

109TH CONGRESS
1ST SESSION

H. R. 775

To amend the Internal Revenue Code of 1986 to provide an exclusion for gain from the sale of farmland which is similar to the exclusion from gain on the sale of a principal residence.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 2005

Mr. OSBORNE (for himself, Mr. GREEN of Wisconsin, Mr. HOSTETTLER, Mr. PAUL, Mr. SKELTON, Mr. WAMP, and Mr. POMEROY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide an exclusion for gain from the sale of farmland which is similar to the exclusion from gain on the sale of a principal residence.

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 “Farmland Capital
5 Gains Equity Act of 2005”.

1 **SEC. 2. EXCLUSION OF GAIN FROM SALE OF CERTAIN**
2 **FARMLAND.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-
4 ter 1 of the Internal Revenue Code of 1986 (relating to
5 items specifically excluded from gross income) is amended
6 by adding after section 121 the following new section:

7 **“SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED**
8 **FARM PROPERTY.**

9 “(a) EXCLUSION.—In the case of a natural person,
10 gross income shall not include gain from the sale or ex-
11 change of qualified farm property.

12 “(b) LIMITATION ON AMOUNT OF EXCLUSION.—

13 “(1) IN GENERAL.—The amount of gain ex-
14 cluded from gross income under subsection (a) with
15 respect to any taxable year shall not exceed
16 \$500,000 (\$250,000 in the case of a married indi-
17 vidual filing a separate return), reduced by the ag-
18 gregate amount of gain excluded under subsection
19 (a) for all preceding taxable years.

20 “(2) SPECIAL RULE FOR JOINT RETURNS.—The
21 amount of the exclusion under subsection (a) on a
22 joint return for any taxable year shall be allocated
23 equally between the spouses for purposes of applying
24 the limitation under paragraph (1) for any suc-
25 ceeding taxable year.

1 “(c) QUALIFIED FARM PROPERTY.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The term ‘qualified farm
4 property’ means real property located in the United
5 States if, during periods aggregating 3 years or
6 more of the 5-year period ending on the date of the
7 sale or exchange of such real property—

8 “(A) such real property was used by the
9 taxpayer or a member of the family of the tax-
10 payer as a farm for farming purposes, and

11 “(B) there was material participation by
12 the taxpayer (or such a member) in the oper-
13 ation of the farm.

14 “(2) OTHER DEFINITIONS.—The terms ‘mem-
15 ber of the family’, ‘farm’, and ‘farming purposes’
16 have the respective meanings given such terms by
17 paragraphs (2), (4), and (5) of section 2032A(e).

18 “(3) SPECIAL RULES.—Rules similar to the
19 rules of paragraphs (4) and (5) of section 2032A(b)
20 and paragraphs (3) and (6) of section 2032A(e)
21 shall apply.

22 “(d) OTHER RULES.—For purposes of this section,
23 rules similar to the rules of subsections (d), (e) and (f)
24 of section 121 shall apply.”.

1 (b) CONFORMING AMENDMENT.—The table of sec-
2 tions for part III of subchapter B of chapter 1 of the In-
3 ternal Revenue Code of 1986 is amended by adding after
4 the item relating to section 121 the following new item:

“Sec. 121A. Exclusion of gain from sale of qualified farm property.”.

5 (c) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to any sale or exchange on or after
7 December 31, 2004.

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