

107TH CONGRESS
2D SESSION

S. 2762

To amend the Internal Revenue Code of 1986 to provide involuntary conversion tax relief for producers forced to sell livestock due to weather-related conditions or Federal land management agency policy or action, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 19, 2002

Mr. THOMAS (for himself, Mr. ENZI, 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 involuntary conversion tax relief for producers forced to sell livestock due to weather-related conditions or Federal land management agency policy or action, 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,*

1 **SECTION 1. INVOLUNTARY CONVERSION RELIEF FOR PRO-**
 2 **DUCERS FORCED TO SELL LIVESTOCK DUE**
 3 **TO WEATHER-RELATED CONDITIONS OR FED-**
 4 **ERAL LAND MANAGEMENT AGENCY POLICY**
 5 **OR ACTION.**

6 (a) INCOME INCLUSION RULES.—Subsection (e) of
 7 section 451 of the Internal Revenue Code of 1986 (relat-
 8 ing to general rule for taxable year of inclusion) is amend-
 9 ed to read as follows:

10 “(e) SPECIAL RULE FOR PROCEEDS FROM LIVE-
 11 STOCK SOLD ON ACCOUNT OF WEATHER-RELATED CON-
 12 DITIONS OR FEDERAL LAND MANAGEMENT AGENCY POL-
 13 ICY OR ACTION.—

14 “(1) IN GENERAL.—In the case of income de-
 15 rived from the sale or exchange of livestock in excess
 16 of the number the taxpayer would sell if he followed
 17 his usual business practices, a taxpayer may elect to
 18 include such income for the taxable year following
 19 two full taxable years in which the weather-related
 20 conditions or forced sales caused by Federal land
 21 management agency policy or action which resulted
 22 in such sale or exchange do not exist if such tax-
 23 payer establishes that, under his usual business
 24 practices, the sale or exchange would not have oc-
 25 curred in the taxable year in which it occurred if it
 26 were not for—

1 “(A) the weather-related conditions that
 2 resulted in the area being designated as eligible
 3 for assistance by the Federal Government, or

4 “(B) forced sales resulting from Federal
 5 land management agency policy or action.

6 “(2) LIMITATION.—Paragraph (1) shall apply
 7 only to a taxpayer whose principal trade or business
 8 is farming (within the meaning of section
 9 6420(c)(3)).

10 “(3) SPECIAL RULES FOR DROUGHT DESIGNA-
 11 TIONS.—For purposes of this subsection, areas may
 12 be designated as eligible for drought condition
 13 assistance—

14 “(A) by Federal Government declaration,
 15 or

16 “(B) through Farm Service Agency flash
 17 reports as verified and approved by the Farm
 18 Service Agency director of the State in which
 19 such condition exists.”.

20 (b) RULES FOR REPLACEMENT OF INVOLUNTARILY
 21 CONVERTED LIVESTOCK.—

22 (1) IN GENERAL.—Section 1033(a)(2)(B) of the
 23 Internal Revenue Code of 1986 (relating to period
 24 within which property must be replaced) is amended

1 by redesignating clause (ii) as clause (iii) and by in-
 2 serting after clause (i) the following new clause:

3 “(ii) in the case of an involuntary con-
 4 version described in subsection (e), 2 years
 5 after the close of the taxable year following
 6 the year in which any part of the gain
 7 upon the conversion is realized and in
 8 which weather-related conditions or forced
 9 sales resulting from Federal land manage-
 10 ment agency policy or action have ended,
 11 or”.

12 (2) INVOLUNTARY CONVERSION DESCRIBED.—
 13 Subsection (e) of section 1033 of such Code (relat-
 14 ing to involuntary conversions) is amended to read
 15 as follows:

16 “(e) LIVESTOCK SOLD ON ACCOUNT OF WEATHER-
 17 RELATED CONDITIONS OR FEDERAL LAND MANAGEMENT
 18 AGENCY POLICY OR ACTION.—For purposes of this sub-
 19 title, the sale or exchange of livestock (other than poultry)
 20 in excess of the number the taxpayer would sell if he fol-
 21 lowed usual business practices, shall be treated as an in-
 22 voluntary conversion to which this section applies if such
 23 livestock are sold or exchanged by the taxpayer solely on
 24 account of weather-related conditions or forced sales

1 caused by Federal land management agency policy or ac-
 2 tion.”.

3 (3) CONVERSION BY HEIRS.—Section
 4 1033(a)(2) of such Code is amended by adding at
 5 the end the following new subparagraph:

6 “(F) CONVERSION OF CERTAIN PROPERTY
 7 BY HEIRS.—In the case of an involuntary con-
 8 version of property described in subsection (e),
 9 if the taxpayer dies during the period specified
 10 in subparagraph (B), the requirements of sub-
 11 paragraph (A) shall be satisfied if the
 12 decedent’s—

13 “(i) personal representative,

14 “(ii) the beneficiary of the converted
 15 property, if no personal representative ex-
 16 ists, or

17 “(iii) the trustee in the case of a
 18 trust,

19 replaces the property within such period.”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply with respect to sales or exchanges
 22 after the date of the enactment of this Act.

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