

105TH CONGRESS  
1ST SESSION

# S. 80

To amend the Internal Revenue Code of 1986 to provide for the rollover of gain from the sale of farm assets into an individual retirement account.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 21, 1997

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

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for the rollover of gain from the sale of farm assets into an individual retirement account.

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; REFERENCE TO INTERNAL REV-**  
4       **ENUE CODE.**

5       (a) SHORT TITLE.—This Act may be cited as the  
6       “Family Farm Retirement Equity Act of 1997”.

7       (b) REFERENCE TO INTERNAL REVENUE CODE OF  
8       1986.—Except as otherwise expressly provided, whenever  
9       in this Act an amendment or repeal is expressed in terms

1 of an amendment to, or repeal of, a section or other provi-  
 2 sion, the reference shall be considered to be made to a  
 3 section or other provision of the Internal Revenue Code  
 4 of 1986.

5 **SEC. 2. ROLLOVER OF GAIN FROM SALE OF FARM ASSETS**  
 6 **TO INDIVIDUAL RETIREMENT PLANS.**

7 (a) IN GENERAL.—Part III of subchapter O of chap-  
 8 ter 1 (relating to common nontaxable exchanges) is  
 9 amended by inserting after section 1034 the following new  
 10 section:

11 **“SEC. 1034A. ROLLOVER OF GAIN ON SALE OF FARM ASSETS**  
 12 **INTO ASSET ROLLOVER ACCOUNT.**

13 “(a) NONRECOGNITION OF GAIN.—Subject to the  
 14 limits of subsection (c), if for any taxable year a taxpayer  
 15 has qualified net farm gain from the sale of qualified farm  
 16 assets, then, at the election of the taxpayer, such gain  
 17 shall be recognized only to the extent it exceeds the con-  
 18 tributions to 1 or more asset rollover accounts of the tax-  
 19 payer for the taxable year in which such sale occurs.

20 “(b) ASSET ROLLOVER ACCOUNT.—

21 “(1) GENERAL RULE.—Except as provided in  
 22 this section, an asset rollover account shall be treat-  
 23 ed for purposes of this title in the same manner as  
 24 an individual retirement plan.

1           “(2) ASSET ROLLOVER ACCOUNT.—For pur-  
 2           poses of this title, the term ‘asset rollover account’  
 3           means an individual retirement plan which is des-  
 4           ignated at the time of the establishment of the plan  
 5           as an asset rollover account. Such designation shall  
 6           be made in such manner as the Secretary may pre-  
 7           scribe.

8           “(c) CONTRIBUTION RULES.—

9           “(1) NO DEDUCTION ALLOWED.—No deduction  
 10          shall be allowed under section 219 for a contribution  
 11          to an asset rollover account.

12          “(2) AGGREGATE CONTRIBUTION LIMITA-  
 13          TION.—Except in the case of rollover contributions,  
 14          the aggregate amount for all taxable years which  
 15          may be contributed to all asset rollover accounts es-  
 16          tablished on behalf of an individual shall not ex-  
 17          ceed—

18                 “(A) \$500,000 (\$250,000 in the case of a  
 19                 separate return by a married individual), re-  
 20                 duced by

21                 “(B) the amount by which the aggregate  
 22                 value of the assets held by the individual (and  
 23                 spouse) in individual retirement plans (other  
 24                 than asset rollover accounts) exceeds \$100,000.

1 The determination under subparagraph (B) shall be  
 2 made as of the close of the taxable year for which  
 3 the determination is being made.

4 “(3) ANNUAL CONTRIBUTION LIMITATIONS.—

5 “(A) GENERAL RULE.—The aggregate  
 6 contribution which may be made in any taxable  
 7 year to all asset rollover accounts shall not ex-  
 8 ceed the lesser of—

9 “(i) the qualified net farm gain for  
 10 the taxable year, or

11 “(ii) an amount determined by mul-  
 12 tiplying the number of years the taxpayer  
 13 is a qualified farmer by \$10,000.

14 “(B) SPOUSE.—In the case of a married  
 15 couple filing a joint return under section 6013  
 16 for the taxable year, subparagraph (A) shall be  
 17 applied by substituting ‘\$20,000’ for ‘\$10,000’  
 18 for each year the taxpayer’s spouse is a quali-  
 19 fied farmer.

20 “(4) TIME WHEN CONTRIBUTION DEEMED  
 21 MADE.—For purposes of this section, a taxpayer  
 22 shall be deemed to have made a contribution to an  
 23 asset rollover account on the last day of the preced-  
 24 ing taxable year if the contribution is made on ac-  
 25 count of such taxable year and is made not later

1       than the time prescribed by law for filing the return  
 2       for such taxable year (not including extensions  
 3       thereof).

4       “(d) QUALIFIED NET FARM GAIN; ETC.—For pur-  
 5       poses of this section—

6               “(1) QUALIFIED NET FARM GAIN.—The term  
 7       ‘qualified net farm gain’ means the lesser of—

8               “(A) the net capital gain of the taxpayer  
 9       for the taxable year, or

10              “(B) the net capital gain for the taxable  
 11       year determined by only taking into account  
 12       gain (or loss) in connection with dispositions of  
 13       qualified farm assets.

