

110TH CONGRESS
2D SESSION

H. R. 6721

To amend the Internal Revenue Code of 1986 to allow an unlimited exclusion from transfer taxes for certain farmland and land of conservation value, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2008

Mr. BISHOP of New York 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 allow an unlimited exclusion from transfer taxes for certain farmland and land of conservation value, and for other purposes.

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 “Farmland Preservation
5 and Land Conservation Act of 2008”.

6 **SEC. 2. TRANSFER TAX EXCLUSION FOR CERTAIN FARM-**
7 **LAND AND LAND OF CONSERVATION VALUE.**

8 (a) ESTATE TAX.—

1 (1) IN GENERAL.—Part IV of subchapter A of
2 chapter 11 of the Internal Revenue Code of 1986
3 (relating to gross estate) is amended by inserting
4 after section 2058 the following new section:

5 **“SEC. 2059. FARM AND CONSERVATION LAND.**

6 “(a) IN GENERAL.—For purposes of the tax imposed
7 by section 2001, the value of the taxable estate shall be
8 determined by deducting from the value of the gross estate
9 an amount equal to the adjusted value of the qualified
10 farm or conservation land included in the estate.

11 “(b) ESTATES TO WHICH SECTION APPLIES.—This
12 section shall apply to an estate if—

13 “(1) the decedent was (at the date of the dece-
14 dent’s death) a citizen or resident of the United
15 States, and

16 “(2) the executor elects the application of this
17 section and files the agreement referred to in sub-
18 section (d)(2) with respect to the qualified farm or
19 conservation land.

20 “(c) DEFINITIONS.—For purposes of this section—

21 “(1) QUALIFIED FARM OR CONSERVATION
22 LAND.—The term ‘qualified farm or conservation
23 land’ means any real property—

24 “(A) which is located in the United States,

1 “(B) which, on the date of the decedent’s
2 death, was being used—

3 “(i) as a farm for farming purposes
4 (within the meaning of section 2032A(e)),
5 or

6 “(ii) exclusively for conservation pur-
7 poses (within the meaning of section
8 170(h)),

9 “(C) with respect to which there is a re-
10 corded covenant which prevents any use of such
11 land which is inconsistent with the uses de-
12 scribed in subparagraph (B), and

13 “(D) which is designated in the agreement
14 referred to in subsection (d)(2).

15 “(2) ADJUSTED VALUE.—The term ‘adjusted
16 value’ means the value of the qualified farm or con-
17 servation land for purposes of this chapter, reduced
18 by the amount allowable as a deduction under para-
19 graph (4) of section 2053(a).

20 “(d) ELECTION; AGREEMENT.—

21 “(1) ELECTION.—The election under this sec-
22 tion shall be made on the return of the tax imposed
23 by section 2001. Such election shall be made in such
24 manner as the Secretary shall by regulations pre-

1 scribe. Such an election, once made, shall be irrev-
2 ocable.

3 “(2) AGREEMENT.—The agreement referred to
4 in this paragraph is a written agreement signed by
5 each person in being who has an interest (whether
6 or not in possession) in any property designated in
7 such agreement consenting to the application of sub-
8 section (e) with respect to such property.

9 “(3) MODIFICATION OF ELECTION AND AGREE-
10 MENT PERMITTED.—The procedures prescribed
11 under section 2032A(d)(3) shall apply for purposes
12 of this subsection.

13 “(e) TAX TREATMENT OF DISPOSITIONS AND INCON-
14 SISTENT USES.—In the case of a decedent’s estate which
15 includes qualified farm or conservation land with respect
16 to which there is a covenant described in subsection
17 (c)(1)(C) (including such a covenant made by a prior dece-
18 dent)—

19 “(1) IMPOSITION OF ADDITIONAL ESTATE
20 TAX.—If, at any time after the decedent’s death and
21 before the death of the heir—

22 “(A) the heir disposes of any interest in
23 qualified farm or conservation land and the per-
24 son acquiring such interest is not subject to the
25 covenant described in subsection (c)(1)(C), or

1 “(B) the heir uses such land in any man-
2 ner which violates the terms of such covenant,
3 then, there is hereby imposed an additional estate
4 tax.

5 “(2) AMOUNT OF ADDITIONAL TAX.—

6 “(A) IN GENERAL.—The amount of the
7 additional tax imposed by paragraph (1) with
8 respect to any interest shall be the amount
9 equal to the sum of—

10 “(i) the adjusted tax difference with
11 respect to the estate, and

12 “(ii) interest at the underpayment
13 rate established under section 6621 on the
14 amount determined under clause (i) for the
15 period beginning on the due date for filing
16 the estate tax return.

