

106TH CONGRESS  
1ST SESSION

# H. R. 1863

To amend the Internal Revenue Code of 1986 to modify the treatment of bonds issued to acquire renewable resources on land subject to conservation easement.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 19, 1999

Ms. DUNN (for herself, Mr. TANNER, Mr. HERGER, and Mr. MATSUI) 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 modify the treatment of bonds issued to acquire renewable resources on land subject to conservation easement.

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 “Community Forestry  
5 and Agriculture Conservation Act of 1999”.

1 **SEC. 2. TREATMENT OF BONDS ISSUED TO ACQUIRE RE-**  
2 **NEWABLE RESOURCES ON LAND SUBJECT TO**  
3 **CONSERVATION EASEMENT.**

4 (a) IN GENERAL.—Section 145 of the Internal Rev-  
5 enue Code of 1986 (defining qualified 501(c)(3) bond) is  
6 amended by redesignating subsection (e) as subsection (f)  
7 and by inserting after subsection (d) the following new  
8 subsection:

9 “(e) BONDS ISSUED TO ACQUIRE RENEWABLE RE-  
10 SOURCES ON LAND SUBJECT TO CONSERVATION EASE-  
11 MENT.—

12 “(1) IN GENERAL.—If—

13 “(A) the proceeds of any bond are used to  
14 acquire land (or a long-term lease thereof) to-  
15 gether with any renewable resource associated  
16 with the land (including standing timber, agri-  
17 cultural crops, or water rights) from an unaffili-  
18 ated person,

19 “(B) the land is subject to a conservation  
20 restriction—

21 “(i) which is granted in perpetuity to  
22 an unaffiliated person that is—

23 “(I) a 501(c)(3) organization, or

24 “(II) a Federal, State, or local  
25 government conservation organization,

1 “(ii) which meets the requirements of  
2 clauses (ii) and (iii)(II) of section  
3 170(h)(4)(A),

4 “(iii) which exceeds the requirements  
5 of relevant environmental and land use  
6 statutes and regulations, and

7 “(iv) which obligates the owner of the  
8 land to pay the costs incurred by the hold-  
9 er of the conservation restriction in moni-  
10 toring compliance with such restriction,

11 “(C) a management plan which meets the  
12 requirements of the statutes and regulations re-  
13 ferred to subparagraph (B)(iii) is developed for  
14 the conservation of the renewable resources,  
15 and

16 “(D) such bond would be a qualified  
17 501(c)(3) bond (after the application of para-  
18 graph (2)) but for the failure to use revenues  
19 derived by the 501(c)(3) organization from the  
20 sale, lease, or other use of such renewable re-  
21 source as otherwise required by this part,

22 such bond shall not fail to be a qualified 501(c)(3)  
23 bond by reason of the failure to so use such revenues  
24 if the revenues which are not used as otherwise re-  
25 quired by this part are used in a manner consistent

1 with the stated charitable purposes of the 501(c)(3)  
2 organization.

3 “(2) TREATMENT OF TIMBER, ETC.—

4 “(A) IN GENERAL.—For purposes of sub-  
5 section (a), the cost of any renewable resource  
6 acquired with proceeds of such bonds shall be  
7 treated as a cost of acquiring the land associ-  
8 ated with the renewable resource and such land  
9 shall not be treated as used for a private busi-  
10 ness use because of the sale or leasing of the  
11 renewable resource to, or other use of the re-  
12 newable resource by, an unaffiliated person to  
13 the extent that such sale, leasing, or other use  
14 does not constitute an unrelated trade or busi-  
15 ness, determined by applying section 513(a).

16 “(B) APPLICATION OF BOND MATURITY  
17 LIMITATION.—For purposes of section 147(b),  
18 the cost of any land or renewable resource ac-  
19 quired with proceeds of such bonds shall have  
20 an economic life commensurate with the eco-  
21 nomic and ecological feasibility of the financing  
22 of such land or renewable resource.

23 “(C) UNAFFILIATED PERSON.—For pur-  
24 poses of this subsection, the term ‘unaffiliated  
25 person’ means any person who controls no more

1           than 20 percent of the governing body of an-  
2           other person.”

3           (b) **EFFECTIVE DATE.**—The amendment made by  
4 subsection (a) shall apply to obligations issued after the  
5 date of the enactment of this Act.

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