

103D CONGRESS  
1ST SESSION

# S. 882

To amend the Internal Revenue Code of 1986 to provide for the rollover of gain from the sale of farm assets into an individual retirement account.

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IN THE SENATE OF THE UNITED STATES

MAY 4 (legislative day, APRIL 19), 1993

Mr. KOHL introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide for the rollover of gain from the sale of farm assets into an individual retirement account.

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; REFERENCE TO INTERNAL REV-**  
4 **ENUE CODE.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Family Farm Retirement Equity Act of 1993”.

7 (b) REFERENCE TO INTERNAL REVENUE CODE OF  
8 1986.—Except as otherwise expressly provided, whenever  
9 in this Act an amendment or repeal is expressed in terms  
10 of an amendment to, or repeal of, a section or other provi-

1 sion, the reference shall be considered to be made to a  
 2 section or other provision of the Internal Revenue Code  
 3 of 1986.

4 **SEC. 2. ROLLOVER OF GAIN FROM SALE OF FARM ASSETS**  
 5 **TO INDIVIDUAL RETIREMENT PLANS.**

6 (a) IN GENERAL.—Part III of subchapter O of chap-  
 7 ter 1 of the Internal Revenue Code of 1986 (relating to  
 8 common nontaxable exchanges) is amended by inserting  
 9 after section 1034 the following new section:

10 **“SEC. 1034A. ROLLOVER OF GAIN ON SALE OF FARM ASSETS**  
 11 **INTO ASSET ROLLOVER ACCOUNT.**

12 “(a) NONRECOGNITION OF GAIN.—If a taxpayer has  
 13 a qualified net farm gain from the sale of a qualified farm  
 14 asset, then, at the election of the taxpayer, gain (if any)  
 15 from such sale shall be recognized only to the extent such  
 16 gain exceeds the contributions—

17 “(1) to 1 or more asset rollover accounts of the  
 18 taxpayer for the taxable year in which such sale oc-  
 19 curs, and

20 “(2) not in excess of the limits under subsection  
 21 (c).

22 “(b) ASSET ROLLOVER ACCOUNT.—

23 “(1) GENERAL RULE.—Except as provided in  
 24 this section, an asset rollover account shall be treat-

1 ed for purposes of this title in the same manner as  
2 an individual retirement plan.

3 “(2) ASSET ROLLOVER ACCOUNT.—For pur-  
4 poses of this title, the term ‘asset rollover account’  
5 means an individual retirement plan which is des-  
6 ignated at the time of the establishment of the plan  
7 as an asset rollover account. Such designation shall  
8 be made in such manner as the Secretary may pre-  
9 scribe.

10 “(c) CONTRIBUTION RULES.—

11 “(1) NO DEDUCTION ALLOWED.—No deduction  
12 shall be allowed under section 219 for a contribution  
13 to an asset rollover account.

14 “(2) AGGREGATE CONTRIBUTION LIMITA-  
15 TION.—Except in the case of rollover contributions,  
16 the aggregate amount for all taxable years which  
17 may be contributed to all asset rollover accounts es-  
18 tablished on behalf of an individual during a quali-  
19 fied period shall not exceed—

20 “(A) \$500,000 (\$250,000 in the case of a  
21 separate return by a married individual), re-  
22 duced by

23 “(B) the amount by which the aggregate  
24 value of the assets held by the individual (and

1 spouse) in individual retirement plans (other  
2 than asset rollover accounts) exceeds \$100,000.

3 “(3) ANNUAL CONTRIBUTION LIMITATIONS.—

4 “(A) GENERAL RULE.—The aggregate  
5 contribution which may be made in any taxable  
6 year to all asset rollover accounts shall not ex-  
7 ceed the lesser of—

8 “(i) the qualified net farm gain for  
9 the taxable year, or

10 “(ii) an amount determined by mul-  
11 tipling the number of years the taxpayer  
12 is a qualified farmer by \$10,000.

13 “(B) SPOUSE.—In the case of a married  
14 couple filing a joint return under section 6013  
15 for the taxable year, subparagraph (A) shall be  
16 applied by substituting ‘\$20,000’ for ‘\$10,000’  
17 for each year the taxpayer’s spouse is a quali-  
18 fied farmer.

19 “(4) TIME WHEN CONTRIBUTION DEEMED  
20 MADE.—For purposes of this section, a taxpayer  
21 shall be deemed to have made a contribution to an  
22 asset rollover account on the last day of the preced-  
23 ing taxable year if the contribution is made on ac-  
24 count of such taxable year and is made not later  
25 than the time prescribed by law for filing the return

1 for such taxable year (not including extensions  
2 thereof).

3 “(d) QUALIFIED NET FARM GAIN; ETC.—For pur-  
4 poses of this section—

5 “(1) QUALIFIED NET FARM GAIN.—The term  
6 ‘qualified net farm gain’ means the lesser of—

7 “(A) the net capital gain of the taxpayer  
8 for the taxable year, or

9 “(B) the net capital gain for the taxable  
10 year determined by only taking into account  
11 gain (or loss) in connection with a disposition  
12 of a qualified farm asset.