17 “(B) ADJUSTED TAX DIFFERENCE WITH
18 RESPECT TO ESTATE.—For purposes of this
19 subsection, the term ‘adjusted tax difference
20 with respect to the estate’ means the excess
21 of—

22 “(i) what would have been the estate
23 tax liability if the fair market value of the
24 interest at the time of the disposition or
25 use described in paragraph (1), over

1 “(ii) the estate tax liability.

2 For purposes of this subparagraph, the term
3 ‘estate tax liability’ means the tax imposed by
4 section 2001 reduced by the credits allowable
5 against such tax.

6 “(3) CERTAIN ADDITIONAL RULES TO APPLY.—
7 Rules similar to the rules of paragraphs (2)(D),
8 (2)(E), (3), (4), (5), and (8) of section 2032A(c)
9 shall apply for purposes of this subsection.

10 “(4) INCOME TAX TREATMENT OF DISPOSI-
11 TIONS.—For purposes of chapter 1, in any case in
12 which an additional tax is imposed by this sub-
13 section by reason of any disposition or use of an in-
14 terest, such interest (if not otherwise disposed of in
15 a transaction in which gain is recognized) shall be
16 treated as sold at its fair market value at the time
17 of the disposition or use, and gain shall be recog-
18 nized notwithstanding any provision of subtitle A.

19 “(f) BASIS.—For purposes of this title, the basis of
20 any qualified farm or conservation land which is included
21 in the estate of a decedent pursuant to subsection (a) shall
22 be the adjusted basis of such qualified farm or conserva-
23 tion land on the date of the decedent’s death.

1 “(g) CERTAIN ADDITIONAL RULES TO APPLY.—For
2 purposes of this section, rules similar to the following rules
3 shall apply:

4 “(1) CERTAIN REAL PROPERTY INCLUDED.—
5 Section 2032A(e)(3)(A).

6 “(2) DEFINITIONS OF FARM AND FARMING
7 PURPOSES.—Paragraphs (4) and (5) of section
8 2032A(e).

9 “(3) PROPERTY ACQUIRED FROM DECEDENT.—
10 Section 2032A(e)(9).

11 “(4) COMMUNITY PROPERTY.—Section
12 2032A(e)(10).

13 “(5) BOND IN LIEU OF PERSONAL LIABILITY.—
14 Section 2032A(e)(11).

15 “(6) SPECIAL RULE FOR WOODLANDS.—Section
16 2032A(e)(12).

17 “(7) STATUTE OF LIMITATION.—Section
18 2032A(f).

19 “(8) SPECIAL RULES FOR INVOLUNTARY CON-
20 VERSIONS OF REAL PROPERTY.—Section 2032A(h).

21 “(9) EXCHANGES OF QUALIFIED REAL PROP-
22 erty.—Section 2032A(i).

23 “(h) CROSS REFERENCE.—See section 6324C for
24 special lien on farm and conservation land.”.

1 (2) SPECIAL LIEN FOR FARM AND CONSERVA-
2 TION LAND.—Part II of subchapter C of chapter 64
3 of such Code (relating to liens) is amended by in-
4 serting after section 6324B the following new sec-
5 tion:

6 **“SEC. 6324C. SPECIAL LIEN ON FARM AND CONSERVATION**
7 **LAND.**

8 “(a) GENERAL RULE.—In the case of qualified farm
9 or conservation land (within the meaning of section
10 2059(c)(1)) with respect to which an election is in effect
11 under section 2059(b)(2) or section 2524(a) or pursuant
12 to section 2611(b)(2), an amount equal to the adjusted
13 value attributable to such land (within the meaning of sec-
14 tion 2059(c)(2)) shall be a lien in favor of the United
15 States on such land.

16 “(b) PERIOD OF LIEN.—The lien imposed by this sec-
17 tion shall arise at the time an election is filed under sec-
18 tion 2059 and shall continue with respect to such qualified
19 farm or conservation land until the earlier of—

20 “(1) such land is transferred to a qualified or-
21 ganization (as defined in section 170(h)(3)),

22 “(2) the liability for tax under subsection (e) of
23 section 2059 with respect to such land has been sat-
24 isfied or has become unenforceable by reason of
25 lapse of time, or

1 “(3) it is established to the satisfaction of the
2 Secretary that no further tax liability may arise
3 under section 2059(e) with respect to such land.

