

106TH CONGRESS
1ST SESSION

S. 317

To amend the Internal Revenue Code of 1986 to provide an exclusion for gain from the sale of farmland which is similar to the exclusion from gain on the sale of a principal residence.

IN THE SENATE OF THE UNITED STATES

JANUARY 28, 1999

Mr. DORGAN (for himself and Mr. HAGEL) 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 provide an exclusion for gain from the sale of farmland which is similar to the exclusion from gain on the sale of a principal residence.

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. EXCLUSION OF GAIN FROM SALE OF CERTAIN**
4 **FARMLAND.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 (relating to
7 items specifically excluded from gross income) is amended
8 by adding after section 121 the following new section:

1 **“SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED**
 2 **FARM PROPERTY.**

3 “(a) EXCLUSION.—In the case of a natural person,
 4 gross income shall not include gain from the sale or ex-
 5 change of qualified farm property.

6 “(b) LIMITATION ON AMOUNT OF EXCLUSION.—

7 “(1) IN GENERAL.—The amount of gain ex-
 8 cluded from gross income under subsection (a) with
 9 respect to any taxable year shall not exceed
 10 \$500,000 (\$250,000 in the case of a married indi-
 11 vidual filing a separate return), reduced by the ag-
 12 gregate amount of gain excluded under subsection
 13 (a) for all preceding taxable years.

14 “(2) SPECIAL RULE FOR JOINT RETURNS.—The
 15 amount of the exclusion under subsection (a) on a
 16 joint return for any taxable year shall be allocated
 17 equally between the spouses for purposes of applying
 18 the limitation under paragraph (1) for any succeed-
 19 ing taxable year.

20 “(c) QUALIFIED FARM PROPERTY.—

21 “(1) QUALIFIED FARM PROPERTY.—For pur-
 22 poses of this section, the term ‘qualified farm prop-
 23 erty’ means real property located in the United
 24 States if, during periods aggregating 3 years or
 25 more of the 5-year period ending on the date of the
 26 sale or exchange of such real property—

1 “(A) such real property was used as a
2 farm for farming purposes by the taxpayer or
3 a member of the family of the taxpayer, and

4 “(B) there was material participation by
5 the taxpayer (or such a member) in the oper-
6 ation of the farm.

7 “(2) DEFINITIONS.—For purposes of this sub-
8 section, the terms ‘member of the family’, ‘farm’,
9 and ‘farming purposes’ have the respective meanings
10 given such terms by paragraphs (2), (4), and (5) of
11 section 2032A(e).

12 “(3) SPECIAL RULES.—For purposes of this
13 section, rules similar to the rules of paragraphs (4)
14 and (5) of section 2032A(b) and paragraphs (3) and
15 (6) of section 2032A(e) shall apply.

16 “(d) OTHER RULES.—For purposes of this section,
17 rules similar to the rules of subsection (e) and subsection
18 (f) of section 121 shall apply.”

19 (b) CONFORMING AMENDMENT.—The table of sec-
20 tions for part III of subchapter B of chapter 1 of the In-
21 ternal Revenue Code of 1986 is amended by adding after
22 the item relating to section 121 the following new item:

“Sec. 121A. Exclusion of gain from sale of qualified farm property.”

1 (c) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to any sale or exchange on or after
3 May 7, 1997, in taxable years ending after such date.

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