

106TH CONGRESS
1ST SESSION

H. R. 1503

To amend the Internal Revenue Code of 1986 to provide an exclusion for gain from the sale of farmland which is similar to the exclusion from gain on the sale of a principal residence.

IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 1999

Mr. BARRETT of Nebraska (for himself and Mr. POMEROY) 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 an exclusion for gain from the sale of farmland which is similar to the exclusion from gain on the sale of a principal residence.

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. EXCLUSION OF GAIN FROM SALE OF CERTAIN**
4 **FARMLAND.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 (relating to
7 items specifically excluded from gross income) is amended
8 by adding after section 121 the following new section:

1 **“SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED**
2 **FARM PROPERTY.**

3 “(a) EXCLUSION.—In the case of a natural person,
4 gross income shall not include gain from the sale or ex-
5 change of qualified farm property.

6 “(b) LIMITATION ON AMOUNT OF EXCLUSION.—

7 “(1) IN GENERAL.—The amount of gain ex-
8 cluded from gross income under subsection (a) with
9 respect to any taxable year shall not exceed
10 \$500,000 (\$250,000 in the case of a married indi-
11 vidual filing a separate return), reduced by the ag-
12 gregate amount of gain excluded under subsection
13 (a) for all preceding taxable years.

14 “(2) SPECIAL RULE FOR JOINT RETURNS.—The
15 amount of the exclusion under subsection (a) on a
16 joint return for any taxable year shall be allocated
17 equally between the spouses for purposes of applying
18 the limitation under paragraph (1) for any suc-
19 ceeding taxable year.

20 “(c) QUALIFIED FARM PROPERTY.—For purposes of
21 this section—

22 “(1) IN GENERAL.—The term ‘qualified farm
23 property’ means real property located in the United
24 States if, during periods aggregating 3 years or
25 more of the 5-year period ending on the date of the
26 sale or exchange of such real property—

1 “(A) such real property was used by the
2 taxpayer or a member of the family of the tax-
3 payer as a farm for farming purposes, and

4 “(B) there was material participation by
5 the taxpayer (or such a member) in the oper-
6 ation of the farm.

7 “(2) OTHER DEFINITIONS.—The terms ‘mem-
8 ber of the family’, ‘farm’, and ‘farming purposes’
9 have the respective meanings given such terms by
10 paragraphs (2), (4), and (5) of section 2032A(e).

11 “(3) SPECIAL RULES.—Rules similar to the
12 rules of paragraphs (4) and (5) of section 2032A(b)
13 and paragraphs (3) and (6) of section 2032A(e)
14 shall apply.

15 “(d) OTHER RULES.—For purposes of this section,
16 rules similar to the rules of subsection (e) and subsection
17 (f) of section 121 shall apply.”

18 (b) CONFORMING AMENDMENT.—The table of sec-
19 tions for part III of subchapter B of chapter 1 of the In-
20 ternal Revenue Code of 1986 is amended by adding after
21 the item relating to section 121 the following new item:

“Sec. 121A. Exclusion of gain from sale of qualified farm prop-
erty.”

1 (c) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to any sale or exchange on or after
3 May 7, 1997, in taxable years ending after such date.

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