4 “(c) CERTAIN RULES AND DEFINITIONS MADE AP-
5 PLICABLE.—

6 “(1) IN GENERAL.—The rule set forth in para-
7 graphs (1), (3), and (4) of section 6324A(d) shall
8 apply with respect to the lien imposed by this section
9 as if it were a lien imposed by section 6324A.

10 “(2) QUALIFIED FARM OR CONSERVATION
11 LAND.—For purposes of this section, the term
12 ‘qualified farm or conservation land’ includes quali-
13 fied replacement property (within the meaning of
14 section 2032A(h)(3)(B)) and qualified exchange
15 property (within the meaning of section
16 2032A(i)(3)).

17 “(d) SUBSTITUTION OF SECURITY FOR LIEN.—To
18 the extent provided in regulations prescribed by the Sec-
19 retary, the furnishing of security may be substituted for
20 the lien imposed by this section.”.

21 (b) CONFORMING AND CLERICAL AMENDMENTS.—

22 (1) Section 1016(a) of such Code is amended
23 by striking “and” at the end of paragraph (35), by
24 striking the period at the end of paragraph (36) and

1 inserting “, and”, and by inserting after paragraph
2 (36) the following new paragraph:

3 “(37) to the extent provided in section
4 2059(f).”.

5 (2) The table of sections for part III of sub-
6 chapter A of chapter 11 of such Code is amended by
7 inserting after the item relating to section 2033 the
8 following new item:

“Sec. 2059. Farm and conservation land.”.

9 (3) The table of sections for part II of sub-
10 chapter C of chapter 64 of such Code is amended by
11 inserting after the item relating to section 6324B
12 the following new item:

“Sec. 6324C. Special lien on farm and conservation land.”.

13 (c) GIFT TAX.—

14 (1) IN GENERAL.—Subchapter C of chapter 12
15 of subtitle B of such Code (deductions) is amended
16 by redesignating section 2524 as section 2525 and
17 inserting after section 2523 the following new sec-
18 tion:

19 **“SEC. 2524. GIFT OF FARM AND CONSERVATION LAND.**

20 “(a) IN GENERAL.—In computing taxable gifts for
21 the calendar year, there shall be allowed as a deduction
22 in the case of a citizen or resident the adjusted value of
23 all gifts made during such year which are qualified farm
24 or conservation land if the donee elects the application of

1 this section and files the agreement referred to in sub-
2 section (c)(2) with respect to the qualified farm or con-
3 servation land.

4 “(b) DEFINITIONS.—For purposes of this section—

5 “(1) QUALIFIED FARM OR CONSERVATION
6 LAND.—The term ‘qualified farm or conservation
7 land’ means any real property—

8 “(A) which is located in the United States,

9 “(B) which, on the date of the gift, was
10 being used—

11 “(i) as a farm for farming purposes
12 (within the meaning of section 2032A(e)),
13 or

14 “(ii) exclusively for conservation pur-
15 poses (within the meaning of section
16 170(h)),

17 “(C) with respect to which there is a re-
18 corded covenant which prevents any use of such
19 land which is inconsistent with the uses de-
20 scribed in subparagraph (B), and

21 “(D) which is designated in the agreement
22 referred to in subsection (c)(2).

23 “(2) ADJUSTED VALUE.—The term ‘adjusted
24 value’ means the value of the qualified farm or con-
25 servation land for purposes of this chapter, reduced

1 by the amount allowable as a deduction under para-
2 graph (4) of section 2053(a).

3 “(c) ELECTION; AGREEMENT.—

4 “(1) ELECTION.—The election under this sec-
5 tion shall be made in such manner as the Secretary
6 shall by regulations prescribe. Such an election, once
7 made, shall be irrevocable.

8 “(2) AGREEMENT.—The agreement referred to
9 in this paragraph is a written agreement signed by
10 each person in being who has an interest (whether
11 or not in possession) in any property designated in
12 such agreement consenting to the application of sub-
13 section (d) with respect to such property.

14 “(3) MODIFICATION OF ELECTION AND AGREE-
15 MENT PERMITTED.—The procedures prescribed
16 under section 2032A(d)(3) shall apply for purposes
17 of this subsection.

18 “(d) TAX TREATMENT OF DISPOSITIONS AND INCON-
19 SISTENT USES.—In the case of a decedent’s estate which
20 includes qualified farm or conservation land with respect
21 to which there is a covenant described in subsection
22 (c)(1)(C) (including such a covenant made by a prior dece-
23 dent)—

1 “(1) IMPOSITION OF ADDITIONAL GIFT TAX.—

2 If, at any time after the gift described in subsection

3 (a) and before the death of the donee—

4 “(A) the donee disposes of any interest in

5 qualified farm or conservation land and the per-

6 son acquiring such interest is not subject to the

7 covenant described in subsection (b)(1)(C), or

8 “(B) the donee uses such land in any man-

9 ner which violates the terms of such covenant,

10 then, there is hereby imposed an additional gift tax.

