

105TH CONGRESS
1ST SESSION

S. 251

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

IN THE SENATE OF THE UNITED STATES

JANUARY 30, 1997

Mr. SHELBY (for himself, Mr. GRASSLEY, Mr. COCHRAN, Mr. ROBERTS, Mr. ABRAHAM, and Mr. HUTCHINSON) 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 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
7 income included) is amended by adding at the end the fol-
8 lowing new section:

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

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

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

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

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

11 “(1) ELECTED FARM INCOME.—

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

15 “(i) which is attributable to any farm-
16 ing business, and

17 “(ii) which is specified in the election
18 under subsection (a).

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

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

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

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

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

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

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