code is amended to read as follows: “The ex-

1 (1) IN GENERAL.—Section 194(a) of the Inter-
2 nal Revenue Code of 1986 is amended by striking
3 “84 months” and inserting “60 months”.

4 (2) CONFORMING AMENDMENT.—Section
5 194(a) of such Code is amended by striking “84-
6 month period” and inserting “60-month period”.

7 (b) REMOVE CAP ON AMORTIZABLE BASIS.—

8 (1) Section 194 of such Code is amended by
9 striking subsection (b) and by redesignating sub-
10 sections (c) and (d) as subsections (b) and (c), re-
11 spectively.

12 (2) Subsection (b) of section 194 of such Code
13 (as redesignated by paragraph (1)) is amended by
14 striking paragraph (4).

15 (3) Paragraph (1) of section 48(b) of such Code
16 is amended by striking “(after the application of sec-
17 tion 194(b)(1))”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to additions to capital account
20 made after December 31, 1997.

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