

112TH CONGRESS
2D SESSION

H. R. 6276

To amend the Internal Revenue Code of 1986 to provide for Commercial Fishing, Farm, and Ranch Risk Management Accounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 2, 2012

Mr. LANDRY 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 for Commercial Fishing, Farm, and Ranch Risk Management Accounts, 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.**

4 This Act may be cited as the “Commercial Fishing,
5 Farm, and Ranch Risk Management Act”.

6 **SEC. 2. COMMERCIAL FISHING, FARM, AND RANCH RISK**
7 **MANAGEMENT ACCOUNTS.**

8 (a) IN GENERAL.—Subpart C of part II of sub-
9 chapter E of chapter 1 of the Internal Revenue Code of

1 1986 (relating to taxable year for which deductions taken)
 2 is amended by inserting after section 468B the following:

3 **“SEC. 468C. COMMERCIAL FISHING, FARM, AND RANCH**
 4 **RISK MANAGEMENT ACCOUNTS.**

5 “(a) DEDUCTION ALLOWED.—In the case of an indi-
 6 vidual engaged in an eligible farming business or commer-
 7 cial fishing, there shall be allowed as a deduction for any
 8 taxable year the amount paid in cash by the taxpayer dur-
 9 ing the taxable year to a Commercial Fishing, Farm, and
 10 Ranch Risk Management Account (hereinafter in this sec-
 11 tion referred to as the ‘CFFR Account’).

12 “(b) LIMITATION.—The amount which a taxpayer
 13 may pay into the CFFR Account for any taxable year shall
 14 not exceed 20 percent of so much of the taxable income
 15 of the taxpayer (determined without regard to this section)
 16 which is attributable (determined in the manner applicable
 17 under section 1301) to any eligible farming business or
 18 commercial fishing.

19 “(c) ELIGIBLE BUSINESSES.—For purposes of this
 20 section—

21 “(1) ELIGIBLE FARMING BUSINESS.—The term
 22 ‘eligible farming business’ means any farming busi-
 23 ness (as defined in section 263A(e)(4)) which is not
 24 a passive activity (within the meaning of section
 25 469(c)) of the taxpayer.

1 “(2) COMMERCIAL FISHING.—The term ‘com-
2 mercial fishing’ has the meaning given such term by
3 section 3(4) of the Magnuson-Stevens Fishery Con-
4 servation and Management Act (16 U.S.C. 1802(4))
5 but only if such fishing is not a passive activity
6 (within the meaning of section 469(c)) of the tax-
7 payer.

8 “(d) CFFR ACCOUNT.—For purposes of this section,
9 the term ‘Commercial Fishing, Farm, and Ranch Risk
10 Management Account’ or ‘CFFR Account’ means a trust
11 created or organized in the United States for the exclusive
12 benefit of the taxpayer, but only if the written governing
13 instrument creating the trust meets the following require-
14 ments:

15 “(1) No contribution will be accepted for any
16 taxable year in excess of the amount allowed as a
17 deduction under subsection (a) for such year.

18 “(2) The trustee is a bank (as defined in sec-
19 tion 408(n)) or another person who demonstrates to
20 the satisfaction of the Secretary that the manner in
21 which such person will administer the trust will be
22 consistent with the requirements of this section.

23 “(3) The assets of the trust consist entirely of
24 cash or of obligations which have adequate stated in-

1 terest (as defined in section 1274(c)(2)) and which
2 pay such interest not less often than annually.

3 “(4) The assets of the trust will not be commin-
4 gled with other property except in a common trust
5 fund or common investment fund.

6 “(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

7 “(1) IN GENERAL.—Except as provided in para-
8 graph (2), there shall be includible in the gross in-
9 come of the taxpayer for any taxable year—

10 “(A) any amount distributed from a CFFR
11 Account of the taxpayer during such taxable
12 year, and

13 “(B) any deemed distribution under—

14 “(i) subsection (f)(1) (relating to de-
15 posits not distributed within 10 years),

16 “(ii) subsection (f)(2) (relating to ces-
17 sation in eligible farming business), and

18 “(iii) subparagraph (B) or (C) of sub-
19 section (f)(3) (relating to prohibited trans-
20 actions and pledging account as security).

