

107TH CONGRESS  
1ST SESSION

# H. R. 882

To amend the Internal Revenue Code of 1986 to provide economic relief  
to farmers and ranchers, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2001

Mr. ISAKSON 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 provide  
economic relief to farmers and ranchers, and for other  
purposes.

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; AMENDMENT OF 1986 CODE.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Paul Coverdell Open Space Conservation Farmers and  
6       Ranchers Relief Act of 2001”.

7       (b) AMENDMENT OF 1986 CODE.—Except as other-  
8       wise expressly provided, whenever in this Act an amend-  
9       ment or repeal is expressed in terms of an amendment  
10      to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. FINDINGS AND PURPOSE.**

4 (a) FINDINGS.—Congress finds the following:

5 (1) Tax and economic policies have for a sus-  
6 tained period of time inadvertently created a busi-  
7 ness context for our Nation’s farming and ranching  
8 families that, among other negative impacts, has  
9 forced a significant number of them to liquidate  
10 their land holdings and leave the business of farming  
11 and ranching.

12 (2) This has particularly been the case in areas  
13 surrounding growing urban centers and resort des-  
14 tinations.

15 (3) Not only has this cost the Nation the his-  
16 toric cultural and economic advantages of its farm-  
17 ing and ranching communities, but it has frag-  
18 mented many of our Nation’s large landscapes.

19 (4) The impact of this has been to deprive  
20 many areas of open green space, which in turn has  
21 not only negatively affected our human settlements  
22 through the resulting sprawl, but has also dramati-  
23 cally reduced the amount of sustaining habitat for  
24 our natural communities of plants and animals.

1 (b) PURPOSE.—The purpose of this Act is to provide  
 2 an economic mechanism that will address the issues de-  
 3 scribed in subsection (a) in a manner that will reduce the  
 4 current unfair economic burden carried by the Nation’s  
 5 farming and ranching families while also protecting our  
 6 lands in a manner that keeps them subject to private own-  
 7 ership, available for farming and ranching, and supportive  
 8 of our surviving but threatened natural communities of  
 9 plants and animals.

10 **SEC. 3. QUALIFIED CONSERVATION CREDIT.**

11 (a) IN GENERAL.—Subpart B of part IV of sub-  
 12 chapter A of chapter 1 (relating to other credits) is  
 13 amended by adding at the end the following new section:

14 **“SEC. 30B. QUALIFIED CONSERVATION CREDIT.**

15 “(a) GENERAL RULE.—There shall be allowed as a  
 16 credit against the tax imposed by this subtitle, in the case  
 17 of a qualified conservation organization, the amount of the  
 18 taxpayer’s qualified conservation expenditures for the tax-  
 19 able year.

20 “(b) QUALIFIED CONSERVATION EXPENDITURES.—  
 21 For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified con-  
 23 servation expenditures’ means the sum of the quali-  
 24 fied conservation organization’s—

25 “(A) acquisition costs, and

1 “(B) reserve funds.

2 “(2) ACQUISITION COSTS.—The term ‘acqui-  
3 sition costs’ means the sum of—

4 “(A) the lesser of—

5 “(i) the total of the amounts that a  
6 qualified conservation organization paid  
7 during the taxable year to acquire qualified  
8 real property interests exclusively for con-  
9 servation purposes, or

10 “(ii) the aggregate appraised value of  
11 the qualified real property interests re-  
12 ferred to in clause (i), plus

13 “(B) so much of the transaction costs rea-  
14 sonably incurred during the taxable year in con-  
15 nection with the acquisition of qualified real  
16 property interests as do not exceed 2 percent of  
17 the amount determined in subparagraph (A).

18 “(3) RESERVE FUNDS.—

19 “(A) IN GENERAL.—The term ‘reserve  
20 funds’ means amounts permanently set aside by  
21 a qualified conservation organization as an en-  
22 dowment to fund the future costs of enforcing  
23 and maintaining qualified real property inter-  
24 ests acquired by the qualified conservation orga-  
25 nization exclusively for conservation purposes.

