

106TH CONGRESS
1ST SESSION

S. 1085

To amend the Internal Revenue Code of 1986 to modify the treatment of bonds issued to acquire renewable resources on land subject to conservation easement.

IN THE SENATE OF THE UNITED STATES

MAY 19, 1999

Mrs. MURRAY introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the treatment of bonds issued to acquire renewable resources on land subject to conservation easement.

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 “Community Forestry
5 and Agriculture Conservation Act of 1999”.

1 **SEC. 2. TREATMENT OF BONDS ISSUED TO ACQUIRE RE-**
 2 **NEWABLE RESOURCES ON LAND SUBJECT TO**
 3 **CONSERVATION EASEMENT.**

4 (a) IN GENERAL.—Section 145 of the Internal Rev-
 5 enue Code of 1986 (defining qualified 501(c)(3) bond) is
 6 amended by redesignating subsection (e) as subsection (f)
 7 and by inserting after subsection (d) the following new
 8 subsection:

9 “(e) BONDS ISSUED TO ACQUIRE RENEWABLE RE-
 10 SOURCES ON LAND SUBJECT TO CONSERVATION EASE-
 11 MENT.—

12 “(1) IN GENERAL.—If—

13 “(A) the proceeds of any bond are used to
 14 acquire land (or a long-term lease thereof) to-
 15 gether with any renewable resource associated
 16 with the land (including standing timber, agri-
 17 cultural crops, or water rights) from an unaffili-
 18 ated person,

19 “(B) the land is subject to a conservation
 20 restriction—

21 “(i) which is granted in perpetuity to
 22 an unaffiliated person that is—

23 “(I) a 501(c)(3) organization, or

24 “(II) a Federal, State, or local
 25 government conservation organization,

1 “(ii) which meets the requirements of
2 clauses (ii) and (iii)(II) of section
3 170(h)(4)(A),

4 “(iii) which exceeds the requirements
5 of relevant environmental and land use
6 statutes and regulations, and

7 “(iv) which obligates the owner of the
8 land to pay the costs incurred by the hold-
9 er of the conservation restriction in moni-
10 toring compliance with such restriction,

11 “(C) a management plan which meets the
12 requirements of the statutes and regulations re-
13 ferred to in subparagraph (B)(iii) is developed
14 for the conservation of the renewable resources,
15 and

16 “(D) such bond would be a qualified
17 501(c)(3) bond (after the application of para-
18 graph (2)) but for the failure to use revenues
19 derived by the 501(c)(3) organization from the
20 sale, lease, or other use of such resource as oth-
21 erwise required by this part,

22 such bond shall not fail to be a qualified 501(c)(3)
23 bond by reason of the failure to so use such revenues
24 if the revenues which are not used as otherwise re-
25 quired by this part are used in a manner consistent

1 with the stated charitable purposes of the 501(c)(3)
2 organization.

3 “(2) TREATMENT OF TIMBER, ETC.—

4 “(A) IN GENERAL.—For purposes of sub-
5 section (a), the cost of any renewable resource
6 acquired with proceeds of any bond described in
7 paragraph (1) shall be treated as a cost of ac-
8 quiring the land associated with the renewable
9 resource and such land shall not be treated as
10 used for a private business use because of the
11 sale or leasing of the renewable resource to, or
12 other use of the renewable resource by, an unaf-
13 filiated person to the extent that such sale, leas-
14 ing, or other use does not constitute an unre-
15 lated trade or business, determined by applying
16 section 513(a).

17 “(B) APPLICATION OF BOND MATURITY
18 LIMITATION.—For purposes of section 147(b),
19 the cost of any land or renewable resource ac-
20 quired with proceeds of any bond described in
21 paragraph (1) shall have an economic life com-
22 mensurate with the economic and ecological fea-
23 sibility of the financing of such land or renew-
24 able resource.

1 “(C) UNAFFILIATED PERSON.—For pur-
2 poses of this subsection, the term ‘unaffiliated
3 person’ means any person who controls not
4 more than 20 percent of the governing body of
5 another person.”

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to obligations issued after the
8 date of the enactment of this Act.

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