

105TH CONGRESS
2D SESSION

H. R. 3286

To amend the Internal Revenue Code of 1986 with respect to the treatment of certain bargain sales.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 1998

Mr. DUNCAN introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 with respect to the treatment of certain bargain sales.

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 “Land Preservation Tax
5 Fairness Act of 1998”.

6 **SEC. 2. TREATMENT OF CERTAIN BARGAIN SALES.**

7 (a) BASIS ALLOCATION RULES.—Subsection (b) of
8 section 1011 of the Internal Revenue Code of 1986 (relat-
9 ing to bargain sale to charitable organization) is amended
10 to read as follows:

1 “(b) BARGAIN SALE TO CHARITABLE ORGANIZA-
2 TION.—

3 “(1) IN GENERAL.—If a deduction is allowable
4 under section 170 (relating to charitable contribu-
5 tions) by reason of a sale, then the adjusted basis
6 for determining gain from such a sale shall be that
7 portion of the adjusted basis which bears the same
8 ratio to the adjusted basis as the amount realized
9 bears to the fair market value of the property.

10 “(2) SPECIAL RULE FOR CERTAIN SALES OF
11 REAL PROPERTY.—If—

12 “(A) a deduction is allowable under section
13 170 by reason of any sale, and

14 “(B) such sale is a sale of real property (or
15 an interest therein) to a qualified organization
16 (as defined in section 170(h)),

17 paragraph (1) shall not apply and the entire ad-
18 justed basis of the property (or interest therein)
19 shall be taken into account in determining the
20 amount of gain from such sale. If the sale involves
21 an interest which is a restriction described in section
22 170(h)(2)(C), the entire adjusted basis of the prop-
23 erty to which the such restriction applies shall be
24 taken into account under the preceding sentences as
25 the adjusted basis of the interest.”

1 (b) DETERMINATION OF FAIR MARKET VALUE.—
2 Section 170 of such Code is amended by redesignating
3 subsection (m) as subsection (n) and by inserting after
4 subsection (l) the following new subsection:

5 “(m) DETERMINATION OF VALUE OF CERTAIN RE-
6 STRICTIONS.—If any restriction described in subsection
7 (h)(2)(C) is sold to a qualified organization (as defined
8 in subsection (h)), for purposes of determining the amount
9 (if any) of the deduction allowable under this section with
10 respect to such sale, the fair market value of such restric-
11 tion shall be determined without regard to the amount
12 paid therefor even if such amount is determined in a com-
13 petitive fashion.”

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

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