1           “(B) ENDOWMENT.—The term ‘endow-  
 2           ment’ means a restricted fund held in a seg-  
 3           regated account, the income and realized appre-  
 4           ciation of which may be expended solely for the  
 5           purposes designated under this section, and  
 6           which may be invested solely in qualified invest-  
 7           ments (as defined in section 501(c)(21)(D)(ii)).

8           “(C) LIMITATION.—The amount of reserve  
 9           funds which may be taken into account under  
 10          paragraph (1)(B) for the taxable year shall not  
 11          exceed 8 percent of the acquisition costs for  
 12          that taxable year.

13          “(c) QUALIFIED CONSERVATION ORGANIZATION.—  
 14          For purposes of this section, the term ‘qualified conserva-  
 15          tion organization’ means, with respect to any taxable  
 16          year—

17               “(1) an organization which—

18                       “(A) is described in section 170(h)(3),

19                       “(B) has been in existence for at least 2  
 20                       calendar years immediately before the taxable  
 21                       year, and

22                       “(C) was organized to serve primarily con-  
 23                       servation purposes (as defined in section  
 24                       170(h)(4)),

1           “(2) a limited partnership, all the general part-  
2           ners of which are organizations described in para-  
3           graph (1), or

4           “(3) a limited liability company, all the man-  
5           agers of which are organizations described in para-  
6           graph (1),

7 with respect to which neither the seller of the qualified  
8 real property interest nor any party related or subordinate  
9 to the seller (within the meaning of section 672(c)) would  
10 be a disqualified person (as defined in section 4946) if  
11 the organization were a private foundation.

12       “(d) QUALIFIED REAL PROPERTY INTEREST.—For  
13 purposes of this section, the term ‘qualified real property  
14 interest’ has the meaning given such term by section  
15 170(h)(2)(C).

16       “(e) EXCLUSIVELY FOR CONSERVATION PUR-  
17 POSES.—For purposes of this section, the term ‘exclusively  
18 for conservation purposes’ has the meaning given such  
19 term by section 170(h)(5), except that an acquisition shall  
20 not be treated as exclusively for conservation purposes un-  
21 less the instrument conveying the qualified real property  
22 interest expressly provides that the conservation purposes  
23 may be enforced by both the attorney general of the State  
24 in which the real property is located and the qualified con-  
25 servation organization.

1       “(f) APPRAISED VALUE.—For purposes of this sec-  
 2       tion, the term ‘appraised value’ means the fair market  
 3       value as determined by a qualified appraisal (as defined  
 4       in section 155(a)(4) of the Deficit Reduction Act of 1984).

5       “(g) LIMITATION BASED ON AMOUNT OF TAX.—The  
 6       credit allowed under subsection (a) shall not exceed the  
 7       taxpayer’s liability for income tax (including unrelated  
 8       business income tax) for the taxable year.

9       “(h) LIMITATION ON AGGREGATE CREDIT ALLOW-  
 10      ABLE WITH RESPECT TO ACQUISITIONS OF QUALIFIED  
 11      REAL PROPERTY INTERESTS LOCATED IN A STATE.—

12               “(1) CREDIT MAY NOT EXCEED CREDIT  
 13      AMOUNT ALLOCATED TO ACQUISITION OF QUALIFIED  
 14      REAL PROPERTY INTEREST.—

15               “(A) IN GENERAL.—The amount of the  
 16      credit determined under subsection (a) for any  
 17      taxable year with respect to the acquisition of  
 18      any qualified real property interest shall not ex-  
 19      ceed the conservation credit dollar amount allo-  
 20      cated to such acquisition under this subsection.

21               “(B) TIME FOR MAKING ALLOCATION.—An  
 22      allocation shall be taken into account under  
 23      subparagraph (A) only if it is made not later  
 24      than the close of the calendar year in which the  
 25      qualified real property interest is acquired.

1           “(C) ALLOCATION REDUCES AGGREGATE  
2 AMOUNT AVAILABLE TO AGENCY.—Any con-  
3 servation credit dollar amount allocated to the  
4 acquisition of any qualified real property inter-  
5 est for any calendar year shall reduce the ag-  
6 gregate conservation credit dollar amount of the  
7 allocating conservation credit agency for such  
8 calendar year.

