

105TH CONGRESS  
1ST SESSION

# H. R. 1164

To amend the Internal Revenue Code of 1986 to provide taxpayers engaged in certain agriculture-related activities a credit against income tax for property used to control environmental pollution and for soil and water conservation expenditures.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 1997

Mr. HERGER (for himself, Mr. BARRETT of Nebraska, Mr. HOUGHTON, Mr. WATKINS, Mr. CAMP, Mr. FROST, Mr. LATHAM, Mr. MINGE, Mr. KINGSTON, Mr. McHUGH, Mr. GILCHREST, Mr. WALSH, and Mr. NETHERCUTT) 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 taxpayers engaged in certain agriculture-related activities a credit against income tax for property used to control environmental pollution and for soil and water conservation expenditures.

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 “Rural Environment  
5 Tax Credit Act”.

1 **SEC. 2. CREDIT FOR PROPERTY USED IN CERTAIN AGRI-**  
2 **CULTURE-RELATED ACTIVITIES TO CONTROL**  
3 **ENVIRONMENTAL POLLUTION AND FOR SOIL**  
4 **AND WATER CONSERVATION EXPENDITURES.**

5 (a) IN GENERAL.—Section 46 of the Internal Reve-  
6 nue Code of 1986 (relating to amount of investment cred-  
7 it) is amended by striking “and” at the end of paragraph  
8 (2), by striking the period at the end of paragraph (3)  
9 and inserting “, and”, and by adding at the end thereof  
10 the following paragraph:

11 “(4) in the case of an eligible taxpayer (as de-  
12 fined in section 48(c)), the agricultural environ-  
13 mental credit.”

14 (b) AGRICULTURAL ENVIRONMENTAL CREDIT.—Sec-  
15 tion 48 of such Code is amended by adding at the end  
16 thereof the following new subsection:

17 “(c) AGRICULTURAL ENVIRONMENTAL CREDIT.—

18 “(1) IN GENERAL.—For purposes of section 46,  
19 in the case of an eligible taxpayer, the agricultural  
20 environmental credit for any taxable year is—

21 “(A) 15 percent of the portion of the basis  
22 of each agricultural environmental property  
23 placed in service by the taxpayer during such  
24 taxable year, and

25 “(B) 15 percent of the amount allowed as  
26 a deduction under section 175 (determined

1 without regard to paragraph (4)(B)) for such  
2 taxable year.

3 “(2) ELIGIBLE TAXPAYER.—

4 “(A) IN GENERAL.—For purposes of this  
5 subsection, the term ‘eligible taxpayer’ means  
6 any taxpayer primarily engaged in a farming-  
7 related business.

8 “(B) FARMING-RELATED BUSINESS.—For  
9 purposes of this subsection, the term ‘farming-  
10 related business’ means—

11 “(i) a farming business (as defined in  
12 section 263A(e)(4)),

13 “(ii) a trade or business of mixing fer-  
14 tilizers from purchased fertilizer materials,  
15 and

16 “(iii) a trade or business of the whole-  
17 sale distribution of animal feeds, fertilizers,  
18 agricultural chemicals, pesticides, seeds, or  
19 other farm supplies (other than grains).

20 “(3) AGRICULTURAL ENVIRONMENTAL PROP-  
21 erty.—

22 “(A) IN GENERAL.—For purposes of this  
23 subsection, the term ‘agricultural environmental  
24 property’ means any new identifiable treatment  
25 facility—

1 “(i) which is used in a farming-related  
2 business for the primary purpose of com-  
3 plying with Federal, State, and local envi-  
4 ronmental laws dealing with the abatement  
5 or control of water, soil, or atmospheric  
6 pollution or contamination by removing, al-  
7 tering, disposing, storing, or preventing the  
8 creation or emission of pollutants, contami-  
9 nants, wastes, or heat, and

10 “(ii) which does not significantly—

11 “(I) increase the output or capac-  
12 ity, extend the useful life, or reduce  
13 the total operating costs of plant or  
14 property to which such facility relates,  
15 or

16 “(II) alter the nature of any  
17 manufacturing or production process  
18 or facility.

19 “(B) NEW IDENTIFIABLE TREATMENT FA-  
20 CILITY.—The term ‘new identifiable treatment  
21 facility’ has the meaning given such term by  
22 section 169(d)(4)(A), determined by substitut-  
23 ing ‘December 31, 1996’ for ‘December 31,  
24 1968’.

25 “(4) SPECIAL RULES.—

1           “(A) COORDINATION WITH ENERGY AND  
2 REHABILITATION CREDITS.—This subsection  
3 shall not apply to—

4           “(i) any property to the extent the  
5 basis of such property is attributable to  
6 qualified rehabilitation expenditures (as de-  
7 fined in section 47(c)(2)), or

8           “(ii) energy property.

9           “(B) COORDINATION WITH DEDUCTION  
10 FOR SOIL AND WATER CONSERVATION EXPEND-  
11 ITURES.—The amount which would (but for  
12 this subparagraph) be allowed as a deduction  
13 under section 174 for any taxable year shall be  
14 reduced by the amount of the credit allowed by  
15 paragraph (1)(B) for such year.

16           “(C) COORDINATION WITH AMORTIZATION  
17 OF POLLUTION CONTROL FACILITIES.—This  
18 subsection shall not apply to any property to  
19 the extent an election is made under section  
20 169 with respect to the basis of such property.”

21 (c) CLERICAL AMENDMENTS.—

22           (1) The section heading for section 48 of such  
23 Code is amended to read as follows:

1 **“SEC. 48. ENERGY CREDIT; REFORESTATION CREDIT; AGRI-**  
2 **CULTURAL ENVIRONMENTAL CREDIT.”**

3 (2) The item relating to section 48 in the table  
4 of sections for subpart E of part IV of subchapter  
5 A of chapter 1 of such Code is amended to read as  
6 follows:

“Sec. 48. Energy credit; reforestation credit; agricultural environ-  
mental credit.”

7 (d) **EFFECTIVE DATE.**—The amendments made by  
8 this section shall apply to periods after December 31,  
9 1996, under rules similar to the rules of section 48(m)  
10 of the Internal Revenue Code of 1986 (as in effect on the  
11 day before the date of the enactment of the Revenue Rec-  
12 onciliation Act of 1990).

○