21 “(2) EXCEPTIONS.—Paragraph (1)(A) shall not
22 apply to—

23 “(A) any distribution to the extent attrib-
24 utable to income of the Account, and

1 “(B) the distribution of any contribution
 2 paid during a taxable year to a CFFR Account
 3 to the extent that such contribution exceeds the
 4 limitation applicable under subsection (b) if re-
 5 quirements similar to the requirements of sec-
 6 tion 408(d)(4) are met.

7 For purposes of subparagraph (A), distributions
 8 shall be treated as first attributable to income and
 9 then to other amounts.

10 “(f) SPECIAL RULES.—

11 “(1) TAX ON DEPOSITS IN ACCOUNT WHICH
 12 ARE NOT DISTRIBUTED WITHIN 10 YEARS.—

13 “(A) IN GENERAL.—If, at the close of any
 14 taxable year, there is a nonqualified balance in
 15 any CFFR Account—

16 “(i) there shall be deemed distributed
 17 from such Account during such taxable
 18 year an amount equal to such balance, and

19 “(ii) the taxpayer’s tax imposed by
 20 this chapter for such taxable year shall be
 21 increased by 10 percent of such deemed
 22 distribution.

23 The preceding sentence shall not apply if an
 24 amount equal to such nonqualified balance is
 25 distributed from such Account to the taxpayer

1 before the due date (including extensions) for
2 filing the return of tax imposed by this chapter
3 for such year (or, if earlier, the date the tax-
4 payer files such return for such year).

5 “(B) NONQUALIFIED BALANCE.—For pur-
6 poses of subparagraph (A), the term ‘non-
7 qualified balance’ means any balance in the Ac-
8 count on the last day of the taxable year which
9 is attributable to amounts deposited in such Ac-
10 count before the 9th preceding taxable year.

11 “(C) ORDERING RULE.—For purposes of
12 this paragraph, distributions from a CFFR Ac-
13 count (other than distributions of current in-
14 come) shall be treated as made from deposits in
15 the order in which such deposits were made, be-
16 ginning with the earliest deposits.

17 “(2) CESSATION IN ELIGIBLE BUSINESS.—At
18 the close of the first disqualification period after a
19 period for which the taxpayer was engaged in an eli-
20 gible farming business or commercial fishing, there
21 shall be deemed distributed from the CFFR Account
22 of the taxpayer an amount equal to the balance in
23 such Account (if any) at the close of such disquali-
24 fication period. For purposes of the preceding sen-
25 tence, the term ‘disqualification period’ means any

1 period of 3 consecutive taxable years for which the
2 taxpayer is not engaged in an eligible farming busi-
3 ness or commercial fishing.

4 “(3) CERTAIN RULES TO APPLY.—Rules similar
5 to the following rules shall apply for purposes of this
6 section:

7 “(A) Section 220(f)(8) (relating to treat-
8 ment on death).

9 “(B) Section 408(e)(2) (relating to loss of
10 exemption of account where individual engages
11 in prohibited transaction).

12 “(C) Section 408(e)(4) (relating to effect
13 of pledging account as security).

14 “(D) Section 408(g) (relating to commu-
15 nity property laws).

16 “(E) Section 408(h) (relating to custodial
17 accounts).

18 “(4) TIME WHEN PAYMENTS DEEMED MADE.—

19 For purposes of this section, a taxpayer shall be
20 deemed to have made a payment to a CFFR Ac-
21 count on the last day of a taxable year if such pay-
22 ment is made on account of such taxable year and
23 is made on or before the due date (including exten-
24 sions) for filing the return of tax for such taxable
25 year.

1 “(5) INDIVIDUAL.—For purposes of this sec-
 2 tion, the term ‘individual’ shall not include an estate
 3 or trust.