11 “(2) AMOUNT OF ADDITIONAL TAX.—

12 “(A) IN GENERAL.—The amount of the

13 additional tax imposed by paragraph (1) with

14 respect to any interest shall be the amount

15 equal to the sum of—

16 “(i) the adjusted tax difference with

17 respect to the gift, and

18 “(ii) interest at the underpayment

19 rate established under section 6621 on the

20 amount determined under clause (i) for the

21 period beginning on the date of such gift.

22 “(B) ADJUSTED TAX DIFFERENCE WITH

23 RESPECT TO GIFT.—For purposes of this sub-

24 section, the term ‘adjusted tax difference with

25 respect to the gift’ means the excess of—

1 “(i) what would have been the gift tax
2 liability if the fair market value of the in-
3 terest at the time of the disposition or use
4 described in paragraph (1), over

5 “(ii) the gift tax liability.

6 For purposes of this subparagraph, the term
7 ‘gift tax liability’ means the tax imposed by sec-
8 tion 2501 reduced by the credits allowable
9 against such tax.

10 “(3) CERTAIN ADDITIONAL RULES TO APPLY.—
11 Rules similar to the rules of paragraphs (2)(D),
12 (2)(E), (3), (4), (5), and (8) of section 2032A(c)
13 shall apply for purposes of this subsection.

14 “(4) INCOME TAX TREATMENT OF DISPOSI-
15 TIONS.—For purposes of chapter 1, in any case in
16 which an additional tax is imposed by this sub-
17 section by reason of any disposition or use of an in-
18 terest, such interest (if not otherwise disposed of in
19 a transaction in which gain is recognized) shall be
20 treated as sold at its fair market value at the time
21 of the disposition or use, and gain shall be recog-
22 nized notwithstanding any provision of subtitle A.

23 “(e) CERTAIN ADDITIONAL RULES TO APPLY.—For
24 purposes of this section, rules similar to the following rules
25 shall apply:

1 “(1) CERTAIN REAL PROPERTY INCLUDED.—
2 Section 2032A(e)(3)(A).

3 “(2) DEFINITIONS OF FARM AND FARMING
4 PURPOSES.—Paragraphs (4) and (5) of section
5 2032A(e).

6 “(3) BOND IN LIEU OF PERSONAL LIABILITY.—
7 Section 2032A(e)(11).

8 “(4) SPECIAL RULE FOR WOODLANDS.—Section
9 2032A(e)(12).

10 “(5) STATUTE OF LIMITATION.—Section
11 2032A(f).

12 “(6) SPECIAL RULES FOR INVOLUNTARY CON-
13 VERSIONS OF REAL PROPERTY.—Section 2032A(h).

14 “(7) EXCHANGES OF QUALIFIED REAL PROP-
15 ERTY.—Section 2032A(i).

16 “(f) CROSS REFERENCE.—See section 6324C for
17 special lien on farm and conservation land.”.

18 (2) CONFORMING AMENDMENT.—Section 2525
19 of such Code, as amended by paragraph (1), is
20 amended by striking “sections 2522 and 2523” and
21 inserting “sections 2522, 2523, and 2524”.

22 (3) CLERICAL AMENDMENT.—The table of sec-
23 tions for such subchapter is amended by striking the
24 last item and inserting the following new items:

“Sec. 2524. Gift of farm and conservation land.

“Sec. 2525. Extent of deductions.”.

1 (d) GENERATION SKIPPING TAX.—

2 (1) EXCLUSION.—Subsection (b) of section
3 2611 of such Code (relating to certain transfers ex-
4 cluded) is amended by redesignating paragraph (2)
5 as paragraph (3) and by inserting after paragraph
6 (1) the following new paragraph:

7 “(2) any transfer which, if made inter vivos by
8 an individual, would be treated as a deduction under
9 section 2524 (relating to gift of farm and conserva-
10 tion land), or”.

11 (2) APPLICABLE RULES.—Subsection (b) of sec-
12 tion 2611 of such Code is amended by adding at the
13 end the following flush sentence:

14 “For purposes of paragraph (2), rules similar to the rules
15 of section 2524 shall apply.”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to estates of decedents dying, gifts
18 made, and generation-skipping transfers after December
19 31, 2008.

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