14              “(2) QUALIFIED FARM ASSET.—The term  
 15       ‘qualified farm asset’ means an asset used by a  
 16       qualified farmer in the active conduct of the trade  
 17       or business of farming (as defined in section  
 18       2032A(e)).

19              “(3) QUALIFIED FARMER.—

20              “(A) IN GENERAL.—The term ‘qualified  
 21       farmer’ means a taxpayer who—

22              “(i) during the 5-year period ending  
 23       on the date of the disposition of a qualified  
 24       farm asset materially participated in the  
 25       trade or business of farming, and

1                   “(ii) owned (or who with the tax-  
 2                   payer’s spouse owned) 50 percent or more  
 3                   of such trade or business during such 5-  
 4                   year period.

5                   “(B) MATERIAL PARTICIPATION.—For  
 6                   purposes of this paragraph, a taxpayer shall be  
 7                   treated as materially participating in a trade or  
 8                   business if the taxpayer meets the requirements  
 9                   of section 2032A(e)(6).

10                  “(4) ROLLOVER CONTRIBUTIONS.—Rollover  
 11                  contributions to an asset rollover account may be  
 12                  made only from other asset rollover accounts.

13                  “(e) DISTRIBUTION RULES.—For purposes of this  
 14                  title, the rules of paragraphs (1) and (2) of section 408(d)  
 15                  shall apply to any distribution from an asset rollover  
 16                  account.

17                  “(f) INDIVIDUAL REQUIRED TO REPORT QUALIFIED  
 18                  CONTRIBUTIONS.—

19                         “(1) IN GENERAL.—Any individual who—

20                                 “(A) makes a contribution to any asset  
 21                                 rollover account for any taxable year, or

22                                 “(B) receives any amount from any asset  
 23                                 rollover account for any taxable year,

1 shall include on the return of tax imposed by chap-  
 2 ter 1 for such taxable year and any succeeding tax-  
 3 able year (or on such other form as the Secretary  
 4 may prescribe) information described in paragraph  
 5 (2).

6 “(2) INFORMATION REQUIRED TO BE SUP-  
 7 PLIED.—The information described in this para-  
 8 graph is information required by the Secretary  
 9 which is similar to the information described in sec-  
 10 tion 408(o)(4)(B).

11 “(3) PENALTIES.—For penalties relating to re-  
 12 ports under this paragraph, see section 6693(b).”.

13 (b) CONTRIBUTIONS NOT DEDUCTIBLE.—Section  
 14 219(d) (relating to other limitations and restrictions) is  
 15 amended by adding at the end the following new para-  
 16 graph:

17 “(5) CONTRIBUTIONS TO ASSET ROLLOVER AC-  
 18 COUNTS.—No deduction shall be allowed under this  
 19 section with respect to a contribution under section  
 20 1034A.”.

21 (c) EXCESS CONTRIBUTIONS.—

22 (1) IN GENERAL.—Section 4973 (relating to  
 23 tax on excess contributions to individual retirement

1 accounts, certain section 403(b) contracts, and cer-  
 2 tain individual retirement annuities) is amended by  
 3 adding at the end the following new subsection:

4 “(e) **ASSET ROLLOVER ACCOUNTS.**—For purposes of  
 5 this section, in the case of an asset rollover account re-  
 6 ferred to in subsection (a)(1), the term ‘excess contribu-  
 7 tion’ means the excess (if any) of the amount contributed  
 8 for the taxable year to such account over the amount  
 9 which may be contributed under section 1034A.”.

10 (2) **CONFORMING AMENDMENTS.**—

11 (A) Section 4973(a)(1) is amended by  
 12 striking “or” and inserting “an asset rollover  
 13 account (within the meaning of section 1034A),  
 14 or”.

15 (B) The heading for section 4973 is  
 16 amended by inserting “**ASSET ROLLOVER AC-**  
 17 **COUNTS,**” after “**CONTRACTS**”.

18 (C) The table of sections for chapter 43 is  
 19 amended by inserting “asset rollover accounts,”  
 20 after “contracts” in the item relating to section  
 21 4973.

22 (d) **TECHNICAL AMENDMENTS.**—

23 (1) Section 408(a)(1) (defining individual re-  
 24 tirement account) is amended by inserting “or a



1       qualified contribution under section 1034A,” before  
 2       “no contribution”.

3           (2) Section 408(d)(5)(A) is amended by insert-  
 4       ing “or qualified contributions under section 1034A”  
 5       after “rollover contributions”.

6           (3)(A) Section 6693(b)(1)(A) is amended by in-  
 7       serting “or 1034A(f)(1)” after “408(o)(4)”.

8           (B) Section 6693(b)(2) is amended by inserting  
 9       “or 1034A(f)(1)” after “408(o)(4)”.

10          (4) The table of sections for part III of sub-  
 11       chapter O of chapter 1 is amended by inserting after  
 12       the item relating to section 1034 the following new  
 13       item:

“Sec. 1034A. Rollover of gain on sale of farm assets into asset  
 rollover account.”.

14       (e) EFFECTIVE DATE.—The amendments made by  
 15       this section shall apply to sales and exchanges after the  
 16       date of the enactment of this Act.

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