9           “(2) CONSERVATION CREDIT DOLLAR AMOUNT  
10 FOR AGENCIES.—

11           “(A) IN GENERAL.—The aggregate con-  
12 servation credit dollar amount which a con-  
13 servation credit agency may allocate for any  
14 calendar year is the portion of the State con-  
15 servation credit ceiling allocated under this  
16 paragraph for such calendar year to such agen-  
17 cy.

18           “(B) STATE CEILING INITIALLY ALLO-  
19 CATED TO STATE CONSERVATION CREDIT AGEN-  
20 CIES.—Except as provided in subparagraphs  
21 (F) and (G), the State conservation credit ceil-  
22 ing for each calendar year shall be allocated to  
23 the conservation credit agency of such State. If  
24 there is more than 1 conservation credit agency



1 of a State, all such agencies shall be treated as  
2 a single agency.

3 “(C) STATE CONSERVATION CREDIT CEIL-  
4 ING.—The State conservation credit ceiling ap-  
5 plicable to any State for any calendar year shall  
6 be an amount equal to the sum of—

7 “(i) the lesser of—

8 “(I) an amount equal to the ag-  
9 gregate annual credit multiplied by a  
10 fraction, the numerator of which is  
11 the amount of land located in such  
12 State that is used for agricultural  
13 purposes and the denominator of  
14 which is the amount of land in all  
15 States that is used for agricultural  
16 purposes, or

17 “(II) an amount equal to 4 per-  
18 cent of the aggregate annual credit  
19 for that year,

20 “(ii) the amount (if any) allocated  
21 under subparagraph (D) to such State by  
22 the Secretary,

23 “(iii) the unused State conservation  
24 credit ceiling (if any) of such State for the  
25 preceding calendar year,

1                   “(iv) the amount of the State con-  
2                   servation credit ceiling returned in the cal-  
3                   endar year, plus

4                   “(v) the amount (if any) allocated  
5                   under subparagraph (E) to such State by  
6                   the Secretary.

7       For purposes of clause (i), the aggregate annual  
8       credit is \$4,000,000,000. For purposes of clause  
9       (iii), the unused State conservation credit ceiling for  
10      any calendar year is the excess (if any) of the sum  
11      of the amounts described in clauses (i), (ii), and (iv)  
12      over the aggregate conservation credit dollar amount  
13      allocated for such year. For purposes of clause (iv),  
14      the amount of State conservation credit ceiling  
15      returned in the calendar year equals the conserva-  
16      tion credit dollar amount previously allocated within  
17      the State to any proposed acquisition of a qualified  
18      real property interest which is not acquired within  
19      the period required by the terms of the allocation or  
20      to any proposed acquisition of a qualified real prop-  
21      erty interest with respect to which an allocation is  
22      canceled by mutual consent of the conservation cred-  
23      it agency and the qualified conservation organization  
24      receiving the allocation.

1           “(D) UNUSED AGGREGATE ANNUAL CRED-  
2 IT.—Any portion of the aggregate annual credit  
3 for a calendar year that is not allocated to a  
4 State’s conservation credit ceiling because of  
5 the 4 percent limitation under subparagraph  
6 (C)(i)(II) shall be allocated by the Secretary  
7 among the remaining States, subject to such 4  
8 percent limitation, in proportion to their respec-  
9 tive land used for agricultural purposes.

10           “(E) UNUSED CONSERVATION CREDIT  
11 CARRYOVERS ALLOCATED AMONG CERTAIN  
12 STATES.—

13           “(i) IN GENERAL.—The unused con-  
14 servation credit carryover of a State for  
15 any calendar year shall be assigned to the  
16 Secretary for allocation among qualified  
17 States for the succeeding calendar year.

18           “(ii) UNUSED CONSERVATION CREDIT  
19 CARRYOVER.—For purposes of this para-  
20 graph, the unused conservation credit car-  
21 ryover of a State for any calendar year is  
22 the excess (if any) of the unused State  
23 conservation credit ceiling for such year  
24 (as defined in subparagraph (C)(iii)) over  
25 the excess (if any) of—

1 “(I) the aggregate conservation  
 2 credit dollar amount allocated for  
 3 such year, over

4 “(II) the sum of the amounts de-  
 5 scribed in clauses (i), (ii), and (iv) of  
 6 subparagraph (C).

