

105TH CONGRESS  
1ST SESSION

# H. R. 86

To amend the Internal Revenue Code of 1986 to allow farmers to income average over 2 years.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. SMITH of Michigan (for himself, Mr. SMITH of Oregon, Mr. STENHOLM, Mr. SKEEN, Mr. BARCIA, Mr. BARRETT of Wisconsin, Mr. BOEHNER, Mr. EVANS, Mr. HOSTETTLER, Mr. NORWOOD, Mr. POMEROY, Ms. STABENOW, Mr. COMBEST, Mr. MCHUGH, Mr. WELLER, Mr. SOLOMON, Mr. POMBO, Mr. BOSWELL, Mr. CHAMBLISS, Mr. LATHAM, Mr. BLUNT, Mr. PETERSON of Minnesota, Mr. HILL, Mr. EWING, Mr. HASTERT, Mr. KINGSTON, Mr. HERGER, Mr. THUNE, Mr. FROST, Mr. MCINNIS, Mr. PARKER, Mr. NETHERCUTT, Mr. SENSENBRENNER, and Mr. CRAPO) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow farmers to income average over 2 years.

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. AVERAGING OF FARM INCOME OVER 2 YEARS.**

4 (a) IN GENERAL.—Subpart B of part II of sub-  
5 chapter E of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to taxable year for which items of gross

1 income included) is amended by adding at the end the fol-  
 2 lowing new section:

3 **“SEC. 460A. AVERAGING OF FARM INCOME.**

4       “(a) IN GENERAL.—At the election of a taxpayer en-  
 5 gaged in a farming business, the tax imposed by section  
 6 1 for such taxable year shall be equal to the sum of—

7               “(1) a tax computed under such section on tax-  
 8 able income reduced by elected farm income, plus

9               “(2) the increase in tax which would result if  
 10 taxable income for the prior taxable year were in-  
 11 creased by the elected farm income.

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

13               “(1) ELECTED FARM INCOME.—

14                       “(A) IN GENERAL.—The term ‘elected  
 15 farm income’ means so much of the taxable in-  
 16 come for the taxable year—

17                               “(i) which is attributable to any farm-  
 18 ing business, and

19                               “(ii) which is specified in the election  
 20 under subsection (a).

21               “(B) TREATMENT OF GAINS.—For pur-  
 22 poses of subparagraph (A), gain from the sale  
 23 or other disposition of property (other than  
 24 land) regularly used by the taxpayer in a farm-  
 25 ing business for a substantial period before

1           such sale or disposition shall be treated as at-  
2           tributable to a farming business.

3           “(2) FARMING BUSINESS.—The term ‘farming  
4           business’ has the meaning given such term by sec-  
5           tion 263A(e)(4).

6           “(c) TERMINATION.—This section shall not apply to  
7           the determination of tax for any taxable year beginning  
8           after December 31, 2002.”

9           (b) CLERICAL AMENDMENT.—The table of sections  
10          for such subpart B is amended by adding at the end the  
11          following new item:

                  “Sec. 460A. Averaging of farm income.”

12          (c) EFFECTIVE DATE.—The amendments made by  
13          this section shall apply to taxable years beginning after  
14          the date of the enactment of this Act.

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