4 “(6) DEDUCTION NOT ALLOWED FOR SELF-EM-
 5 PLOYMENT TAX.—The deduction allowable by reason
 6 of subsection (a) shall not be taken into account in
 7 determining an individual’s net earnings from self-
 8 employment (within the meaning of section 1402(a))
 9 for purposes of chapter 2.

10 “(g) REPORTS.—The trustee of a CFFR Account
 11 shall make such reports regarding such Account to the
 12 Secretary and to the person for whose benefit the Account
 13 is maintained with respect to contributions, distributions,
 14 and such other matters as the Secretary may require
 15 under regulations. The reports required by this subsection
 16 shall be filed at such time and in such manner and fur-
 17 nished to such persons at such time and in such manner
 18 as may be required by such regulations.”.

19 (b) TAX ON EXCESS CONTRIBUTIONS.—

20 (1) Subsection (a) of section 4973 of such Code
 21 (relating to tax on excess contributions to certain
 22 tax-favored accounts and annuities) is amended by
 23 striking “or” at the end of paragraph (4), by insert-
 24 ing “or” at the end of paragraph (5), and by insert-
 25 ing after paragraph (5) the following:

1 “(6) a CFFR Account (within the meaning of
2 section 468C(d)), or”.

3 (2) Section 4973 of such Code is amended by
4 adding at the end the following:

5 “(g) EXCESS CONTRIBUTIONS TO FARM AC-
6 COUNTS.—For purposes of this section, in the case of a
7 CFFR Account (within the meaning of section 468C(d)),
8 the term ‘excess contributions’ means the amount by
9 which the amount contributed for the taxable year to the
10 Account exceeds the amount which may be contributed to
11 the Account under section 468C(b) for such taxable year.
12 For purposes of this subsection, any contribution which
13 is distributed out of the CFFR Account in a distribution
14 to which section 468C(e)(2)(B) applies shall be treated as
15 an amount not contributed.”.

16 (3) The section heading for section 4973 of
17 such Code is amended to read as follows:

18 **“SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN AC-**
19 **COUNTS, ANNUITIES, ETC.”.**

20 (4) The table of sections for chapter 43 of such
21 Code is amended by striking the item relating to sec-
22 tion 4973 and inserting the following:

“Sec. 4973. Excess contributions to certain accounts, annuities, etc.”.

23 (c) TAX ON PROHIBITED TRANSACTIONS.—

1 (1) Subsection (c) of section 4975 of such Code
2 (relating to tax on prohibited transactions) is
3 amended by adding at the end the following:

4 “(7) SPECIAL RULE FOR FARM ACCOUNTS.—A
5 person for whose benefit a CFFR Account (within
6 the meaning of section 468C(d)) is established shall
7 be exempt from the tax imposed by this section with
8 respect to any transaction concerning such account
9 (which would otherwise be taxable under this sec-
10 tion) if, with respect to such transaction, the ac-
11 count ceases to be a CFFR Account by reason of the
12 application of section 468C(f)(3)(B) to such ac-
13 count.”.

14 (2) Paragraph (1) of section 4975(e) of such
15 Code is amended by redesignating subparagraphs
16 (F) and (G) as subparagraphs (G) and (H), respec-
17 tively, and by inserting after subparagraph (E) the
18 following:

19 “(F) a CFFR Account described in section
20 468C(d),”.

21 (d) FAILURE TO PROVIDE REPORTS ON FARM AC-
22 COUNTS.—Paragraph (2) of section 6693(a) of such Code
23 (relating to failure to provide reports on certain tax-fa-
24 vored accounts or annuities) is amended by redesignating
25 subparagraphs (D) and (E) as subparagraphs (E) and

1 (F), respectively, and by inserting after subparagraph (C)
2 the following:

3 “(D) section 468C(g) (relating to CFFR
4 Accounts),”.

5 (e) CLERICAL AMENDMENT.—The table of sections
6 for subpart C of part II of subchapter E of chapter 1 of
7 such Code is amended by inserting after the item relating
8 to section 468B the following:

“Sec. 468C. Commercial fishing, farm, and ranch risk management accounts.”.

9 (f) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 the date of the enactment of this Act.

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