7 “(iii) FORMULA FOR ALLOCATION OF  
 8 UNUSED CONSERVATION CREDIT  
 9 CARRYOVERS AMONG QUALIFIED  
 10 STATES.—The amount allocated under this  
 11 subparagraph to a qualified State for any  
 12 calendar year shall be the amount deter-  
 13 mined by the Secretary to bear the same  
 14 ratio to the aggregate unused conservation  
 15 credit carryovers of all States for the pre-  
 16 ceding calendar year as such State’s land  
 17 used for agricultural purposes for the cal-  
 18 endar year bears to the land used for agri-  
 19 cultural purposes of all qualified States for  
 20 the calendar year.

21 “(iv) QUALIFIED STATE.—For pur-  
 22 poses of this subparagraph, the term  
 23 ‘qualified State’ means, with respect to a  
 24 calendar year, any State—

1 “(I) which allocated its entire  
2 State conservation credit ceiling for  
3 the preceding calendar year, and

4 “(II) for which a request is made  
5 (not later than May 1 of the calendar  
6 year) to receive an allocation under  
7 clause (iii).

8 “(F) SPECIAL RULE FOR STATES WITH  
9 CONSTITUTIONAL HOME RULE CITIES.—For  
10 purposes of this subsection—

11 “(i) IN GENERAL.—The aggregate  
12 conservation credit dollar amount for any  
13 constitutional home rule city for any cal-  
14 endar year shall be an amount which bears  
15 the same ratio to the State conservation  
16 credit ceiling for such calendar year as—

17 “(I) the land used for agricul-  
18 tural purposes within a 25-mile radius  
19 of such city, bears to

20 “(II) the land used for agricul-  
21 tural purposes in the entire State.

22 “(ii) COORDINATION WITH OTHER AL-  
23 LOCATIONS.—In the case of any State  
24 which contains 1 or more constitutional  
25 home rule cities, for purposes of applying

1           this paragraph with respect to conserva-  
2           tion credit agencies in such State other  
3           than constitutional home rule cities, the  
4           State conservation credit ceiling for any  
5           calendar year shall be reduced by the ag-  
6           gregate conservation credit dollar amounts  
7           determined for such year for all constitu-  
8           tional home rule cities in such State.

9           “(iii) CONSTITUTIONAL HOME RULE  
10          CITY.—For purposes of this subparagraph,  
11          the term ‘constitutional home rule city’ has  
12          the meaning given such term by section  
13          146(d)(3)(C).

14          “(G) STATE MAY PROVIDE FOR DIF-  
15          FERENT ALLOCATION.—Rules similar to the  
16          rules of section 146(e) (other than paragraph  
17          (2)(B) thereof) shall apply for purposes of this  
18          paragraph.

19          “(H) LAND USED FOR AGRICULTURAL  
20          PURPOSES.—For purposes of this paragraph,  
21          the term ‘land used for agricultural purposes’  
22          means the number of acres classified as land in  
23          farms in the 1997 Census of Agriculture con-  
24          ducted by the United States Department of Ag-  
25          riculture.

1           “(I) SECRETARY.—For purposes of this  
2 paragraph, the term ‘Secretary’ means the Sec-  
3 retary of Agriculture and the Secretary of the  
4 Interior, acting pursuant to jointly established  
5 rules and procedures.

6           “(3) SPECIAL RULES.—

7           “(A) INTERESTS MUST BE LOCATED WITH-  
8 IN JURISDICTION OF CREDIT AGENCY.—A con-  
9 servation credit agency may allocate its aggre-  
10 gate conservation credit dollar amount only  
11 with respect to acquisitions of qualified real  
12 property interests located in the jurisdiction of  
13 the governmental unit of which such agency is  
14 a part.

