

106TH CONGRESS
1ST SESSION

H. R. 1083

To amend the Internal Revenue Code of 1986 to modify certain provisions relating to the treatment of forestry activities.

IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 1999

Ms. DUNN (for herself, Mr. SMITH of Washington, Mr. RAMSTAD, Mr. SANDLIN, Mr. CAMP, Mr. CRAMER, Mr. FOLEY, Mr. BALDACCI, Mr. WATKINS, Mr. SHOWS, Mr. HERGER, Mr. BISHOP, Mr. GREEN of Wisconsin, Mr. PETERSON of Minnesota, Mr. STUPAK, Mr. MCCRERY, Mr. ENGLISH, and Mr. COLLINS) 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 modify certain provisions relating to the treatment of forestry activities.

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 “Reforestation Tax Act
5 of 1999”.

6 **SEC. 2. PARTIAL INFLATION ADJUSTMENT FOR TIMBER.**

7 (a) IN GENERAL.—Part I of subchapter P of chapter
8 1 of the Internal Revenue Code of 1986 (relating to treat-

1 ment of capital gains) is amended by adding at the end
 2 the following new section:

3 **“SEC. 1203. PARTIAL INFLATION ADJUSTMENT FOR TIM-**
 4 **BER.**

5 “(a) IN GENERAL.—At the election of any taxpayer
 6 who has qualified timber gain for any taxable year, there
 7 shall be allowed as a deduction from gross income an
 8 amount equal to the qualified percentage of such gain.

9 “(b) QUALIFIED TIMBER GAIN.—For purposes of
 10 this section, the term ‘qualified timber gain’ means long-
 11 term capital gain from the sale or exchange of timber.

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

16 “(1) 3 percent, by

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

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

1 trusts), is includible by the income beneficiaries as gain
2 derived from the sale or exchange of capital assets.”

3 (b) COORDINATION WITH MAXIMUM RATES OF TAX
4 ON NET CAPITAL GAINS.—

5 (1) Subsection (h)(4) of section 1 of such Code
6 (relating to maximum capital gains rate) is amended
7 by striking “and” at the end of subparagraph (A),
8 by striking the period at the end of subparagraph
9 (B) and inserting “, and”, and by adding at the end
10 the following new subparagraph:

11 “(C) qualified timber gain with respect to
12 which an election is in effect under section
13 1203.”

14 (2) Subsection (a) of section 1201 of such Code
15 (relating to the alternative tax for corporations) is
16 amended by inserting at the end thereof the follow-
17 ing new sentence:

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

22 (c) ALLOWANCE OF DEDUCTION IN COMPUTING AD-
23 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
24 such Code (relating to definition of adjusted gross income)

1 is amended by inserting after paragraph (17) the following
 2 new paragraph:

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

5 (d) TECHNICAL AMENDMENTS.—

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

8 “(B) the exclusion under section 1202 and
 9 the deduction under section 1203 shall not be
 10 allowed.”

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

15 (3) Section 641(c)(2)(C) of such Code is
 16 amended by inserting after clause (iii) the following
 17 new clause:

18 “(iv) The deduction under section
 19 1203.”

20 (4) The first sentence of section 642(c)(4) of
 21 such Code is amended to read as follows: “To the
 22 extent that the amount otherwise allowable as a de-
 23 duction under this subsection consists of gain de-
 24 scribed in section 1202(a) or qualified timber gain
 25 (as defined in section 1203(b)), proper adjustment

1 shall be made for any exclusion allowable under sec-
2 tion 1202, and any deduction allowable under sec-
3 tion 1203, to the estate or trust.”

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

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

14 (7) Paragraph (4) of section 691(c) of such
15 Code is amended by inserting “1203,” after
16 “1202,”.

17 (8) The second sentence of paragraph (2) of
18 section 871(a) of such Code is amended by striking
19 “section 1202” and inserting “sections 1202 and
20 1203”.

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

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

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to sales or exchanges after
3 December 31, 1998.

4 **SEC. 3. AMORTIZATION OF REFORESTATION EXPENDI-**
5 **TURES AND REFORESTATION TAX CREDIT.**

6 (a) DECREASE IN AMORTIZATION PERIOD.—

7 (1) IN GENERAL.—Section 194(a) of the Inter-
8 nal Revenue Code of 1986 is amended by striking
9 “84 months” and inserting “60 months”.

10 (2) CONFORMING AMENDMENT.—Section
11 194(a) of such Code is amended by striking “84-
12 month period” and inserting “60-month period”.

13 (b) REMOVAL OF CAP ON AMORTIZABLE BASIS.—

14 (1) Section 194 of such Code is amended by
15 striking subsection (b) and by redesignating sub-
16 sections (c) and (d) as subsections (b) and (c), re-
17 spectively.

18 (2) Subsection (b) of section 194 of such Code
19 (as redesignated by paragraph (1)) is amended by
20 striking paragraph (4).

21 (3) Paragraph (1) of section 48(b) of such Code
22 is amended by striking “(after the application of sec-
23 tion 194(b)(1))”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to additions to capital account
3 made after December 31, 1998.

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