

106TH CONGRESS
1ST SESSION

S. 1860

To amend the Internal Revenue Code of 1986 to expand income averaging to small agriculture-related businesses.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 4, 1999

Mr. GRAMS 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 expand income averaging to small agriculture-related businesses.

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. INCOME AVERAGING FOR SMALL AGRI-**
4 **CULTURE-RELATED BUSINESSES.**

5 (a) IN GENERAL.—Section 1301(b)(3) of the Internal
6 Revenue Code of 1986 (defining farming business) is
7 amended to read as follows:

8 “(3) FARMING BUSINESS.—

9 “(A) IN GENERAL.—The term ‘farming
10 business’ means the trade or business of—

1 “(i) farming (within the meaning of
2 section 263A(e)(4)), or

3 “(ii) selling or servicing agricultural
4 products.

5 “(B) AGRICULTURAL PRODUCTS.—For
6 purposes of this subsection, the term ‘agricul-
7 tural products’ includes fertilizers, seeds, agri-
8 cultural equipment, and other products sold for
9 use in a farming business (as defined in sub-
10 paragraph (A)(i)).”

11 (b) DEFINITION OF QUALIFIED BUSINESS.—Section
12 1301(b) of the Internal Revenue Code of 1986 is amended
13 by adding at the end the following:

14 “(4) QUALIFIED BUSINESS.—The term ‘quali-
15 fied business’ means a person—

16 “(A) for which not less than 75 percent of
17 the gross receipts for the taxable year are at-
18 tributable to a farming business (as defined in
19 paragraph (3)(A)(ii)) (or, in the case of a sole
20 proprietorship, which would have such gross re-
21 cepts if such proprietorship were a corpora-
22 tion), and

23 “(B) which employed not more than 100
24 full-time employees during the preceding tax-
25 able year.

1 For purposes of subparagraph (A), rules similar to
2 the rules of paragraphs (2) and (3) (without regard
3 to subparagraph (A) thereof) of section 448(c) shall
4 apply.”

5 (c) TERMINATION.—Section 1301 of the Internal
6 Revenue Code of 1986 is amended by adding at the end
7 the following:

8 “(d) TERMINATION.—In the case of a qualified busi-
9 ness, this section shall not apply to taxable years begin-
10 ning after December 31, 2002.”

11 (d) CONFORMING AMENDMENT.—Section 1301(a) of
12 the Internal Revenue Code of 1986 is amended by insert-
13 ing “(or of a qualified business in the case of a farming
14 business described in subsection (b)(3)(A)(ii))” after
15 “farming business”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 1999.

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