15           “(B) AGENCY ALLOCATIONS IN EXCESS OF  
16 LIMIT.—If the aggregate conservation credit  
17 dollar amounts allocated by a conservation cred-  
18 it agency for any calendar year exceed the por-  
19 tion of the State conservation credit ceiling allo-  
20 cated to such agency for such calendar year, the  
21 conservation credit dollar amounts so allocated  
22 shall be reduced (to the extent of such excess)  
23 for acquisitions of qualified real property inter-  
24 ests in the reverse order in which the alloca-  
25 tions of such amounts were made.

1           “(4) CONSERVATION CREDIT AGENCY.—For  
2           purposes of this subsection, the term ‘conservation  
3           credit agency’ means any agency authorized to carry  
4           out this subsection.

5           “(i) REGULATIONS.—Except as provided in sub-  
6           section (h)(2)(I), the Secretary shall prescribe such regu-  
7           lations as may be necessary to carry out the purposes of  
8           this section.

9           “(j) TERMINATION.—Subparagraph (A) of subsection  
10          (h)(1) shall not apply to any amount allocated after De-  
11          cember 31, 2005.”.

12          (b) RECOGNITION OF GAIN.—Section 1001 (relating  
13          to determination of amount of and recognition of gain or  
14          loss) is amended by adding at the end the following new  
15          subsection:

16          “(f) QUALIFIED REAL PROPERTY INTERESTS.—Gain  
17          shall be recognized on the sale of a qualified real property  
18          interest (as defined in section 30B(d)) to a qualified con-  
19          servation organization (as defined in section 30B(c)) ex-  
20          clusively for conservation purposes (as defined in section  
21          30B(e)) only to the extent that the amount realized on  
22          the sale exceeds the taxpayer’s adjusted basis in the entire  
23          property to which the qualified real property interest re-  
24          lates.”.



1 (c) BASIS ADJUSTMENT.—Section 1016 (relating to  
 2 adjustments to basis) is amended by redesignating sub-  
 3 section (e) as subsection (f) and by inserting after sub-  
 4 section (d) the following new subsection:

5 “(e) ADJUSTMENTS TO BASIS OF CERTAIN REAL  
 6 PROPERTY.—If the taxpayer has sold a qualified real  
 7 property interest in a transaction to which section 1001(f)  
 8 applies, then the taxpayer’s basis in the remaining prop-  
 9 erty shall be reduced (but not below zero) by the amount  
 10 realized on the sale.”.

11 (d) CONFORMING AMENDMENTS.—

12 (1) PASSIVE LOSS RULES INAPPLICABLE.—Sec-  
 13 tion 469(d)(2)(A)(i) is amended to read as follows:

14 “(i) subpart D (other than section  
 15 30B) of part IV of subchapter A, or”.

16 (2) UNRELATED BUSINESS INCOME TAX.—Sec-  
 17 tion 511(a)(1) is amended by striking “section 11.”  
 18 and inserting “section 11, less any credits to which  
 19 the organization is entitled under section 30B.”.

20 (3) DENIAL OF CHARITABLE CONTRIBUTION  
 21 DEDUCTION.—Section 170(e) is amended by adding  
 22 at the end the following new paragraph:

23 “(7) SPECIAL RULE FOR CONTRIBUTIONS OF  
 24 INTERESTS IN QUALIFIED CONSERVATION ORGANIZA-  
 25 TIONS.—No deduction shall be allowed for the con-

1       tribution of an interest in a qualified conservation  
 2       organization (as defined in section 30B(c)) that has  
 3       acquired 1 or more qualified real property interests  
 4       in transactions to which section 30B applies.”.

5           (4) CLASSIFICATION AS PARTNERSHIP.—Sec-  
 6       tion 761(a) is amended by adding at the end the fol-  
 7       lowing new sentence: “Such term also includes an  
 8       organization described in either section 30B(c)(2) or  
 9       section 30B(c)(3).”.

10          (5) CLERICAL AMENDMENT.—The table of sec-  
 11       tions for subpart B of part IV of subchapter A of  
 12       chapter 1 is amended by adding at the end the fol-  
 13       lowing new item:

“Sec. 30B. Qualified conservation credit.”.

14          (e) EFFECTIVE DATE.—The amendments made by  
 15       this section shall apply to taxable years beginning after  
 16       December 31, 2001.

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