

106TH CONGRESS
1ST SESSION

S. 62

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.

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

Mr. KOHL 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 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 1999”.

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
10 of an amendment to, or repeal of, a section or other provi-

1 sion, the reference shall be considered to be made to a
 2 section or other provision of the Internal Revenue Code
 3 of 1986.

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

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

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

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

19 “(b) ASSET ROLLOVER ACCOUNT.—

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

24 “(2) ASSET ROLLOVER ACCOUNT.—For pur-
 25 poses of this title, the term ‘asset rollover account’

1 means an individual retirement plan which is des-
 2 ignated at the time of the establishment of the plan
 3 as an asset rollover account. Such designation shall
 4 be made in such manner as the Secretary may pre-
 5 scribe.

6 “(c) CONTRIBUTION RULES.—

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

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

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

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

23 The determination under subparagraph (B) shall be
 24 made as of the close of the taxable year for which
 25 the determination is being made.

1 “(3) ANNUAL CONTRIBUTION LIMITATIONS.—

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

6 “(i) the qualified net farm gain for
7 the taxable year, or

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

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

17 “(4) TIME WHEN CONTRIBUTION DEEMED
18 MADE.—For purposes of this section, a taxpayer
19 shall be deemed to have made a contribution to an
20 asset rollover account on the last day of the preced-
21 ing taxable year if the contribution is made on ac-
22 count of such taxable year and is made not later
23 than the time prescribed by law for filing the return
24 for such taxable year (not including extensions
25 thereof).

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

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

5 “(A) the net capital gain of the taxpayer
6 for the taxable year, or

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

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

16 “(3) QUALIFIED FARMER.—

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

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

23 “(ii) owned (or who with the tax-
24 payer’s spouse owned) 50 percent or more

1 of such trade or business during such 5-
 2 year period.

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

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

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

15 “(f) INDIVIDUAL REQUIRED TO REPORT QUALIFIED
 16 CONTRIBUTIONS.—

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

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

20 “(B) receives any amount from any asset
 21 rollover account for any taxable year,

22 shall include on the return of tax imposed by chap-
 23 ter 1 for such taxable year and any succeeding tax-
 24 able year (or on such other form as the Secretary

1 may prescribe) information described in paragraph
2 (2).

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

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

10 (b) CONTRIBUTIONS NOT DEDUCTIBLE.—Section
11 219(d) (relating to other limitations and restrictions) is
12 amended by adding at the end the following new para-
13 graph:

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

18 (c) EXCESS CONTRIBUTIONS.—

19 (1) IN GENERAL.—Section 4973 (relating to
20 tax on excess contributions to individual retirement
21 accounts, certain section 403(b) contracts, and cer-
22 tain individual retirement annuities) is amended by
23 adding at the end the following new subsection:

24 “(e) ASSET ROLLOVER ACCOUNTS.—For purposes of
25 this section, in the case of an asset rollover account re-

1 ferred to in subsection (a)(1), the term ‘excess contribu-
 2 tion’ means the excess (if any) of the amount contributed
 3 for the taxable year to such account over the amount
 4 which may be contributed under section 1034A.”.

5 (2) CONFORMING AMENDMENTS.—

6 (A) Section 4973(a)(1) is amended by
 7 striking “or” and inserting “an asset rollover
 8 account (within the meaning of section 1034A),
 9 or”.

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

13 (C) The table of sections for chapter 43 is
 14 amended by inserting “asset rollover accounts,”
 15 after “contracts” in the item relating to section
 16 4973.

17 (d) TECHNICAL AMENDMENTS.—

18 (1) Section 408(a)(1) (defining individual re-
 19 tirement account) is amended by inserting “or a
 20 qualified contribution under section 1034A,” before
 21 “no contribution”.

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

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

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

5 (4) The table of sections for part III of sub-
 6 chapter O of chapter 1 is amended by inserting after
 7 the item relating to section 1034 the following new
 8 item:

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

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

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