

108TH CONGRESS  
1ST SESSION

# H. R. 905

To amend the Internal Revenue Code of 1986 to simplify the application of self-employment tax in the case of family farming businesses.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 2003

Mr. POMEROY (for himself and Mr. HOUGHTON) 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 simplify the application of self-employment tax in the case of family farming businesses.

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.**

4 This Act may be cited as the “Family Farm Tax Sim-  
5 plification Act of 2003”.

6 **SEC. 2. TREATMENT OF FARMING JOINT VENTURES BY**  
7 **HUSBAND AND WIFE.**

8 (a) IN GENERAL.—Section 761 of the Internal Rev-  
9 enue Code of 1986 (defining terms for purposes of part-  
10 nerships) is amended by redesignating subsection (f) as

1 subsection (g) and by inserting after subsection (e) the  
2 following new subsection:

3 “(f) QUALIFIED FARMING JOINT VENTURE.—

4 “(1) IN GENERAL.—In the case of a qualified  
5 farming joint venture conducted by a husband and  
6 wife who file a joint return for the taxable year, for  
7 purposes of this title—

8 “(A) such joint venture shall not be treat-  
9 ed as a partnership,

10 “(B) all items of income, gain, loss, deduc-  
11 tion, and credit shall be divided equally between  
12 the spouses, and

13 “(C) each spouse shall take into account  
14 such spouse’s respective share of such items as  
15 if they were attributable to a trade or business  
16 conducted by such spouse as a sole proprietor.

17 “(2) QUALIFIED FARMING JOINT VENTURE.—

18 For purposes of this paragraph (1), the term ‘quali-  
19 fied farming joint venture’ means any joint venture  
20 involving the conduct of a farming business if—

21 “(A) the only members of such joint ven-  
22 ture are a husband and wife,

23 “(B) both spouses materially participate in  
24 such business (within the meaning of section  
25 1402(a)(1)(B)), and

1           “(C) both spouses elect the application of  
2           this subsection.”.

3           (b) NET EARNINGS FROM SELF-EMPLOYMENT.—

4           (1) Subsection (a) of section 1402 of such Code  
5           (defining net earnings from self-employment) is  
6           amended by striking “and” at the end of paragraph  
7           (14), by striking the period at the end of paragraph  
8           (15) and inserting “; and”, and by inserting after  
9           paragraph (15) the following new paragraph:

10           “(16) notwithstanding the preceding provisions  
11           of this subsection, each spouse’s share of income or  
12           loss from a qualified farming joint venture shall be  
13           taken into account as provided in section 761(f) in  
14           determining net earnings from self-employment of  
15           such spouse.”.

16           (2) Subsection (a) of section 211 of the Social  
17           Security Act (defining net earnings from self-em-  
18           ployment) is amended by striking “and” at the end  
19           of paragraph (14), by striking the period at the end  
20           of paragraph (15) and inserting “; and”, and by in-  
21           serting after paragraph (15) the following new para-  
22           graph:

23           “(16) Notwithstanding the preceding provisions  
24           of this subsection, each spouse’s share of income or  
25           loss from a qualified farming joint venture shall be

1 taken into account as provided in section 761(f) of  
2 the Internal Revenue Code of 1986 in determining  
3 net earnings from self-employment of such spouse.”.

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 2002.

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