13 “(2) QUALIFIED FARM ASSET.—The term  
14 ‘qualified farm asset’ means an asset used by a  
15 qualified farmer in the active conduct of the trade  
16 or business of farming (as defined in section  
17 2032A(e)).

18 “(3) QUALIFIED FARMER.—

19 “(A) IN GENERAL.—The term ‘qualified  
20 farmer’ means a taxpayer who—

21 “(i) during the 5-year period ending  
22 on the date of the disposition of a qualified  
23 farm asset materially participated in the  
24 trade or business of farming, and

1           “(ii) 50 percent or more of such trade  
2           or business is owned by the taxpayer (or  
3           his spouse) during such 5-year period.

4           “(B) MATERIAL PARTICIPATION.—For  
5           purposes of this paragraph, a taxpayer shall be  
6           treated as materially participating in a trade or  
7           business if the taxpayer meets the requirements  
8           of section 2032A(e)(6).

9           “(4) ROLLOVER CONTRIBUTIONS.—Rollover  
10          contributions to an asset rollover account may be  
11          made only from other asset rollover accounts.

12          “(e) DISTRIBUTION RULES.—For purposes of this  
13          title, the rules of paragraphs (1) and (2) of section 408(d)  
14          shall apply to any distribution from an asset rollover  
15          account.

16          “(f) INDIVIDUAL REQUIRED TO REPORT QUALIFIED  
17          CONTRIBUTIONS.—

18                 “(1) IN GENERAL.—Any individual who—

19                         “(A) makes a contribution to any asset  
20                         rollover account for any taxable year, or

21                         “(B) receives any amount from any asset  
22                         rollover account for any taxable year,

23          shall include on the return of tax imposed by chap-  
24          ter 1 for such taxable year and any succeeding tax-  
25          able year (or on such other form as the Secretary

1 may prescribe) information described in paragraph  
2 (2).

3 “(2) INFORMATION REQUIRED TO BE SUP-  
4 PLIED.—The information described in this para-  
5 graph is information required by the Secretary  
6 which is similar to the information described in sec-  
7 tion 408(o)(4)(B).

8 “(3) PENALTIES.—For penalties relating to re-  
9 ports under this paragraph, see section 6693(b).”.

10 (b) CONTRIBUTIONS NOT DEDUCTIBLE.—Section  
11 219(d) of the Internal Revenue Code of 1986 (relating to  
12 other limitations and restrictions) is amended by adding  
13 at the end thereof the following new paragraph:

14 “(5) CONTRIBUTIONS TO ASSET ROLLOVER AC-  
15 COUNTS.—No deduction shall be allowed under this  
16 section with respect to a contribution under section  
17 1034A.”.

18 (c) EXCESS CONTRIBUTIONS.—

19 (1) IN GENERAL.—Section 4973 of the Internal  
20 Revenue Code of 1986 (relating to tax on excess  
21 contributions to individual retirement accounts, cer-  
22 tain section 403(b) contracts, and certain individual  
23 retirement annuities) is amended by adding at the  
24 end the following new subsection:

1       “(d) ASSET ROLLOVER ACCOUNTS.—For purposes of  
2 this section, in the case of an asset rollover account re-  
3 ferred to in subsection (a)(1), the term ‘excess contribu-  
4 tion’ means the excess (if any) of the amount contributed  
5 for the taxable year to such account over the amount  
6 which may be contributed under section 1034A.”.

7           (2) CONFORMING AMENDMENTS.—

8           (A) Section 4973(a)(1) of such Code is  
9 amended by striking “or” and inserting “an  
10 asset rollover account (within the meaning of  
11 section 1034A), or”.

12           (B) The heading for section 4973 of such  
13 Code is amended by inserting “**ASSET ROLL-**  
14 **OVER ACCOUNTS,**” after “**CONTRACTS**”.

15           (C) The table of sections for chapter 43 of  
16 such Code is amended by inserting “asset roll-  
17 over accounts,” after “contracts” in the item  
18 relating to section 4973.

19           (d) TECHNICAL AMENDMENTS.—

20           (1) Paragraph (1) of section 408(a) of the In-  
21 ternal Revenue Code of 1986 (defining individual re-  
22 tirement account) is amended by inserting “or a  
23 qualified contribution under section 1034A,” before  
24 “no contribution”.

1           (2) Subparagraph (A) of section 408(d)(5) of  
2 such Code is amended by inserting “or qualified con-  
3 tributions under section 1034A” after “rollover con-  
4 tributions”.

5           (3)(A) Section 6693(b)(1) of such Code is  
6 amended by inserting “or 1034A(f)(1)” after  
7 “408(o)(4)” in subparagraph (A).

8           (B) Section 6693(b)(2) of such Code is amend-  
9 ed by inserting “or 1034A(f)(1)” after “408(o)(4)”.

10          (4) The table of sections for part III of sub-  
11 chapter O of chapter 1 of such Code is amended by  
12 inserting after the item relating to section 1034 the  
13 following new item:

“Sec. 1034A. Rollover of gain on sale of farm assets into asset  
rollover account.”.

14          (e) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to sales and exchanges after the  
16 date of enactment of this Act.

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