

107TH CONGRESS
1ST SESSION

S. 1047

To amend the Internal Revenue Code of 1986 to provide for nonrecognition of gain on dispositions of dairy property which is certified by the Secretary of Agriculture as having been the subject of an agreement under the bovine tuberculosis eradication program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 14, 2001

Mr. GRAMM (for himself and Mrs. HUTCHISON) 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 nonrecognition of gain on dispositions of dairy property which is certified by the Secretary of Agriculture as having been the subject of an agreement under the bovine tuberculosis eradication program, 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. QUALIFIED DISPOSITION OF DAIRY PROPERTY**
4 **TREATED AS INVOLUNTARY CONVERSION.**

5 (a) IN GENERAL.—Section 1033 of the Internal Rev-
6 enue Code of 1986 (relating to involuntary conversions)

1 is amended by designating subsection (k) as subsection (l)
 2 and inserting after subsection (j) the following new sub-
 3 section:

4 “(k) QUALIFIED DISPOSITION TO IMPLEMENT BO-
 5 VINE TUBERCULOSIS ERADICATION PROGRAM.—

6 “(1) IN GENERAL.—For purposes of this sub-
 7 title, if a taxpayer elects the application of this sub-
 8 section to a qualified disposition:

9 “(A) TREATMENT AS INVOLUNTARY CON-
 10 VERSION.—Such disposition shall be treated as
 11 an involuntary conversion to which this section
 12 applies.

13 “(B) MODIFICATION OF SIMILAR PROP-
 14 ERTY REQUIREMENT.—Property to be held by
 15 the taxpayer either for productive use in a trade
 16 or business or for investment shall be treated as
 17 property similar or related in service or use to
 18 the property disposed of.

19 “(C) EXTENSION OF PERIOD FOR REPLAC-
 20 ING PROPERTY.—Subsection (a)(2)(B)(i) shall
 21 be applied by substituting ‘4 years’ for ‘2
 22 years’.

23 “(D) WAIVER OF UNRELATED PERSON RE-
 24 QUIREMENT.—Subsection (i) (relating to re-

1 placement property must be acquired from un-
 2 related person in certain cases) shall not apply.

3 “(E) EXPANDED CAPITAL GAIN FOR CAT-
 4 TLE AND HORSES.—Section 1231(b)(3)(A) shall
 5 be applied by substituting ‘1 month’ for ‘24
 6 months’.

7 “(2) QUALIFIED DISPOSITION.—

8 “(A) IN GENERAL.—For purposes of this
 9 subsection, the term ‘qualified disposition’
 10 means the disposition of dairy property which is
 11 certified by the Secretary of Agriculture as hav-
 12 ing been the subject of an agreement under the
 13 bovine tuberculosis eradication program, as im-
 14 plemented pursuant to the Declaration of
 15 Emergency Because of Bovine Tuberculosis (65
 16 Federal Register 63,227 (2000)).

17 “(B) PAYMENTS RECEIVED IN CONNEC-
 18 TION WITH THE BOVINE TUBERCULOSIS ERADI-
 19 CATION PROGRAM.—For purposes of this sub-
 20 section, any amount received by a taxpayer in
 21 connection with an agreement under such bo-
 22 vine tuberculosis eradication program shall be
 23 treated as received in a qualified disposition.

24 “(C) TRANSMITTAL OF CERTIFICATIONS.—
 25 The Secretary of Agriculture shall transmit

1 copies of certifications under this paragraph to
2 the Secretary.

3 “(3) ALLOWANCE OF THE ADJUSTED BASIS OF
4 CERTIFIED DAIRY PROPERTY AS A DEPRECIATION
5 DEDUCTION.—The adjusted basis of any property
6 certified under paragraph (2)(A) shall be allowed as
7 a depreciation deduction under section 167 for the
8 taxable year which includes the date of the certifi-
9 cation described in paragraph (2)(A).

10 “(4) DAIRY PROPERTY.—For purposes of this
11 subsection, the term ‘dairy property’ means all tan-
12 gible property used in connection with a dairy busi-
13 ness or a dairy processing plant.

14 “(5) SPECIAL RULES FOR CERTAIN BUSINESS
15 ORGANIZATIONS.—

16 “(A) S CORPORATIONS.—In the case of an
17 S corporation, gain on a qualified disposition
18 shall not be treated as recognized for the pur-
19 poses of section 1374 (relating to tax imposed
20 on certain built-in gains).

21 “(B) PARTNERSHIPS.—In the case of a
22 partnership which dissolves in anticipation of a
23 qualified disposition (including in anticipation
24 of receiving the amount described in paragraph
25 (2)(B)), the dairy property owned by the part-

1 ners of such partnership at the time of such
 2 disposition shall be treated, for the purposes of
 3 this section and notwithstanding any regulation
 4 or rule of law, as owned by such partners at the
 5 time of such disposition.

6 “(6) TERMINATION.—This subsection shall not
 7 apply to dispositions made after December 31,
 8 2005.”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall apply to dispositions made and amounts
 11 received in taxable years ending after May 22, 2001.

12 **SEC. 2. DEDUCTION OF QUALIFIED RECLAMATION EXPEND-**
 13 **ITURES.**

14 (a) IN GENERAL.—Part VI of subchapter B of chap-
 15 ter 1 of the Internal Revenue Code of 1986 (relating to
 16 itemized deductions for individuals and corporations) is
 17 amended by adding at the end the following new section:

18 **“SEC. 199. EXPENSING OF DAIRY PROPERTY RECLAMATION**
 19 **COSTS.**

20 “(a) IN GENERAL.—Notwithstanding section 280B
 21 (relating to demolition of structures), a taxpayer may elect
 22 to treat any qualified reclamation expenditure which is
 23 paid or incurred by the taxpayer as an expense which is
 24 not chargeable to capital account. Any expenditure which

1 is so treated shall be allowed as a deduction for the taxable
2 year in which it is paid or incurred.

3 “(b) QUALIFIED RECLAMATION EXPENDITURE.—

4 “(1) IN GENERAL.—For purposes of this sub-
5 paragraph, the term ‘qualified reclamation expendi-
6 ture’ means amounts otherwise chargeable to capital
7 account and paid or incurred to convert any real
8 property certified under section 1033(k)(2) (relating
9 to qualified disposition) into unimproved land.

10 “(2) SPECIAL RULE FOR EXPENDITURES FOR
11 DEPRECIABLE PROPERTY.—A rule similar to the
12 rule of section 198(b)(2) (relating to special rule for
13 expenditures for depreciable property) shall apply for
14 purposes of paragraph (1).

15 “(c) DEDUCTION RECAPTURED AS ORDINARY IN-
16 COME.—Rules similar to the rules of section 198(e) (relat-
17 ing to deduction recaptured as ordinary income on sale,
18 etc.) shall apply with respect to any qualified reclamation
19 expenditure.

20 “(d) TERMINATION.—This section shall not apply to
21 expenditures paid or incurred after December 31, 2005.”.

22 (b) CLERICAL AMENDMENT.—The table of sections
23 for part VI of subchapter B of chapter 1 of the Internal
24 Revenue Code of 1986 is amended by adding at the end
25 the following new item:

“Sec. 199. Expensing of dairy property reclamation costs.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to expenditures paid or incurred
3 in taxable years ending after May 22, 2001.

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