

106TH CONGRESS
1ST SESSION

S. 1240

To amend the Internal Revenue Code of 1986 to provide a partial inflation adjustment for capital gains from the sale or exchange of timber.

IN THE SENATE OF THE UNITED STATES

JUNE 17, 1999

Mr. MURKOWSKI (for himself, Mr. BREAUX, Mr. GORTON, Mr. COCHRAN, Mr. HUTCHINSON, Ms. COLLINS, Mrs. LINCOLN, Mr. SHELBY, Ms. SNOWE, Mrs. MURRAY, Mr. SESSIONS, Mr. SMITH of Oregon, Mrs. HUTCHISON, Mr. GRAMS, and Mr. LANDRIEU) 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 provide a partial inflation adjustment for capital gains from the sale or exchange of timber.

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. PARTIAL INFLATION ADJUSTMENT FOR TIM-**
4 **BER.**

5 (a) IN GENERAL.—Part I of subchapter P of chapter
6 1 of the Internal Revenue Code of 1986 (relating to treat-
7 ment of capital gains) is amended by adding at the end
8 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 gain
9 from the disposition of timber which the taxpayer has
10 owned for more than 1 year.

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

15 “(1) 3 percent, by

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

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

1 (b) COORDINATION WITH MAXIMUM RATES OF TAX
2 ON NET CAPITAL GAINS.—

3 (1) Section 1(h) of such Code (relating to max-
4 imum capital gains rate) is amended by adding at
5 the end the following new paragraph:

6 “(14) QUALIFIED TIMBER GAIN.—For purposes
7 of this section, net capital gain shall be determined
8 without regard to qualified timber gain (as defined
9 in section 1203) with respect to which an election is
10 in effect under section 1203.”

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

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

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

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

1 (d) TECHNICAL AMENDMENTS.—

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

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

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

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

14 “(iv) The deduction under section
15 1203.”

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

1 (5) The last sentence of section 643(a)(3) of
2 such Code is amended to read as follows: “The ex-
3 clusion under section 1202 and the deduction under
4 section 1203 shall not be taken into account.”

5 (6) The last sentence of section 643(a)(6)(C) of
6 such Code is amended by inserting “(i)” before
7 “there shall” and by inserting before the period “,
8 and (ii) the deduction under section 1203 (relating
9 to partial inflation adjustment for timber) shall not
10 be taken into account”.

11 (7) Paragraph (4) of section 691(c) of such
12 Code is amended by inserting “1203,” after
13 “1202,”.

14 (8) The second sentence of paragraph (2) of
15 section 871(a) of such Code is amended by striking
16 “section 1202” and inserting “sections 1202 and
17 1203”.

18 (e) CLERICAL AMENDMENT.—The table of sections
19 for part I of subchapter P of chapter 1 of such Code is
20 amended by adding at the end the following new item:

“Sec. 1203. Partial inflation adjustment for timber.”

21 (f) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to sales or exchanges after Decem-
23 ber 31, 1998.

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